中信银行
CHINA CITIC BANK

30
1987-2017

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

Stock Code: 0998

Strive to Be the Bank Offering the Best Comprehensive Financing Services

2016 Annual Report

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of the Bank ensure that the information contained herein does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for its truthfulness, accuracy and completeness.

The meeting of the Board of Directors of the Bank adopted the full text and summary of the Bank's 2016 Annual Report on 22 March 2017. All of the 10 eligible directors attended the meeting, with Director Mr. Chang Zhenming entrusting Chairperson Ms. Li Qingping to attend and vote as proxy. The supervisors of the Bank attended the meeting as non-voting participants.

The Bank's 2016 Annual Report prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the auditing standards of mainland China and Hong Kong SAR respectively, with both firms producing an audit report with an unqualified audit opinion.

Ms. Li Qingping as Chairperson of the Board of Directors, Mr. Sun Deshun as President of the Bank, Mr. Fang Heying as Vice President and concurrently Chief Financial Officer of the Bank, and Ms. Li Peixia as General Manager of the Finance and Accounting Department, hereby guarantee the truthfulness, accuracy and completeness of the financial report contained in the 2016 Annual Report.

Profit Distribution Plan: Chapter 9 "Report of Board of Directors – Profit and Dividend Distribution" of the report discloses the Bank's Profit Distribution Plan for 2016 as reviewed and adopted by the Board of Directors and to be submitted to the 2016 Annual General Meeting for deliberation. The plan proposes to pay a cash dividend of RMB2.15 per 10 shares (before tax). No scheme for transfer of capital reserve to share capital will be applied for the current year.

Cautionary note on forward looking statements: Forward looking statements such as future plans and development strategies contained in the report do not constitute substantive commitments of the Bank to investors. Investors and relevant persons shall maintain adequate risk awareness of such statements and understand the differences between plans, projections and commitments.

Material risk reminder: During the reporting period, the Bank was not aware of any material risk that would adversely affect its future development strategy and business targets. The Bank has detailed in this report the major risks that it was and may be exposed to in operation and management and its countermeasures thereof. Please refer to "Risk Management" and "Outlook" in Chapter 8 "Management Discussion and Analysis" for relevant details.

The terms the "Bank", the "Company", "CITIC Bank", "China CITIC Bank" and "CNCB" mentioned in the report all refer to China CITIC Bank Corporation Limited while the term the "Group" mentioned in the report refers to China CITIC Bank Corporation Limited and its subsidiaries.

The report is presented in RMB unless otherwise specially noted.

Corporate Introduction

China CITIC Bank was founded in 1987. It is one of the earliest emerging commercial banks established during China's reform and opening up and also China's first commercial bank participating in financing at both domestic and international financial markets. A keen contributor to China's economic development, the Bank is renowned at home and abroad for brushing numerous track records in the modern Chinese financial history. In April 2007, the Bank simultaneously listed its A + H shares at the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited.

The Bank aspires to become "the bank offering the best comprehensive financing services". To attain this strategic development vision, the Bank fully leverages on the unique competitive advantages of CITIC Group in placing financial and non-financial businesses on an equal footing, and at the same time holds firm to the core values of "client focus" and the business management concept of "compliance, smart, teamwork and efficiency". For 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. 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.

As at the end of 2016, the Bank had 1,424 outlets in 138 large and medium-sized cities in China, and 4 subsidiaries, including CITIC Financial Leasing Co., Ltd., Lin'an CITIC Rural Bank Limited in mainland China, and CITIC International Financial Holdings Corporation Limited ("CIFH") and CNCB (Hong Kong) Investment Co., Ltd. in Hong Kong. CITIC Bank International Limited ("CNCBI"), a wholly-owned subsidiary of CIFH, had 41 outlets in Hong Kong, Macau, New York, Los Angeles, Singapore and mainland China. In addition, the Bank has obtained CBRC approval for setting up Baixin Bank, an initiative jointly sponsored by the Bank and Baidu.

2017 marks the 30th anniversary of the Bank and 10th anniversary of its listing. The Bank has grown and expanded over the three decades. It is now an international financial institution that enjoys rich capital resources, strong comprehensive competitiveness and extensive brand influence, and registers more than RMB6 trillion total assets and nearly 60,000 employees. The Bank ranked the 79th among the "Top 2,000 Global Enterprises" published by the Forbes magazine in May 2016, and the 30th in terms of tier-one capital among the "Top 1,000 World Banks" published by The Banker magazine of the United Kingdom in July 2016. With its corporate growth at the intersection of past and future, the Bank will uphold its profit focus, maintain strategic strength and deepen business transformation in a bid to become "the bank offering the best comprehensive financing services" and create more value for shareholders.

Contents

Chapter 1 Definitions

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Auditors	PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers
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
CPA	Certified Public Accountant
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 ZT	PricewaterhouseCoopers Zhong Tian LLP
QFII	Qualified Foreign Institutional Investors
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
Xinhu Zhong Bao	Xinhu Zhong Bao Co., Ltd.

Geographical segments of the Group and the Bank as disclosed in this report, and as defined for financial reporting purposes, are as follows:

"Yangtze River Delta" refers to the following areas where tier-1 branches and a subsidiary 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 a subsidiary 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 report is Renminbi. This report is compiled both in Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Chapter 2 *Corporate* Introduction

2.1 Corporate Information

Registered Name in Chinese:	中信銀行股份有限公司(簡稱「中信銀行」)
Registered Name in English:	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative:	Li Qingping
Authorized Representatives:	Sun Deshun, Lu Wei
Secretary to the Board of Directors:	Lu Wei
Joint Company Secretaries:	Lu Wei, KAM Mei Ha Wendy (FCS, FCIS)
Securities Representative of the Company:	Wang Junwei
Registered Address:	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal code of the registered address:	100010
Office Address:	No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Office Postal Code:	100010
Official Website:	www.citicbank.com
Telephone Number/Fax Number:	+86-10-85230010/+86-10-85230079
Email Address:	ir@citicbank.com
Principal Place of Business in Hong Kong:	Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong
Newspapers for Information Disclosure:	China Securities Journal, Shanghai Securities News, Securities Times
Websites for Information Disclosure:	Website designated by the CSRC to publish A-share annual report: www.sse.com.cn Website designated by the SEHK to publish H-share annual report: www.hkexnews.hk
Place Where Annual Report is Kept:	CITIC Bank: No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing Shanghai Stock Exchange: No.528 Pudong Nanlu, Shanghai
Legal adviser as to PRC Laws:	East & Concord Partners
Legal adviser as to Hong Kong Laws:	Clifford Chance LLP
Domestic Auditor:	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai (Postal code: 200021)
Domestic signing CPAs:	Hu Yan & Wu Weijun
Overseas Auditor:	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Overseas signing CPA:	Ho Shuk Ching, Margarita
Sponsor 1 for continuous supervision and guidance:	CITIC Securities Co., Ltd.
Office Address:	23rd Floor, CITIC Securities Mansion, No.48 Liangmaqiao Road, Chaoyang District, Beijing
Signing sponsor representatives:	Zhou Yu, Zheng Chun, Ma Xiaolong and Dai Jiaming
Duration of continuous supervision and guidance:	22 January 2016 to 31 December 2017
Sponsor 2 for continuous supervision and guidance:	China Securities Co., Ltd.
Office Address:	3rd Floor, Kaiheng Center B and E, No.2 Chaonei Dajie, Dongcheng District, Beijing
Signing sponsor representatives:	Zhang Shuai and Yan Mingqing
Duration of continuous supervision and guidance:	6 May 2016 to 31 December 2017
Sponsor 3 for continuous supervision and guidance:	China International Capital Corporation Limited (CICC)
Office Address:	27-28/F, China World Office 2, No.1 Jianguomen Waidajie, Beijing
Signing sponsor representatives:	Zhou Zheng and Shi Fang
Duration of continuous supervision and guidance:	22 January 2016 to 6 May 2016
A-share Registrar:	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36th Floor, China Insurance Building, No. 166 East Lujiazui Road, Pudong New District, Shanghai

H-share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Listing Venue, Stock Name and Stock Code:	A-share: Shanghai Stock Exchange CITIC Bank 601998 H-share: The Stock Exchange of Hong Kong Limited CITIC Bank 0998

2.2 Contact Persons and Contact Details

	Secretary to the Board of Directors	Securities Representative of the Company
Name	Lu Wei	Wang Junwei
Address	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Telephone Number	+86-10-85230010	+86-10-85230010
Fax Number	+86-10-85230079	+86-10-85230079
Email Address	ir@citicbank.com	ir@citicbank.com

2.3 Changes in Principal Business since Listing

Since its listing on both the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited in April 2007 till the year-end of 2015, the Bank made two registrations for changes in business scope at the State Administration for Industry and Commerce on 23 November 2012 and 8 December 2014, respectively. During the reporting period, the Bank made one registration with the Beijing Municipal Administration for Industry and Commerce for the addition of "gold import and export" to its business scope on 27 January 2016.

As at the end of the reporting period, the business scope of the Bank covered the following: absorption of public deposits; granting of short, medium and long-term loans; domestic and overseas settlement; bill acceptance and discount; issuance of financial bonds; agency issuance business, agency payment, and underwriting of government bonds; trading in government bonds and financial bonds; placements with and from banks and other non-bank financial institutions; foreign exchange trading and agency foreign exchange trading; bank card business; L/C services and guarantee; agency receipt and payment; safe deposit box services; foreign exchange settlement and sales; open-ended funds agency business; gold business; gold import and export; custody services for securities investment funds, enterprise annuities, insurance funds and QFII; other businesses approved by the banking regulatory authority under the State Council; concurrent insurance agency business (expiring on 8 September 2017).

Chapter 3 *Financial* Highlights

3.1 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
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**
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**

3.2 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 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) Profit divided by the average of total assets at the beginning and end of the period.

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

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

(4) Current-year allowance for impairment losses 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.

3.3 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 bills	**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 equity holders of the Bank	**379,224**	317,740	19.35	259,677
Net asset per share attributable to the equity holders 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.

3.4 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.

3.5 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.

3.6 Differences between IFRS and PRC Accounting Standards

There is no difference between the 2016 year-end net assets and the 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.

3.7 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
Profit attributable to the equity holders 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 equity holders of the Bank	**379,224**	317,740	259,677	225,601	198,356
Net asset per share attributable to the equity holders 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 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%

Li Qingping
Chairperson
Executive Director

Chapter 4 *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 profit attributable to equity holders 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 ordinary 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 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.

Chairperson
Executive Director
22 March 2017

Sun Deshun
Executive Director
President

Chapter 5 *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 profit attributable to the Bank's equity holders, 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 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 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.

Executive Director
President
22 March 2017

Chapter 6 Honors

January

- The Bank won the "2015 Award for Institution of Outstanding Performance in Proprietary Business" and the "Issuer of Excellence" title from China Central Depository & Clearing Co., Ltd.

February

- The Credit Card Center of the Bank won the "2015 Award for Member Institutions of Outstanding Performance in Bank Card Business" issued by the Professional Committee of the China Banking Association.
- The Bank ranked the 34th among the "Top 500 Global Bank Brands" published by The Banker magazine of the United Kingdom.

March

- The Bank won the "2015 Award for Excellence in Management of Pension Business" issued by the China Banking Association.
- In the competition for the "Investment Banks of the Year 2016 in Greater China" hosted by the China Securities Daily, the Bank was named the "Best Investment Bank of the Year 2016 in All Aspects in Greater China" and the "Best Cross-border Finance Bank of the Year 2016 in Greater China".
- The Bank received multiple honors from the China Foreign Exchange Trading System including the 2015 "Award for Best Market Making", "Award for Best Spot Trading", "Award for Best Trading of Foreign Currencies against Foreign Currencies", "Award for Best Standard Market Making in Foreign Exchange Swaps" and "Award for Best Back Office Support in Market Making".
- In the competition for the 2016 "Retail Banks of Excellent Financial Services" hosted by The Asian Banker, the Bank won the "Award for the Retail Bank Making the Greatest Progress in China".

May

- The Bank ranked the 79th among the "Top 2,000 Global Enterprises" published by the Forbes magazine.
- The Bank received multiple honors from the China Banking Association, including the "Award for Best Capacity of Comprehensive Wealth Management", "Award for Best Innovation", "Award for Best Product Transformation", "Award for Best Risk Control", "Award for Best Compliance" and "Award for Greatest Social Contribution".

June

- The Bank ranked the 245th among the world's "Top 500 Green Banks" published by The Newsweek magazine of the United States of America, the highest ranking for the Chinese banking industry.
- The Bank received the "2015 Award for Excellence in Clearing Efficiency" from the Australia and New Zealand Banking Group Limited (ANZ).

July

- The Bank was named "Bank of the Year 2016 for Excellence in Strategic Innovation" in the competition for the 9th series of "Golden Shell Awards" in connection with asset management in China hosted by The 21st Century Business Herald.
- The Bank ranked the 30th in terms of Tier-One capital out of the "Top 1,000 World Banks" published by The Banker magazine of the United Kingdom.

August

- The Bank was named "Partner Bank of 21 Years" by the Bank of America.

September

- The Bank won the "Award for Best Private Banking Customer Services in China" and the honor of "Outstanding Family Trust Services" in the competition for the "Asia Pacific Wealth Management Forum • Top Chinese Banks in International Private Wealth Management 2016" hosted by The Wealth Management magazine.

October

- At the 12th Annual Conference of CCMWorld Group jointly hosted by CCMWorld Group and CC-CMM, the Credit Card Center of the Bank won the "Award for the Best Customer Center in China 2015-2016".
- With its "Enterprise Structure Guided New Generation Core Business System Project", the Bank won the "Gold Medal for Banks with Outstanding Science and Technology Development 2015" issued by the People's Bank of China.

November

- In the competition for the "Gold-Medal List of Financial Institutions in China • Golden Dragon Award 2016" sponsored by The Financial Times, the Bank made the list of the "Top Ten Innovative Internet Banks of the Year".
- The Bank won the "Award for Best Customer Experience of Mobile Banking" at the 11th Annual Chinese E-Banking Conference hosted by the China Financial Certification Authority ("CFCA").
- The Bank received the "2015 USD Clearing Quality Accreditation" from JPMorgan Chase.
- In the competition for the "Bauhinia Award" for Chinese financial brands jointly sponsored by Sina Finance, the China Finance Research Center and Center for Internet Development and Governance at the School of Economics and Management of Tsinghua University, and the Internet Finance Institute, the Bank's "Transaction +" was named "the Most Influential Financial Brand" and its mobile banking won the "Award for Best Mobile Financial Service Platform".

December

- The Bank received the "Award for Best Performance in Syndicated Loan Business" issued by the China Banking Association.
- At the "2016 Annual Conference for Transaction Banks in China" jointly hosted by the Trade Finance magazine and WWW.SINOTF.COM, the Bank was named "The Best Transaction Bank" and the "The Best Bank for Cash Management".
- The Bank was rated "A" by the PRC State Administration of Foreign Exchange when the latter assessed bank implementation of foreign exchanges regulations in 2016.
- In the competition for the "Best Corporate Governance Award 2016" organized by the Hong Kong Institute of Certified Public Accountants, the Bank received the Special Recognition Award for the "H-Share Companies and Other Mainland Chinese Enterprises" category.
- The Bank received the title "Role Model for Corporate Culture Development in the National Financial System 2015-2016" issued by the Chinese Society for Research of Political and Ideological Work in the Financial Sector.

Chapter 7 Business Summary

7.1 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 report for details.

7.2 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 Consolidated Financial Statements" of this report for information on changes in the Group's main assets.

7.3 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-balance sheet 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 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 profit attributable to the equity holders 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 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.


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8.1 Overview of the External Macro Environment and the Bank's Operating Results

8.1.1 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.

8.1.2 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 profit attributable to the equity holders 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.

8.2 Analysis of the Consolidated Financial Statements

8.2.1 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)
Profit for the year	**41,786**	41,740	46	0.11
Including: Profit attributable to the equity holders of the Bank	**41,629**	41,158	471	1.14

8.2.1.1 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

8.2.1.2 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 Value Added Tax (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.

8.2.1.3 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

	2016			2015		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	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

	2016			2015		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**1,860,308**	**92,655**	**4.98**	1,630,940	97,956	6.01
Discounted bills	**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.

8.2.1.4 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

	2016			2015		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	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.

8.2.1.5 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

8.2.1.6 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.

8.2.1.7 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 currencies	**2,311**	2,300	11	0.48
Debt securities and certificates of interbank 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)

8.2.1.8 Operating Expenses

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

The Group reinforced its efforts to manage and control costs, 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 costs	**24,418**	22,387	2,031	9.07
Property and equipment expenses and amortization	**9,225**	8,763	462	5.27
Other general operating and administrative expenses	**9,142**	9,419	(277)	(2.94)
Subtotal	**42,785**	40,569	2,216	5.46
Tax and surcharges	**4,487**	10,033	(5,546)	(55.28)
Total operating expenses	**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	

8.2.1.9 Impairment Losses on Asset

The Group's asset impairment losses 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 losses on loans and advances to customers, an increase of RMB10.595 billion or 30.17% over last year. Asset impairment losses increased primarily because the Group made more allowance 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 receivables	**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.

8.2.1.10 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.

8.2.2 Consolidated Statement of Financial Position Analysis

8.2.2.1 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

	31 December 2016		31 December 2015	
Item	**Balance**	**Proportion (%)**	Balance	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.

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

	31 December 2016		31 December 2015	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**1,846,274**	**64.2**	1,767,422	69.9
Discounted bills	**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.

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

	31 December 2016		31 December 2015	
Item	**Balance**	**Proportion (%)**	Balance	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	

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

	31 December 2016		31 December 2015	
Item	**Value**	**Proportion (%)**	Value	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

	31 December 2016		31 December 2015	
Item	**Value**	**Proportion (%)**	Value	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

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.

Classification of Debt Securities Investment by Issuing Institution

Unit: RMB million

	31 December 2016		31 December 2015	
Item	**Value**	**Proportion (%)**	Value	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.

Domestic and Overseas Debt Securities Investment

Unit: RMB million

	31 December 2016		31 December 2015	
Item	**Value**	**Proportion (%)**	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

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.

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**			

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

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: RMB thousand

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.

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 interest 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.

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.

Derivatives

Unit: RMB million

Item	31 December 2016			31 December 2015		
	Nominal principal	Fair value Assets	Fair value Liabilities	Nominal principal	Fair value Assets	Fair value 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

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
Interest receivable for loans and advances to customers	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**
Allowance for impairment losses on interest receivables	(2,134)	(5,033)	3,261	**(3,906)**
Net interest receivables	30,512	208,441	(206,031)	**32,922**

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
Allowance for impairment of repossessed assets		
— Land, premises and buildings	**(145)**	(137)
— Others	**(73)**	(33)
Total book value of repossessed assets	**1,814**	960

8.2.2.2 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

	31 December 2016		31 December 2015	
Item	**Balance**	**Proportion (%)**	Balance	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.

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

	31 December 2016		31 December 2015	
Item	**Balance**	**Proportion (%)**	Balance	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

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	31 December 2016		31 December 2015	
Item	**Balance**	**Proportion (%)**	Balance	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

Breakdown of Deposits by Geographical Location

Unit: RMB million

	31 December 2016		31 December 2015	
Item	**Balance**	**Proportion (%)**	Balance	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

Breakdown of Deposits by Remaining Maturity

Unit: RMB million

	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
Item	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	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

8.2.3 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 shares	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. Profit for the year	–	–	–	–	–	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 payable annually. 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%.

8.2.4 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		
— Acceptances	**535,313**	631,431
— Guarantees	**163,157**	133,567
— Letters of credit	**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

8.2.5 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.

8.2.6 Major Accounting Estimates and Assumptions

The preparation of the consolidated 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 consolidated financial statements was influenced by estimates and judgments in the following main aspects: impairment losses on loans and advances to customers, investments classified as receivables, and available-for-sale equity investments, fair value of financial instruments, de-recognition of financial assets, consolidation of structured entities and income taxes.

8.2.7 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 other comprehensive income
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.

8.2.8 Major Consolidated 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 loss	**(1,142)**	—	Decrease in investment revaluation reserve for available-for-sale financial assets
Non-controlling interests	**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 losses	**(52,288)**	30.60	Increase in allowance for impairment of credit assets

8.2.9 Segment Report

8.2.9.1 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 restated the figures for the comparison periods in the consolidated financial statements.

Unit: RMB million

Business Segment	2016				2015			
	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

8.2.9.2 Geographical Segments

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

Unit: RMB million

Geographical Segments	31 December 2016				For the year 2016	
	Total assets (1)		Total liabilities (2)		Profit before tax	
	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				For the year 2015	
	Total assets (1)		Total liabilities (2)		Profit before tax	
	Amount	Proportion (%)	Amount	Proportion (%)	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.

8.3 Business Overview

8.3.1 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.

8.3.1.1 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.

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

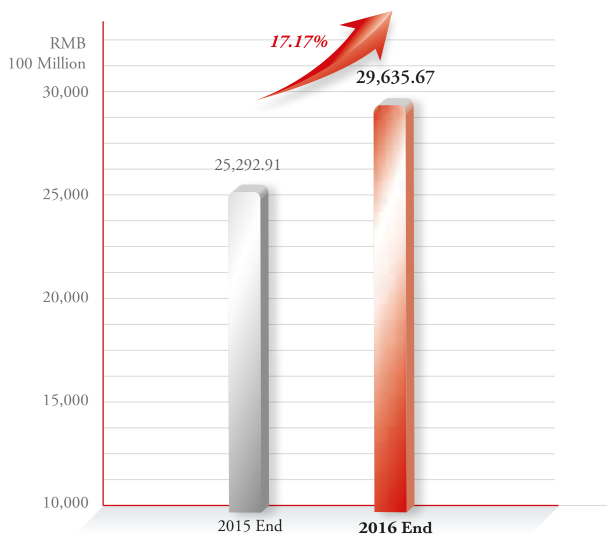
During the reporting period, the Bank concluded strategic cooperation agreements with 18 strategic customers including China Aerospace Science and Industry Corporation, China Shipbuilding Industry Corporation, and China Merchants Group Co., Ltd.,. Such partnership comprehensively deepened "head-office 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.

Management of Institutional Customers

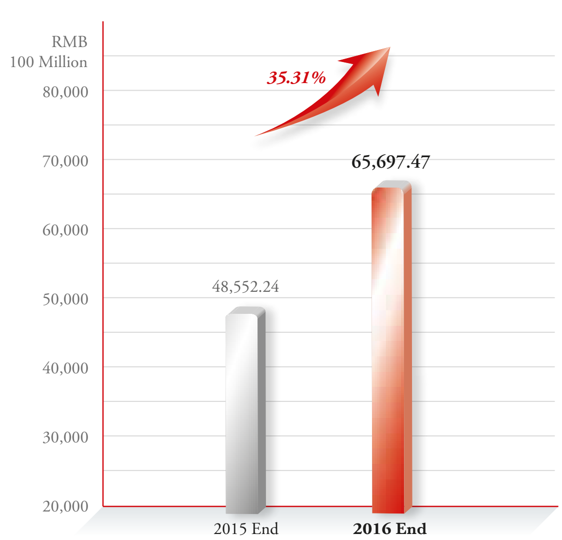
The Bank attached great importance to its institutional customers, including government departments, undertakings and civil society organizations. It made use of professional smart customer management models to continuously enhance unique competitiveness of its institutional banking business. During 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.

Balance of Corporate Deposits



Assets under Custody



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%.

8.3.1.2 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.

8.3.1.3 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"[3] 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%.

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.).

3 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.

8.3.1.4 Key Businesses

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.

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.

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 M&A 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.

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 Free Trade Zone (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%.

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.

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[3]. 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[4], and 290,800 personal pension accounts, an increase of 73.76% over last year.

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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.

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

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

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 entered into 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 PPP 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.

8.3.2 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 retail 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.

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.

8.3.2.1 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[1], a growth of 20.51% over the end of the previous year; and 21,600 accounts of private banking customers[2], an increase of 31.35% over the end of the previous year, which included 3,400 accounts of ultra-high-net-worth customers[3], an increase of 28.83% 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 accounts of contractual customers, of which 71.09% were new customers, and RMB41.257 billion AUM.

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.

8.3.2.2 Wealth Management and Private Banking

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"[4]. Together with 8 financial subsidiaries of CITIC Group including CITIC Securities and CITIC Trust, the Bank integrated experts, products 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[5] of RMB321.215 billion at the Bank, an increase of 31.55% over the end of the previous year.

1 Refer to customers with at least RMB500,000 daily average AUM at the Bank.

2 Refer to customers with at least RMB6 million daily average AUM at the Bank.

3 Refer to customers with at least RMB20 million daily average AUM at the Bank

4 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.

5 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.

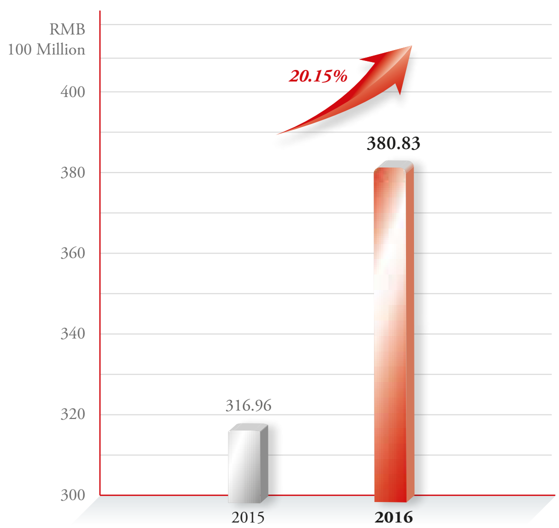
8.3.2.3 Personal Loan Business

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.

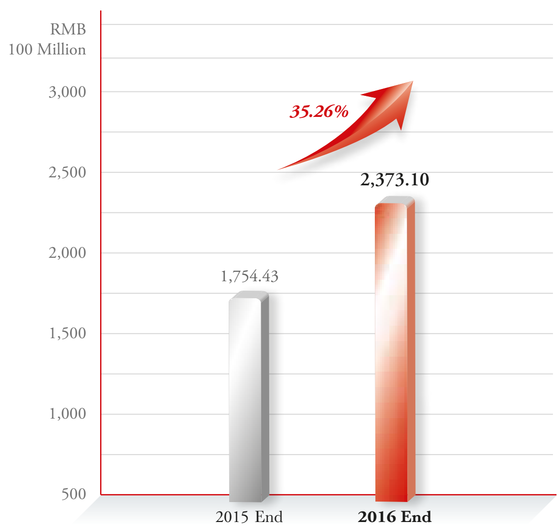
The Bank made proactive efforts to innovate personal loan products. Focus was placed on developing products such as loans backed by mortgage of properties, loans backed by pledge of financial assets and unsecured personal loans. The Bank strengthened internal management and optimized business processes 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.

Retail Banking Operating Income



Balance of Credit Card Loans



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

8.3.2.4 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.

8.3.2.5 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.

8.3.2.6 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.

8.3.2.7 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, continuously 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.

8.3.3 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.

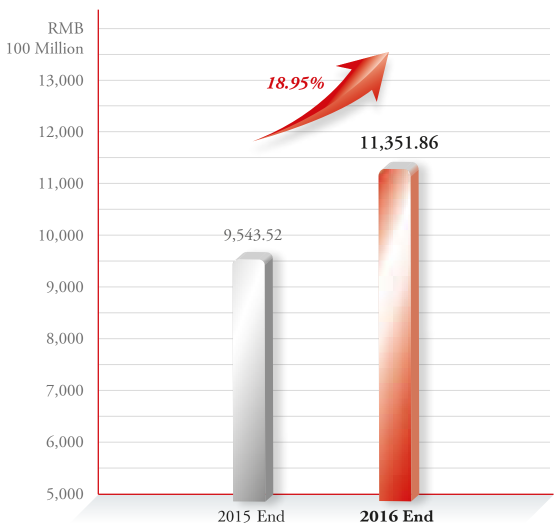
8.3.3.1 Interbank Business

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.

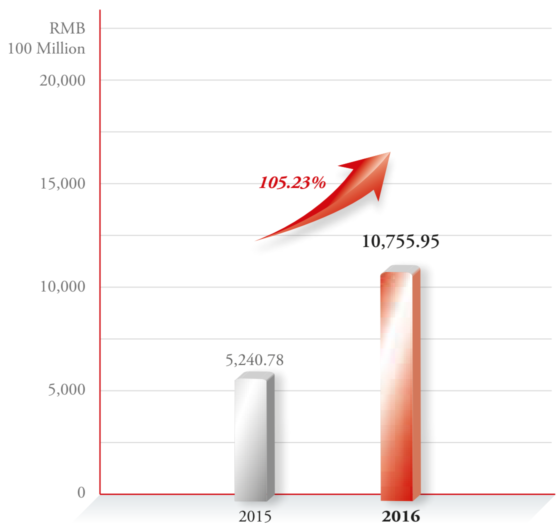
The Bank continued to optimize the bill management model. By setting up the Bill Center at the Head Office and five sub-centers for bill business in northern, eastern, southern, central and southwestern China, the Bank realized concentrated management of bill business, and improved intensive operation 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.

Scale of All Wealth Management Products



Online Payment and Settlement Transaction Value



8.3.3.2 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.

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.

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

8.3.3.3 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.

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.

8.3.4 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, etc.

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.

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.

8.3.5 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 entity. 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 at the end of the reporting period, growing by 255.42% over the end of the previous year.

8.3.6 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 the realization and implementation of 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.

8.3.7 Distribution Channels

8.3.7.1 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.

8.3.7.2 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.

8.3.8 Subsidiary Business

8.3.8.1 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 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 offshore Renminbi 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.

8.3.8.2 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 Qualified Foreign Limited Partner (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 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.

8.3.8.3 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 a profit of RMB372 million.

8.3.8.4 Lin'an CITIC Rural Bank

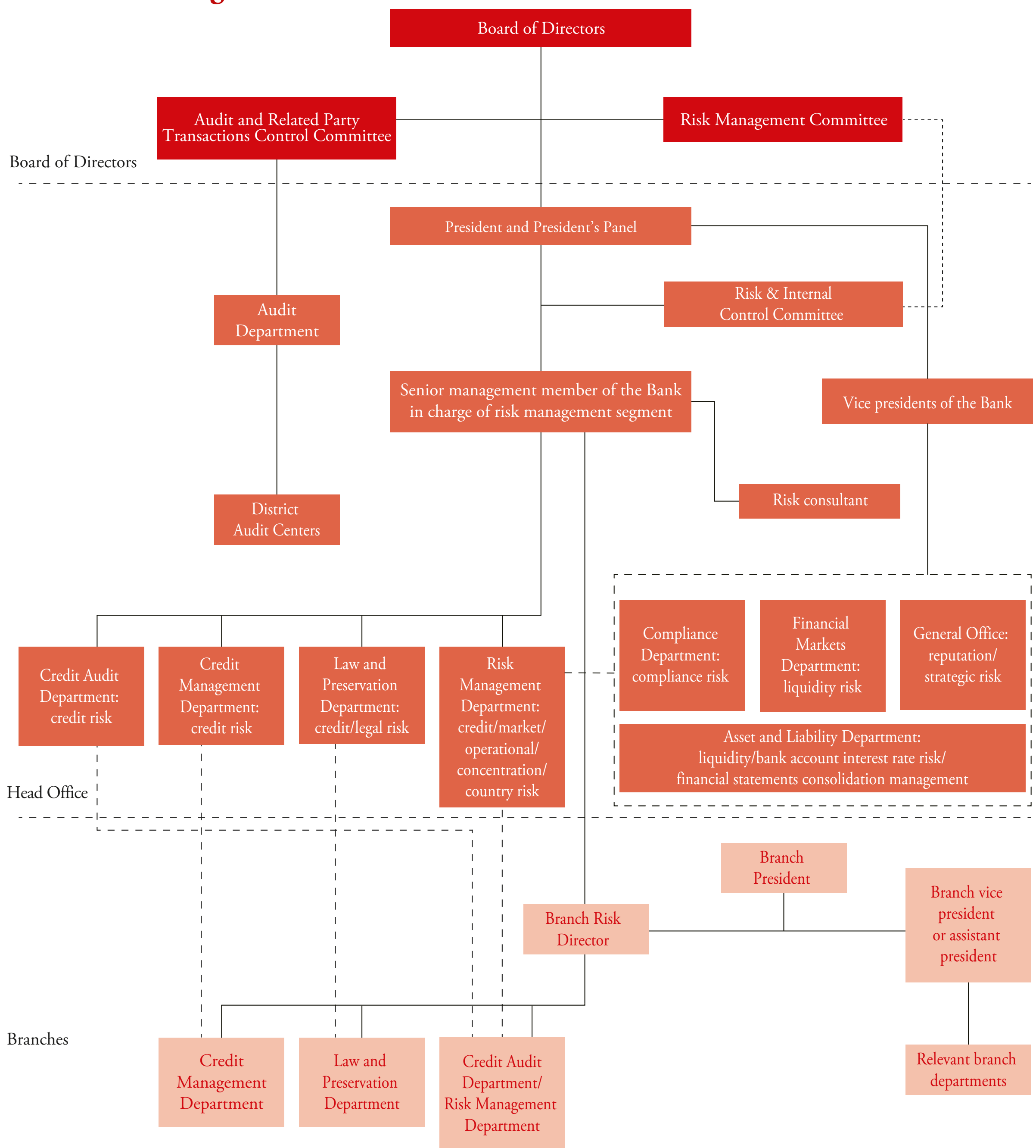
Lin'an CITIC Rural Bank, located in Lin'an City, Zhejiang Province, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 13 enterprises holding the rest 49%. Lin'an CITIC Rural Bank is mainly engaged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


中信银行
CHINA CITIC BANK
中信全球签
世界任我行
要出国 找中信
PASS
中信银行全球签证服务
为您提供加拿大 10 年多次往返，法国 2-5 年多次往返，
日本 5 年多次往返等签证服务
全球范围签证办理，一站式服务更省心
特色签证服务通道，无忧出境更自由
首家线上签证平台，定制化方案更健康
客户专属优惠权益，VIP 服务更贴心
在线签证平台请登陆：http：//visa.eboly.com
幸福梦 中信圆
全国统一客服热线
95558
http://bank.ecitic.com

8.4 Risk Management

8.4.1 Risk Management Structure



8.4.2 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.

8.4.3 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-balance sheet 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.

8.4.3.1 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.

8.4.3.2 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.

8.4.3.3 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.

8.4.3.4 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.

8.4.3.5 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.

8.4.4 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-balance sheet 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); 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.

8.4.4.1 Distribution of Loans

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.

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

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

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

	31 December 2016		31 December 2015	
Type of Guarantee	**Balance**	**Proportion (%)**	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

	31 December 2016		31 December 2015	
Type of Guarantee	**Balance**	**Proportion (%)**	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

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.

8.4.4.2 Loan Quality Analysis

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.

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.

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.

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.

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.

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**	**100.00**	**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.

8.4.4.3 Analysis of Allowance for Loan Impairment

The Group set aside adequate allowance for loan impairment in a timely manner according to the principles of prudence and truthfulness. Allowance for loan impairment consisted of two parts, namely, allowance based on evaluation of single items and allowance 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
Unwinding of discount on allowance	**(564)**	(592)
Transfer in[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
Unwinding of discount on allowance	**(539)**	(582)
Transfer in[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 allowance 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 allowance to the best of its capacity to get well prepared for write-offs.

8.4.5 Market Risk

Market risk refers to the risk of on-balance sheet 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.

8.4.5.1 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

8.4.5.2 Management of Exchange Rate Risk

Exchange rate risk refers to the risk of on-balance sheet 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)	(21,165)
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

8.4.6 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

8.4.7 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.

8.4.8 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.

8.5 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. 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-balance sheet and off-balance sheet comprehensive risk weight was 61.77%, down 0.99 percentage point from the end of last year.

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%.

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%

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-balance sheet 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/

8.6 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.

8.7 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.

8.8 Information about Structured Vehicles Controlled by the Bank

Please refer to Note 62 to the consolidated financial statements contained in the report for relevant information about structured vehicles beyond the scope of the Bank's consolidation of financial statements.

8.9 Outlook

8.9.1 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.

8.9.2 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.

8.9.3 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-balance sheet 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.

8.9.4 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.

8.10 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).

9.1 Principal Business

The Bank is engaged in commercial banking and related financial services.

9.2 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.

9.3 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)	Profit attributable to ordinary 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 profit attributable to the ordinary 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 profit of the Bank for the current year and 25.27% of the consolidated profit attributable to the equity holders 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 ordinary 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 final 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 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.

9.4 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.

9.5 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 ZT 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.

9.6 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. For details of related party transaction statistics, please refer to Note 61 "Related Parties" to the consolidated financial statements in this report.

9.6.1 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.

9.6.2 Credit Extension Continuing Connected Transactions

In 2014, the Bank entered into a framework agreement on credit extension of continuing connected transactions with CITIC Group and its associates, obtained approval of the annual transaction caps for years from 2015 to 2017 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 previous cap of the "RMB42 billion" on credit extension connected transactions to "no more than 14% of the disclosed net capital of the preceding quarter", for the purpose of ensuring that all credit extension continuing connected 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 connected 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 Xinhu Zhong Bao Co., Ltd., and zero to related parties in connection with China Tobacco Corporation. Such credit grants to related companies are 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 Xinhu 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.

9.6.3 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 adjustment 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 Xinhu 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.

9.6.3.1 Third-Party Escrow Services

According to the Third-Party Escrow Services Framework Agreement entered into 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 and within the approved annual cap.

9.6.3.2 Asset Custody Services

According to the Asset Custody Services Framework Agreement entered into 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 and within the approved annual cap.

9.6.3.3 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 and within the approved annual cap.

9.6.3.4 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.

9.6.3.5 Comprehensive Services

According to the Comprehensive Services Framework Agreement entered into 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 and within the approved annual cap.

9.6.3.6 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 and within the Bank's approved annual cap.

9.6.3.7 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.

9.6.4 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.

9.6.5 Related Party Debt Transactions and Guarantees

For details of related party debt transactions and guarantees between the Bank and its related parties, please refer to Note 61 to the consolidated statement in this report..

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, which were disclosed on 9 December 2014, 24 December 2014, 29 January 2015, 23 March 2016.

9.7 Material Contracts and Their Performance

9.7.1 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.

9.7.2 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 Corporation Limited
Wu Xiaoqing, Wong Luen Cheung Andrew, He Cao, Chen Lihua, Qian Jun

9.7.3 Other Material Contracts

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

9.8 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 report, 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 an ordinary 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 equity holders, 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.

9.9 Appointment and Dismissal of Auditors

As approved by the 2015 Annual General Meeting, the Bank engaged PricewaterhouseCoopers ZT as its domestic auditor and PricewaterhouseCoopers 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 statements, Ho Shuk Ching, Margarita, signing CPA for auditing the Bank's H share consolidated financial statements, 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 ZT 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 audited the Group's 2016 consolidated 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 over financial reporting. The statements of PricewaterhouseCoopers ZT and PricewaterhouseCoopers 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 ZT and PricewaterhouseCoopers 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.

9.10 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.

9.11 Equity Incentive Scheme

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

9.12 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.

9.13 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.

9.14 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.

9.15 Reserves

For details on changes in reserves of the Bank as at the end of the reporting period, please refer to Note 47-52 to the consolidated financial statements in this report.

9.16 Distributable Reserves

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

9.17 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.

9.18 Fixed Assets

For details on changes in the Group's fixed assets as at the end of the reporting period, please refer to Note 29 to the consolidated financial statements in this report.

9.19 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.

For details on retirement benefits that the Bank provided for its employees, please refer to Note 39 to the consolidated financial statements in this report.

9.20 Share Capital and Public Float

For details on changes in the Group's share capital during the reporting period, please refer to Note 45 to the consolidated financial statements in this report. 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 report.

9.21 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.

9.22 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.

9.23 Issuance of Shares

For relevant information about the Bank's issuance of shares during the reporting period, please refer to Chapter 10 "Changes in Ordinary Share Capital and Shareholdings of Substantial Ordinary Shareholders" of this report.

9.24 Issuance of Debentures

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

9.25 Equity Linked Agreements

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

9.26 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 report for detailed information.

9.27 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 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.

9.28 Material Environmental or Other Social Safety Issues

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

9.29 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.

9.30 Major Risks

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

9.31 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.

9.32 Performance of Social Responsibility for Poverty Alleviation

9.32.1 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.

9.32.2 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.

9.32.3 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].

9.33 Other Significant Events

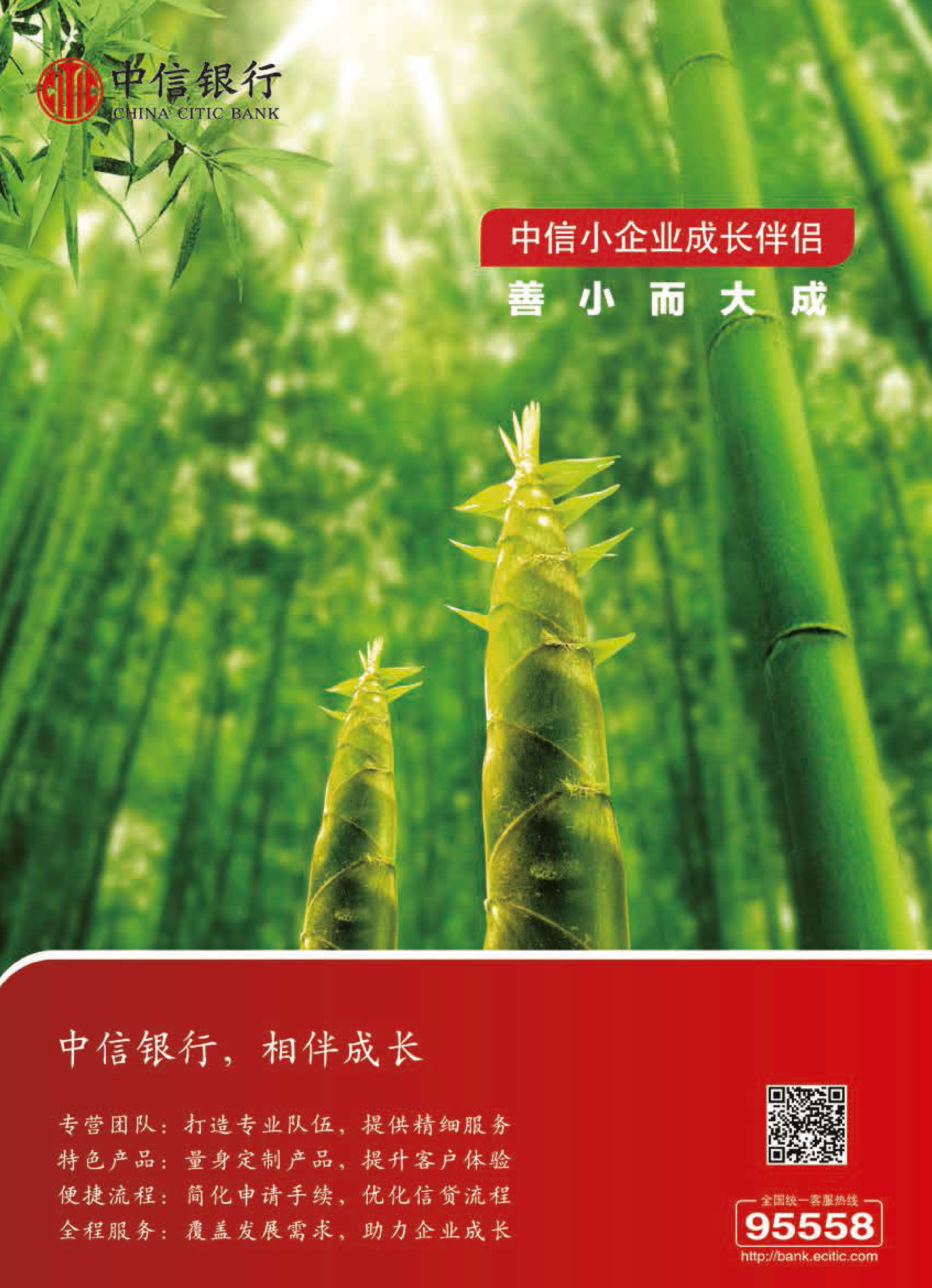
The Bank has disclosed all significant events occurred during the reporting period that shall be disclosed as per Article 67 of the PRC Securities Law and Article 30 of the Administrative Measures for Information Disclosure of Listed Companies in the form of interim announcements on the official websites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

By order of Board of Directors

Li Qingping
Chairperson
Executive Director

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.


中信银行
CHINA CITIC BANK
中信小企业成长伴侣
善 小 而 大 成
中信银行，相伴成长
专营团队：打造专业队伍，提供精细服务
特色产品：量身定制产品，提升客户体验
便捷流程：简化申请手续，优化信贷流程
全程服务：覆盖发展需求，助力企业成长
全国统一客服热线
95558
http://bank.ecitic.com

10.1 Changes in Ordinary Share Capital

10.1.1 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**

10.1.2 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.

10.2 Issuance and Listing of Securities

10.2.1 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.

10.2.2 Issuance of Bonds

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

10.2.3 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.

10.2.4 Internal Employee Shares

There were no internal employee shares issued by the Bank.

10.3 Information on Ordinary Shareholders

10.3.1 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 2 months prior to the disclosure date of this report (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.

10.3.2 Top 10 Shareholders (as at the end of the reporting period)

Unit: Share

No.	Name of shareholder	Nature of ordinary 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 Xinhu Zhong Bao. In addition to the afore-mentioned stake, Xinhu Zhong Bao also directly owned 27,598,000 H shares of the Bank via its wholly owned subsidiary Hong Kong Xinhu 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.

10.3.3 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

10.4 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) 393,756,703(S) 24,329,608,919(L)	7.53(L) 2.65(S) 71.45(L)	H share H share A share
CITIC Group	3,276,373,479(L) 28,938,928,294(L)	22.02(L) 84.98(L)	H share A share
CITIC Corporation Limited	7,018,100,475(L) 710(S) 28,938,928,294(L)	47.16(L) 0.00(S) 84.98(L)	H share H share A share
CITIC Limited	3,276,373,479(L) 28,938,928,294(L)	22.02(L) 84.98(L)	H share A share
CITIC Shengxing Co., Ltd.	7,018,099,055(L) 28,938,928,294(L)	47.16(L) 84.98(L)	H share A share
Summit Idea Limited	2,292,579,000(L)	15.40(L)	H share
Total Partner Global Limited	2,292,579,000(L) 2,292,579,000(S)	15.40(L) 15.40(S)	H share
Li Ping	2,292,579,000(L)	15.40(L)	H share
Hong Kong Xinhu Investment Co., Ltd.	2,292,579,000(L) 2,292,579,000(S)	15.40(L) 15.40(S)	H share
Zhejiang Heng Xing Li Holdings Group Limited	2,292,579,000(L)	15.40(L)	H share
Zhejiang Xinhu 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
Xinhu 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.

10.5 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.

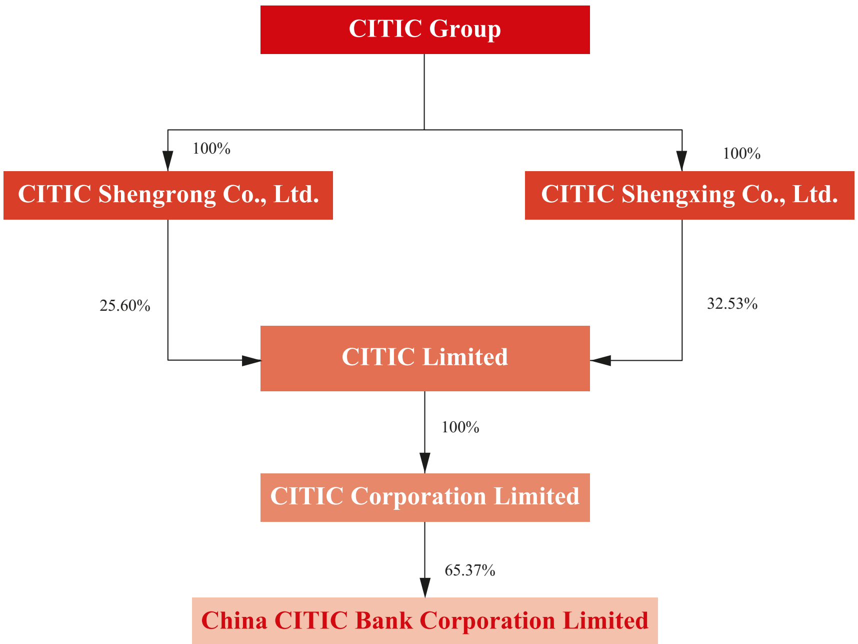
In September 2014, CITIC Corporation Limited purchased additional 81,910,800 H shares of the Bank via agreement transfer, after which, CITIC Corporation Limited held 31,406,992,773 A and H shares of the Bank, about 67.13% of the Bank's total share capital.

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 ordinary shareholder	Name of listed company	Place of listing	Stock code	Shareholding percentage (%)
CITIC Corporation Limited 16.50% CITIC Trust Co., Ltd. 0.16%	CITIC Securities Co., Ltd.	Shanghai, Hong Kong	600030.SH 6030.HK	16.66%
CITIC Corporation Limited 60.49% CITIC Investment Holdings Limited 4.52% 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% CITIC Australia 9.55% 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% APEXHILL INVESTMENTS LIMITED 9.07%	CITIC Dameng Mining Industries Ltd	Hong Kong	1091.HK	43.46%
Richtone Enterprises Inc. 3.81% Ease Action Investments Corp. 35.13% Silver Log Holdings Ltd 17.29% 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% 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% CITIC Construction Limited 6.72% 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 ordinary 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)

Name of Invested Company	Stock Code	Shareholding *(%)*	Ordinary Shareholder(s)
CITIC Limited	HK.0267	58.13%	CITIC Shengxing Co., Ltd. 32.53% 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.

10.6 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.

Chapter 11 Preference Shares

11.1 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 Xu Ke [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 were 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.

11.2 Number of Preference Shareholders and Their Shareholdings

As at both the end of reporting period and the close of the preceding 2 months prior to the disclosure date of this report (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 preference shareholder (full name)	Nature of preference 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	Shares pledged or frozen 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 preference 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.

11.3 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 in less than one year.

Cash dividends shall be paid for the above-mentioned preference shares on an annual basis, and the coupon-bearing principal shall be the total par value of the reminder of the issued preference shares while the interest-accrual starting date shall be the close date of the share subscription (i.e., 26 October 2016).

11.3.1 Principles for Determining the Nominal Dividend Yield

The above preference shares shall apply a nominal dividend yield subject to phase-specific adjustment, where, since the subscription closing date, every five years constitute a coupon-bearing period and one same nominal dividend yield is applied to each coupon-bearing period. The nominal dividend yield for the first coupon-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 coupon-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 for fixed-interest-rate government bonds at the CSDCC inter-bank market prepared by China Securities Depository & Clearing Corporation Limited (CSDCC) (or relevant units that assume its duties) 20 trading days prior to the payment date (excluding the payment date) of the subscribed shares (as currently published on the China Bond Information Network www.chinabond.com.cn). The fixed premium is 1.30%, the nominal dividend yield for the first coupon-bearing period less the benchmark interest rate of 2.50% at the time of issue, and shall no longer be adjusted thereafter.

11.3.2 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, and this does 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. Where 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.

11.3.3 Dividend Payment Method

Cash dividends shall be paid for the above-mentioned preference shares on an annual basis, and the coupon-bearing principal shall be the total par value of the remainder of the issued preference shares while the interest accrual starting date shall be the closing date of share subscription (i.e., 26 October 2016).

11.3.4 Non-cumulative Dividends

Dividends for the above preference shares shall not be cumulative, i.e., the deficit in a dividend payout in the current year will not be carried over to the next coupon-bearing year.

11.3.5 Non-participation in Distribution of Surplus Profits

Other than rights to dividends as 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.

11.4 Redemption or Conversion of Preference Shares

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

11.5 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.

11.6 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.

12.1 Basic Information on Directors, Supervisors and Senior Management of the Bank

12.1.1 Board of Directors

Name	Position	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Li Qingping	Chairperson, Executive Director	Female	Oct. 1962	Mar. 2014-May 2018	0	0
Chang Zhenming	Non-executive Director	Male	Oct. 1956	Aug. 2013-May 2018	0	0
Sun Deshun	Executive Director, President	Male	Nov. 1958	Mar. 2014-May 2018	0	0
Huang Fang	Non-executive Director	Female	May 1973	Nov. 2016-May 2018	0	0
Wan Liming	Non-executive Director	Male	May 1966	Jun. 2016-May 2018	0	0
Wu Xiaoqing	Independent Non-executive Director	Female	Oct. 1953	Oct. 2012-May 2018	0	0
Wong Luen Cheung Andrew	Independent Non-executive Director	Male	Aug. 1957	Nov. 2012-May 2018	0	0
He Cao	Independent Non-executive Director	Male	Sep. 1955	Jun. 2016-May 2018	0	0
Chen Lihua	Independent Non-executive Director	Female	Sep. 1962	Jun. 2016-May 2018	0	0
Qian Jun	Independent Non-executive Director	Male	Jul. 1970	Dec. 2016-May 2018	0	0

Note: The starting time of the terms of office of the re-elected/re-engaged directors, supervisors and senior management members is the time of their respective initial appointment/engagement. The same applies below.

12.1.2 Board of Supervisors

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Cao Guoqiang	Chairman of the Board of Supervisors	Male	Dec. 1964	Dec. 2015- May 2018	0	0
Shu Yang	Supervisor	Male	May 1964	Oct. 2015-May 2018	0	0
Wang Xiuhong	External Supervisor	Female	Oct. 1946	Jan. 2014-May 2018	0	0
Jia Xiangsen	External Supervisor	Male	Apr. 1955	May 2015-May 2018	0	0
Zheng Wei	External Supervisor	Male	Mar. 1974	May 2015-May 2018	0	0
Cheng Pusheng	Employee Representative Supervisor	Male	Feb. 1968	May 2015-May 2018	0	0
Wen Shuping	Employee Representative Supervisor	Female	Apr. 1957	Jan. 2015-May 2018	0	0
Ma Haiqing	Employee Representative Supervisor	Male	Dec. 1970	May 2015-May 2018	0	0

12.1.3 Senior Management Members

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding
Sun Deshun	Executive Director, President	Male	Nov. 1958	Since Dec. 2011	0	0
Zhang Qiang	Vice President	Male	Apr. 1963	Since Mar 2010	0	0
Zhu Jialin	Vice President	Male	Oct. 1964	Since Sep. 2014	0	0
Fang Heying	Vice President & CFO	Male	Jun. 1966	Since Nov. 2014	0	0
Guo Danghuai	Vice President	Male	May 1964	Since Nov. 2014	0	0
Yang Yu	Vice President	Male	Dec. 1962	Since Dec. 2015	0	0
Lu Wei	Secretary to the Board of Directors	Male	Oct. 1971	Since Jan. 2017	0	0

12.1.4 Non-incumbent Directors, Supervisors and Senior Management Members

Name	Position prior to departure from office	Gender	Date of birth	Departure time	Year-beginning shareholding	Year-end shareholding
Li Zheping	Independent Non-executive Director	Male	Feb. 1965	Jun. 2016	0	0
Yuan Ming	Independent Non-executive Director	Male	Jan. 1952	Jun. 2016	0	0
Li Qingping	President	Female	Oct. 1962	Jul. 2016	0	0
Sun Deshun	First Vice President	Male	Nov. 1958	Jul. 2016		
Zhang Xiaowei	Non-executive Director	Male	Oct. 1957	Aug. 2016	0	0
Wang Kang	Secretary to the Board of Directors	Male	June. 1972	Jan. 2017	16,800	16,800
Qiao Wei	Secretary of the Committee for Disciplinary Inspection	Male	Sep. 1966	Mar. 2017	0	0
Zhu Xiaohuang	Non-executive Director	Male	Jul. 1956	Mar. 2017	0	0

12.1 Resumes of Directors, Supervisors and Senior Management Members

12.2.1 Directors

Ms. Li Qingping

Chinese Nationality

Chairperson and executive director of the Bank. Ms. Li has been chairperson and executive director of the Bank since 20 July 2016. Ms. Li is concurrently an executive director of CITIC Group, an executive director/deputy general manager/executive committee member of CITIC Limited, an executive director/deputy general manager of CITIC Corporation Limited, chairperson of CIFH, and vice chairperson of CITIC Prudential Life Insurance. Prior to that, Ms. Li was an executive director and president of the Bank from July 2014 to July 2016; Party Secretary of the Bank since May 2014; a non-executive director of the Bank between March and May 2014; and Party committee member of CITIC Group and concurrently deputy general manager/Party committee member of CITIC Limited since September 2013. Earlier, she was director of retail banking and concurrently general manager of personal finance department of Agricultural Bank of China (ABC) from May 2009 to September 2013, director of retail banking and concurrently general manager of personal banking department and personal credit department of ABC from January 2009 to May 2009, and Party secretary and president of ABC Guangxi Branch from January 2007 to December 2008. Earlier, she was a cadre, deputy section chief, section chief, deputy general manager and general manager of the International Banking Department at the ABC Head Office from August 1984 to January 2007. Ms. Li is a senior economist with over 30 years' professional experience in the Chinese banking industry. She graduated from Nankai University majoring in international finance with a master's degree in economics.

Mr. Chang Zhenming

Chinese Nationality

Non-executive director of the Bank. Mr. Chang has been chairman of CITIC Group and CITIC Corporation Limited since December 2011, chairman of the Board of Directors of CITIC Limited since April 2009, chairman of CITIC Hong Kong (Holdings) Limited since March 2011, vice chairman of CIFH and chairman of CIAM since October 2006, and chairman of CITIC Press Group since February 2008. Mr. Chang was chairman of the Bank between August 2013 and July 2016, chairman of CITIC Group from December 2010 to December 2011, and vice chairman and general manager of CITIC Group from July 2006 to December 2010. He was a vice chairman and a non-executive director of the Bank from December 2006 to May 2011, and served as non-executive director of CNCBI from November 2006 to March 2013. Mr. Chang was vice chairman and president of China Construction Bank Corporation from July 2004 to July 2006. Earlier, Mr. Chang was an executive director and a vice general manager of CITIC Group from August 1995 to July 2004, and assistant president of China International Trust and Investment Corporation from January 1994 to August 1995. Prior to that, Mr. Chang was a vice president of the Bank from September 1993 to January 1994 and assistant president of the Bank from October 1992 to September 1993. Mr. Chang is a senior economist. He graduated from Beijing Second Foreign Language College with a bachelor's degree in Japanese language and literature, and received his master's degree in business administration from New York College of Insurance.

Mr. Sun Deshun

Chinese Nationality

Executive director and President of the Bank Mr. Sun Deshun has been President of the Bank since 20 July 2016. Mr. Sun concurrently serves as chairman of CNCBI. Earlier, he was first vice president of the Bank between May 2014 and July 2016; he has been an executive director of the bank since March 2014; vice president of the Bank between December 2011 and May 2014; and vice Party secretary of the Bank since October 2011. Prior to that, Mr. Sun worked at the Bank of Communications of China (BoCom) as a vice president of BoCom's Beijing management department and concurrently Party secretary and president of BoCom Beijing branch from January 2010 to October 2011, and Party secretary/president of BoCom Beijing branch from December 2005 to December 2009. He worked at Haidian office, Haidian sub-branch, Beijing branch and data center (Beijing) of Industrial and Commercial Bank of China (ICBC) from May 1984 to November 2005, during which period he held various positions including assistant president and vice president of ICBC Beijing branch from December 1995 to November 2005, and general manager of the ICBC data center (Beijing) from January 1999 to April 2004. Mr. Sun worked for the PBOC from April 1981 to May 1984. Mr. Sun enjoys over 30 years' experience in the Chinese banking industry. He graduated from Dongbei University of Finance and Economics with a master's degree in economics.

Ms. Huang Fang

Chinese Nationality

Non-executive director of the Bank. Ms. Huang joined the Board of Directors of the Bank in November 2016. She has been a director of Xinhu Zhong Bao Co., Ltd. since November 2015, a director of Zhejiang Xinhu Group Co., Ltd. since August 2013, and vice president and Chief Financial Officer of Zhejiang Xinhu Group Co., Ltd. since July 2011. Previously, Ms. Huang was vice president and Chief Financial Officer of Xinhu Holdings Limited from October 2010 to July 2011. In the period from August 1992 to September 2010, she was deputy director of the International Business Department of the Agricultural Bank of China (ABC) Zhejiang Branch, vice president (in charge) of ABC Hangzhou Baojiao sub-branch, deputy general manager of the business department of ABC Zhenjiang Branch, deputy general manager (in charge) and general manager of the personal finance department of ABC Zhenjiang Branch. Ms. Huang has a wealth of financial experience and is outstanding in leadership and organization/coordination capability. Ms. Huang graduated from Zhejiang University with a bachelor of law degree. She holds multiple qualifications including an intermediate economist title, financial planner & wealth manager, international financial planner, and certified private banker.

Mr. Wan Liming

Chinese Nationality

Non-executive director of the Bank. Mr. Wan joined the Board of Directors of the Bank in June 2016. He has been Director of the Financial Management and Supervision Division (Audit Division) of the State Tobacco Monopoly Administration since November 2011. He was deputy director of the Financial Management and Supervision Division (Audit Division) of the State Tobacco Monopoly Administration between December 2009 and November 2011, and chief accountant of Yunnan Tobacco Monopoly Bureau (company) from February 2007 to December 2009. Between August 1996 and February 2007, he served multiple positions at Yunnan Tobacco Monopoly Administration (Company), including deputy director and director of the finance division, director of the financial management and audit department, deputy chief accountant and director of financial management Division. From May 1996 to August 1996, he was a cadre of Yunnan Tobacco Travel Company. From July 1988 to May 1996, he worked as a lecturer and deputy teaching & research director at Yunnan Finance and Trade College. Mr. Wan Li Ming has worked in economic areas for 28 years, with a wealth of financial management experience. He graduated from the Department of Industrial Economics at Renmin University in 1988 with a bachelor's degree in economic management of capital construction.

Ms. Wu Xiaoqing

Chinese Nationality

Independent non-executive director of the Bank. Ms. Wu joined the Board of Directors of the Bank in October 2012. She retired in October 2008. Ms. Wu was the deputy chief accountant of Sinosteel Corporation and chairperson of Sinosteel Assets Management Co., Ltd. from September 2005 to October 2008, deputy chief accountant of Sinosteel Corporation and a director of Sinosteel Assets Management Co., Ltd. from December 1999 to September 2005. She successively served as the deputy head and head of the Financial Department of Sinosteel Corporation from January 1995 to December 1999. Prior to that, Ms. Wu successively worked in the Finance Division of the Government Offices Administration of the State Council and the Finance Department of China Metallurgical Raw Materials Corporation. Ms. Wu has long been engaged in financial and accounting management, with rich working experiences in financial management and accounting for large central state-owned enterprises, and is familiar with accounting standards and relevant laws and regulations on corporate tax. Ms. Wu is a Chinese certified public accountant and a senior accountant. She graduated from the Department of Finance of Renmin University of China (majoring in accounting) with a bachelor's degree.

Mr. Wong Luen Cheung Andrew

Chinese Nationality

Independent non-executive director of the Bank. Mr. Wong joined the Board of Directors of the Bank in November 2012. He is an independent director of CANADIAN SOLAR INC and an independent non-executive director of ACE Life Insurance Co., Ltd. Mr. Wong is also an independent non-executive director and vice chairman of the board of directors of Huazhong Holdings Company Limited. Besides, he is a director of China Overseas Friendship Association. Since January 2013, Mr. Wong Luen Cheung Andrew has been a member of the Shaanxi Provincial Committee of the Chinese People's Political Consultative Conference (CPPCC) in Xian, China. Mr. Wong held various senior positions at the Royal Bank of Canada, including the vice representative for China operations, representative of southern China, and branch manager of the Shanghai branch. He also held various positions at the Union Bank of Switzerland, including head of China desk and executive director of debt capital markets. Mr. Wong previously also served as a director of China Citicorp International Limited, a merchant banking arm of Citibank. Further, Mr. Wong was the head of Greater China business of Hang Seng Bank Limited and the managing director of corporate and investment banking in Greater China of DBS Bank Limited, Hong Kong. Mr. Wong Luen Cheung Andrew was awarded the National Excellent Independent Director by the SSE in 2010 and also received the Medal of Honor (Hong Kong SAR) from the Hong Kong SAR Government in 2011.

Mr. He Cao

Chinese Nationality

Independent non-executive director of the Bank. Mr. He joined the Board of Directors of the Bank in June 2016. Previously, he was Chairman of China Jinmao Group (formerly Franshion Properties (China) Co., Ltd.), Chairman of Jin Mao Investment and Jinmao (China) Investment Holding Co., Ltd. Mr. He joined Sinochem Corporation in 1979 and held various senior positions in financial management, business management and investment enterprises. In 2002, he was appointed assistant to the president of Sinochem Corporation, and regarded as a vice president of Sinochem from 2013 onward. Mr. He was president, vice chairman and chairman of China Jinmao (Group) Co., Ltd. since 2002, during which time he successfully ran the Shanghai Jin Mao Tower, and presided over the investment, acquisition and construction of multiple luxury five-star hotels and properties in Tier-One cities and high-end tourist resorts, developing Jinmao Group into China's well-known high-end commercial real estate developer and operator. Mr. He became chairman, executive director and CEO of Franshion Properties (China) Co., Ltd. in January 2009. Under his chairmanship and promotion, Franshion Properties (China) Co., Ltd. and Jinmao Group completed a strategic reorganization between 2009 and 2010, and the spin-off of Jinmao Tower Property and Fang Xing Real Estate's eight high-end hotels in 2014, which was successfully listed on the Hong Kong Stock Exchange as a trust structure of Jin Mao Investment and Jin Mao Holding. Mr. He once served as co-chair of the "China Hotel Owner Alliance" under the China Hotel Industry Association, and vice president of the All-China Real Estate Chamber of Commerce. In addition, Mr. He was engaged as the executive director of Shanghai Federation of Enterprises in Shanghai, vice chairman of Housing Policy and Market Regulation Research Committee of China Urban Science Research Council, and member of the Professional Committee on Green Building and Energy Conservation under the China Urban Science Research Society. He was a delegate to the 12th and 13th session of the Shanghai Municipal People's Congress, and was named Shanghai's model worker in 2007 and one of the economic figures in Shanghai Pudong's 20-year development and opening up in 2012. Mr. He graduated from Jilin College for Finance and Economics with a junior diploma in 1979, from Renmin University of China with a degree in economics in 1986, and from the Graduate School of Political Economy in Jilin University in 1987. Mr. He obtained his MBA degree from the China Europe International Business School in 2004. He has a senior economist title.

Ms. Chen Lihua

Chinese Nationality

Independent non-executive director of the Bank. Ms. Chen joined the Board of Directors of the Bank in June 2016. She is a professor, Ph.D tutor and Dean of the Management Science and Information System Department of Guanghua School of Management, Peking University. At the same time, Ms. Chen is Director of the Center for Research of Circulation Economics and Management, Director of Liantai Supply Chain Research and Development Center, Deputy Dean of the China National Institute for Research of Development Strategy on Hi-Tech Industry Development Zone, and Deputy Director of the 21st Century Venture Capital Research Center at Peking University. In addition, she is Vice President of the China Society of Logistics, Deputy Director of the Professional Committee of the China Society of Information Economics, member of the Experts Committee of China National Tourism Administration, and an expert on national high-tech zones engaged by the Ministry of Science and Technology. From 1999 to 2001, Ms. Chen was general manager of Beijing Jun Shi Century Information Technology Co., Ltd., a company mainly engaged in the development, production and sales of banking devices. Ms. Chen served as an independent director of Tiger, a Singaporean listed company from 2005 to 2006. She received a Bachelor of Science degree and a Master of Science degree from Jilin University of Technology in 1983 and 1988 respectively. She got her doctoral degree in management science from the City University of Hong Kong in 1998 and did her post-doctoral studies at the Institute of Mathematics and Systems Science of the Chinese Academy of Sciences from 1999 to 2000. Ms. Chen mainly researches and teaches the following areas: management science, supply chain finance, logistics finance, supply chain and logistics management, logistics park management, circulation economy and management, service operation management, hi-tech park and industrial management, technological innovation and management, venture capital investment and entrepreneurial management. In her fields of research, Ms. Chen has carried out extensive cooperation and exchanges with relevant international organizations, including Stanford University, George Mason University, Roma University and Hong Kong universities. In her capacity as leader or research backbone, Ms. Chen has participated in numerous international cooperation projects and key research and development projects sponsored by the National Natural Science Foundation, ministries and provincial governments in China. She also sits on the review and assessment panels of multiple domestic and foreign academic journals. She has published numerous papers such as "Supply chain coordination based on the trade credit and option contract under capital constraint" on prestigious international publications such as the European Journal of Operational Research, and Proceeding of Workshop on Internet and Network Economics. Ms. Chen took the lead to complete many major research reports including Research of the Supply Chain Financial Model for the Traditional Chinese Medicine Industry and the Research of the Supply Chain Financial Model for Agricultural Industry.

Mr. Qian Jun

Chinese Nationality

Independent non-executive director of the Bank. Mr. Qian joined the Board of Directors of the Bank in December 2016. Mr. Qian has been Deputy Director of the China Academy of Financial Research and Co-Director of the DBA/EMBA/EE programs at Shanghai Advanced Institute of Finance (SAIF) of Shanghai Jiao Tong University since July 2014. He has been an Associate Editor of Review of Finance since December 2013. He is Professor of Finance and a Ph.D. tutor at Shanghai Advanced Institute of Finance (SAIF), Shanghai Jiao Tong University, and Co-Director of the EMBA program since July 2013. Mr. Qian served as a special-term professor of finance at Shanghai Jiaotong University from May 2009 to June 2013. Prior to joining SAIF, he taught finance at the Carroll School of Management of Boston College between July 2000 and June 2013, being an assistant professor from July 2000 and June 2013 and an Associate Professor of Finance with tenure between March 2006 and February 2006. He worked as a Haub family researcher from September 2011 to June 2013. Since April 2011, Mr. Qian is an Associate Editor of Frontiers of Economics in China. He was a special-term professor of finance at the School of Economics and Management of Tsinghua University between July 2007 and June 2009, a visiting associate professor at MIT's Sloan School of Management between July 2007 and June 2008, and a research fellow at the Wharton School of University of Pennsylvania since September 2002. Mr. Qian did his undergraduate program at the Department of International Economics, Fudan University between 1988 and 1991, and obtained his B.S. degree in economics from the University of Iowa in May 1993, and his Ph.D. from the University of Pennsylvania in May 2000. Mr. Qian's research interests span many topics of theoretical and empirical corporate finance and financial institutions, including business and investment banking, mutual and hedge funds, credit rating agencies, mergers and acquisitions, legal systems related to finance, comparison of financial systems in emerging markets, development of financial systems during China's economic transformation, and financial risk prevention and control. His research papers have been published on top academic journals including the American Economic Review, Journal of Finance, Journal of Financial & Quantitative Analysis and Journal of International Economics. He also contributed chapters of several books on developing financial systems, including China's Great Economic Transformation, Emerging Giants: China and India in the World Economy, China's Emerging Financial Markets: Challenges and Opportunities, and Global Perspectives of Rule of Law.

12.2.2 Supervisors

Mr. Cao Guoqiang

Chinese Nationality

Chairman of the Board of Supervisors of the Bank. Mr. Cao has been chairman of the Board of Supervisors of the Bank since December 2015. He serves a temporary position at CITIC Group as the general manager of its finance department since April 2015. In addition, he is a director of CITIC Holdings Limited since December 2015 and a director of CITIC Heye Investment Co. Ltd. since December 2013. Mr. Cao was a director of CIFH and CNCBI between October 2009 and March 2016. He was vice president of the Bank from March 2010 to October 2015, assistant president of the Bank from April 2006 to March 2010, and general manager of the Budget and Finance Department of the Bank from April 2005 to April 2006. Earlier, between December 1992 and April 2005, Mr. Cao served as assistant general manager, deputy general manager and general manager of the planning and treasury department of China Merchants Bank (CMB) head office, a director of Shenzhen Speed International Investment Co., Ltd., general manager of CMB's Shenzhen administrative department and planning and treasury department, and a director and deputy general manager (in charge) of China Merchant Bank Pawn Co., Ltd. From July 1988 to June 1992, Mr. Cao also worked in the planning and treasury division of the PBC Shaanxi branch as a senior staff member and deputy section chief. Mr. Cao is a senior economist with nearly 30 years' experience in Chinese banking industry. He graduated from Hunan College of Finance and Economics with a bachelor's degree in monetary banking and obtained his master's degree in monetary banking from Shaanxi College of Finance and Economics.

Mr. Shu Yang

Chinese Nationality

Employee representative supervisor of the Bank. Mr. Shu has been general manager of the Audit Department of CITIC Group and general manager of the Audit, Inspection and Compliance Department of CITIC Limited since May 2015. He is concurrently a director of CITIC Heye Investment Co. Ltd. since April 2016 and chairman of the Board of Supervisors of CITIC Industrial Investment Group Co. Ltd. since October 2016. He was general manager of the Risk Management Department of CITIC Group from January 2010 to May 2015. Prior to that, he held numerous positions including project manager at Bohai Aluminum Section of CITIC Industrial Investment, deputy head of the project division under the comprehensive planning department of CITIC Group Co. Ltd., treasurer of CITICSTEEL USA Inc., deputy general manager of CITIC USA Holding Inc., vice director of the project division under the comprehensive planning department of CITIC Group Corporation, deputy general manager and general manager of CITICSTEEL USA Inc., and general manager and chief New York Office representative of CITIC USA Holding Inc. Mr. Shu graduated from Nanjing University majoring in quantitative mathematics, and Widener University of the USA majoring in accounting.

Ms. Wang Xiuhong

Chinese Nationality

External supervisor of the Bank. Ms. Wang is honorary president of China Women Judges Society. She was president of China Women Judges Society and vice president of China Judges Society from December 2003 to January 2015. Ms. Wang served as a member (vice minister level) of the judicial committee of the Supreme People's Court of PRC from October 2004 to December 2010; head of the administrative tribunal and a member of the judicial committee of the Supreme People's Court of PRC from May 2003 to September 2004; a deputy director of Political Department of the Supreme People's Court of PRC from February 1997 to April 2003; executive vice president and deputy Party secretary of the High People's court of Jilin Province and vice president of China Women Judges Association from February 1994 to January 1997. Prior to that, Ms. Wang had successively served at Siping District Timber Company in Jilin, Intermediate People's court of Siping District, Liaoyuan Intermediate People's Court and Jilin Intermediate People's Court. With her long-term services in the judicial system, Ms. Wang is very experienced in legal matters. Ms. Wang graduated from Beijing Political Science and Law College (now China University of Political Science and Law).

Mr. Jia Xiangsen

Chinese Nationality

External supervisor of the Bank. Mr. Jia has been an independent director of China Life Insurance Company Limited since March 2015. He was concurrently chief audit executive and director general of the audit bureau of Agricultural Bank of China ("ABC") head office between March 2010 and March 2014, and headed the ABC head office audit bureau between April 2008 and March 2010. From April 1984 to April 2008, Mr. Jia held various positions at ABC Beijing Branch, including, among others, deputy head of Fengtai District sub-branch, deputy division director (in charge), head of Dongcheng District sub-branch, and eventually vice president and vice Party secretary of the branch. He was also general manager of the Corporate Banking Department of ABC head office, and president of Agricultural Bank of Guangdong Province. Prior to that, he worked at Chaoyang and Fengtai District Offices of Beijing Municipal People's Bank. Mr. Jia graduated from the graduate school of the Chinese Academy of Social Sciences majoring in monetary banking.

Mr. Zheng Wei

Chinese Nationality

External supervisor of the Bank. Mr. Zheng is a professor and dean of risk management and insurance science at the School of Economics in Peking University. Mr. Zheng has been working at the School of Economics of Peking University since March 1999, holding various positions including assistant dean, deputy dean and dean of risk management and insurance science. From July 1998 to the present, he has had numerous titles including teaching assistant, lecturer, associate professor, professor, and Ph.D. tutor-professor at the School of Economics in Peking University. He is an independent director of Xinhua Life Insurance Co., Ltd. since March 2016 and an independent director of Donghai Shipping Insurance Co., Ltd. since June 2016. Between August 1999 and January 2000, Mr. Zheng was a visiting scholar to the Business School of the University of Wisconsin–Madison. Mr. Zheng graduated from the School of Economics of Peking University with a doctoral degree in finance.

Mr. Cheng Pusheng

Chinese Nationality

Employee representative supervisor of the Bank. Mr. Cheng is a senior economist. He has been general manager of the Audit Department of the Bank since May 2015 when the CBRC approved his qualifications for office. He was general manager of the Bank's Centralized Procurement Center between October 2013 and January 2015, deputy general manager of the Bank's Budget and Finance Department and concurrently head of the financial management division within the department between March 2011 and October 2013, assistant general manager and concurrently head of the financial management division within the department from August 2008 to March 2011, head of the financial management division within the Budget and Finance Department between June 2005 and August 2008, deputy head of the budget management division within the Budget and Finance Department between March 2004 and June 2005, and before that a staff member, deputy section chief, section chief and deputy general manager at the Bank's Budget and Finance Department between July 1995 and March 2004. Mr. Cheng did his master's program at the Graduate School of Shaanxi College of Finance and Economics between August 1992 and July 1995, and worked as an employee at Wanrong sub-branch of People's Bank of China Shanxi Branch from July 1991 to August 1992.

Ms. Wen Shuping

Chinese Nationality

Employee representative supervisor of the Bank. Since June 2013 to present, she has been the chairperson of the trade union (vice president level) of Nanchang Branch. From March 2011 to June 2013, she served as a member of the CPC Committee (vice president level), secretary of the discipline inspection commission and chairperson of the trade union of Nanchang Branch. From July 2009 to March 2011, she was a member of the CPC Committee (assistant president level), assistant to the president, secretary of the discipline inspection commission and chairperson of the trade union of Nanchang Branch. Between April and July 2009, she was a member of the CPC Committee (assistant president level), assistant to the president and the chairperson of the trade union of Nanchang Branch. She was chairperson of the trade union (assistant president level) of Nanchang Branch from February 2008 to April 2009. From November 2007 to February 2008, she was secretary of the Party committee of Nanchang Branch. From January 2003 to October 2007, Ms. Wen served as a deputy department director level cadre at Jiangxi Branch of China Development Bank. She was a personnel & education cadre at the business department, deputy director of the personnel training department and the organization department of the Jiangxi Branch of Agricultural Development Bank of China ("ABC") from March 1997 to December 2002. Ms. Wen worked at the personnel department of ABC Jiangxi Nanchang Suburb Branch from May 1991 to February 1997 where she was an officer and then a deputy section chief. From October 1987 to April 1991, Ms. Wen worked at ABC Jiangxi Fengcheng Branch. From March 1985 to September 1987, Ms. Wen worked at the trade union of the Food Bureau of Jiangxi Yichun Shanggao County as the Secretary of Youth League Committee and a trade union officer. From June 1980 to February 1985, Ms. Wen worked at Zhendu Grain Management Agency and Grain & Oil Processing Factory of the Food System of Shanggao County. From December 1978 to May 1980, she served as the deputy secretary of the Communist Youth League and deputy director of the All-China Women's Federation Zhendu Commune Branch, Shanggao County. From July 1975 to November 1978, she was sent to Jingtou Village, Zhendu Commune, Shanggao County and was elected as a member of the policy education team of the commune and the county. Ms. Wen holds a bachelor's degree in political education.

Mr. Ma Haiqing

Chinese Nationality

Employee representative supervisor of the Bank. Mr. Ma has been general manager of the Budget and Finance Department (now Finance and Accounting Department) of the Bank since July 2016. He headed the General Office of the Business Department at the Bank's Head Office from February 2015 to July 2016. Between July 2013 and February 2015, he was general manager of the business settlement division under the Business Department at the Bank's Head Office; from May 2012 to July 2013, he was general manager of the accounting division under the Business Department at the Bank's Head Office; and between September 2009 and May 2012, he was deputy general manager of the corporate banking division under the Business Department at the Bank's Head Office. Mr. Ma has worked for the Bank since 1994, holding various positions including staff member at the Bank's Leasing Department and Credit Department, staff member, deputy division director and assistance general manager at the corporate banking division under the Business Department of the Bank's Head Office, and deputy general manager of the risk management division under the Business Department of the Bank's Head Office. Mr. Ma graduated from the Central University of Finance and Economics with a bachelor's degree in accounting and later a master's degree in finance.

12.2.3 Senior Management

Mr. Sun Deshun

Chinese Nationality

Executive director and President of the Bank. Please refer to "Directors" in this chapter for Mr. Sun's resume.

Mr. Zhang Qiang

Chinese Nationality

Vice President of the Bank. Mr. Zhang has been a vice president of the Bank since March 2010. Mr. Zhang concurrently serves as chairman of CNCB (Hong Kong) Investment since May 2013 and a director of CNCBI since August 2012. Prior to that, Mr. Zhang was an assistant president and a Party committee member of the Bank from April 2006 to March 2010, during which time he concurrently served as general manager of the Department of Corporate Banking at the Bank's Head Office from April 2006 to March 2007. Earlier, Mr. Zhang was deputy general manager, executive deputy general manager and general manager of the Business Department at the Bank's Head Office from January 2000 to April 2006. Between September 1990 and January 2000, Mr. Zhang held various positions in the Bank's Credit Department, Jinan Branch and Qingdao Branch, including deputy general manager and general manager of the Credit Department as well as vice president and president of the branches. Mr. Zhang has been working at the Bank ever since he joined the Bank in September 1990. He is a senior economist with nearly 30 years' experience in the Chinese banking sector. Mr. Zhang graduated from Zhongnan University of Finance and Economics (now Zhongnan University of Finance, Economics and Law) with a bachelor's degree in economics and from Liaoning University with a master's degree in finance.

Mr. Zhu Jialin

Chinese Nationality

Vice President of the Bank. Mr. Zhu has been a Party committee member of the Bank since March 2013, a vice president of the Bank since September 2014, and concurrently Party secretary and general manager of the Business Department at the Bank's Head Office since October 2014. Since December 2016, Mr. Zhu is concurrently a director of Beijing Guo'an Football Club Limited. Prior to that, Mr. Zhu was a board director and deputy CEO of CITIC Prudential Life Insurance between May 2005 and March 2013, deputy managing director and COO of CITIC Prudential Life Insurance between March 2004 and May 2005, and deputy managing director of CITIC Prudential Life Insurance between May 2000 and March 2004. From October 1998 to May 2000, Mr. Zhu worked at CITIC Bank as Chief Collection Officer and concurrently general manager of the Asset Preservation Department. Between December 1997 and October 1998, Mr. Zhu headed the CITIC Group insurance preparation group. He was seconded to Nippon Life Insurance Company and Sompo Japan Insurance Inc. between January 1997 and December 1997. From August 1986 to January 1997, Mr. Zhu worked at the Head Office of CITIC Bank, holding various positions including office staff, deputy section chief, and secretary to the President of the Bank, during which period he was seconded to Nomura Securities between September 1988 and September 1989.

Mr. Fang Heying

Chinese Nationality

Vice President and Chief Financial Officer of the Bank. Mr. Fang has been a Party committee member of the Bank since August 2014, a vice president of the Bank since November 2014, and Chief Financial Officer of the Bank since January 2017. He is concurrently a director of CNCB Investment, CNCBI and CIFH. Prior to that, Mr. Fang headed the Bank's financial markets business from May 2013 to November 2014. He was concurrently Party secretary and president of the Bank's Hangzhou Branch between May and September 2014, and served as Party secretary and president of Suzhou Branch of the Bank from March 2007 to May 2013. From September 2003 to March 2007, he successively held various positions at the Bank's Hangzhou Branch, including party committee member, assistant president, and vice president. From December 1996 to September 2003, he worked at Hangzhou Branch of the Bank, successively holding the positions of section chief and deputy general manager of the credit department, president and party secretary of Fuyang sub-branch, deputy general manager of international settlement department, deputy general manager of retail business department, and general manager of business department. From July to December 1996, he was deputy director of Hangzhou East Office of Shanghai Pudong Development Bank. From December 1992 to July 1996, he worked in the credit department of experimental urban credit cooperative of Zhejiang Bank School, successively holding the positions of credit clerk, manager, and assistant general manager. From July 1991 to December 1992, he was a teacher at Zhejiang Bank School.

Mr. Guo Danghuai

Chinese Nationality

Vice President of the Bank. Mr. Guo has been a Party committee member of the Bank since August 2014 and a vice president of the Bank since November 2014. Prior to that, from May 2013 to August 2014, he was chief auditor of the Bank. From March 2010 to May 2013, he served as party secretary and general manager of the Business Department at the Bank's Head Office. From July 2006 to March 2010, he was Party secretary and president of the Bank's Tianjin Branch. From January 2005 to July 2006, he served as general manager of the International Business Department of the Bank. From August 2001 to January 2005, he was assistant president of the Bank. From November 2000 to August 2001, he was designated by CITIC Group to be chairman of CITIC Guo'an Group and lead the project on acquisition of Shantou Commercial Bank. From September 1999 to November 2000, he was president and party secretary of Shenyang Branch of the Bank. From August 1986 to September 1999, he worked for the Bank, successively holding the positions of staff, deputy sector chief and sector chief, and also served as deputy general manager and general manager of the business department of Capital Mansion, assistant president and vice president of CITIC Bank Beijing Branch, and deputy general manager of the Business Department at the Bank's Head Office.

Mr. Yang Yu

Chinese Nationality

Vice President of the Bank. Mr. Yang has been a Party committee member of the Bank since July 2015 and a vice president of the Bank since December 2015. Prior to that, he was president and Party secretary of China Construction Bank Jiangsu Branch between March 2011 and June 2015, and president and Party secretary of China Construction Bank Hebei Branch between July 2006 and February 2011. Between August 1982 and June 2006, Mr. Yang worked at China Construction Bank Henan Branch, holding various positions, including staff and deputy head of budget and finance division, deputy head and Party committee member of Xinyang Prefecture central sub-branch, head of planning division, head of intermediary business division, Party group member and branch chief of Zhengzhou municipal railway sub-branch, Party secretary and president of Zhengzhou branch, and deputy Party secretary and vice president (in charge) of Henan branch. Mr. Yang is a senior economist with a master's diploma and a doctorate degree in management.

Mr. Lu Wei

Chinese Nationality

Secretary to the Board of Directors and Company Secretary of the Bank. Mr. Lu has been Secretary to the Board of Directors, Company Secretary and authorized representative of the Bank since January 2017. He is also general manager of the Asset and Liability Department of the Bank since October 2016, and deputy head of the team for preparing the establishment of the Bank's Hong Kong Branch since September 2016. Previously, Mr. Lu was general manager of the Budget and Finance Department (now Finance and Accounting Department) of the Bank from September 2013 to October 2016, and deputy general manager (in charge) of the Budget and Finance Department from March to September 2013. Between January 1997 and March 2013, he worked at the Business Department at the Head Office of the Bank, holding various positions including deputy section chief and deputy division chief of the Corporate Business Unit (from March 2001 to January 2002, he was seconded by the Bank to HSBC Jersey Branch), management member, deputy general manager (in charge) and general manager of the Bank's Xidan sub-branch, general manager of the Bank's Capital Mansion sub-branch, general manager of the Bank's Interbank Business Department, and Party committee member, assistant general manager and deputy general manager of the Business Department at the Bank's Head Office. Between July 1994 and January 1997, Mr. Lu worked for Beijing Youth Industrial Group Corporation. Mr. Lu is a certified accountant with nearly 20 years' experience in the Chinese banking industry. He graduated from Deakin University in Australia with a master's degree in accounting.

12.3 Appointment and Dismissal of Directors, Supervisors and Senior Management Members

12.3.1 Directors

In May 2015, the 2014 Annual General Meeting of the Bank adopted the resolution on electing Mr. Qian Jun independent non-executive director of the fourth session of the Board of Directors of the Bank. On 26 December 2016, with CBRC approval of his qualification for office, Mr. Qianjun assumed office as independent non-executive director of the Bank and concurrently member of each of the Strategic Development Committee, Risk Management Committee, Audit and Related Party Transactions Control Committee and Nomination and Remuneration Committee under the Board of Directors of the Bank.

In March 2016, the 1st Extraordinary General Meeting of the Bank elected Mr. He Cao and Ms. Chen Lihua independent non-executive directors, and Mr. Wan Liming and Ms. Huang Fang non-executive directors of the 4th Session of the Board of Directors of the Bank. On 24 June 2016, with CBRC approval of their qualifications for office, Mr. He Cao and Ms. Chen Lihua assumed office as independent non-executive directors, and Mr. Wan Liming as non-executive director of the Bank. On 16 November 2016, upon CBRC approval of her qualification for office, Ms. Huang Fang assumed office as non-executive director of the Bank.

In June 2016, Mr. Li Zheping discontinued his independent non-executive directorship of the Bank upon expiry of his term of office, and Mr. Yuan Ming, for personal reasons, no longer held his positions at the Bank including independent non-executive director, chairman and member of the Audit and Related Party Transactions Control Committee, and member of the Nomination and Remuneration Committee of the Board of Directors of the Bank, both with effect from 24 June 2016.

In June 2016, Mr. Chang Zhenming requested for resignation from his chairmanship of the Board of Directors of the Bank due to work rearrangements, and his chairmanship would continue until the new Chairperson officially took office. In June 2016, the meeting of the Board of Directors of the Bank elected Ms. Li Qingping Executive Chairperson of the Board of Directors. Upon CBRC approval of her qualification for office on 20 July 2016, Ms. Li Qingping assumed office as Executive Chairperson of the Bank. Mr. Chang Zhenming's resignation of his chairmanship took effect on the same date.

In August 2016, Mr. Zhang Xiaowei resigned his non-executive directorship at the Bank due to work rearrangements, with effect from 2 August 2016.

In March 2017, Mr. Zhu Xiaohuang resigned his non-executive directorship and membership of each of the Strategic Development Committee and Risk Management Committee of the Board of Directors of the Bank for reasons of age, with effect from 3 March 2017.

12.3.2 Supervisors

The membership of the Board of Supervisors of the Bank did not change during the reporting period.

12.3.3 Senior Management Members

In June 2016, the meeting of the Board of Directors of the Bank adopted the proposal on engaging Mr. Sun Deshun to be president of the Bank, prior to which Ms. Li Qingping had requested for resignation from her presidency due to work rearrangements. She continued to exercise her power and perform her duty as president of the Bank before the new president took office. Upon CBRC approval of his qualification for office on 20 July 2016, Mr. Sun Deshun assumed office as President of the Bank. Ms. Li Qingping's resignation took effect on the same date. Mr. Sun Deshun is no longer first vice president of the Bank.

In October 2016, the meeting of the Board of Directors of the Bank adopted the proposal on having Mr. Fang Heying concurrently serve as Chief Financial Officer of the Bank. On 19 January 2017, with CBRC approval of his qualification for office, Mr. Fang Heying officially assumed office as Chief Financial Officer of the Bank.

In October 2016, the meeting of the Board of Directors of the Bank adopted the proposal on engaging Mr. Lu Wei to be Secretary to the Board of Directors and Company Secretary and hold other relevant posts at the Bank, including the Bank's "authorized representative" as set out in Rule 3.05 of the Hong Kong Listing Rules who shall fulfill the duties set out in Rule 3.06 of the Hong Kong Listing Rules, and the Bank's "Authorized Representative for the e-Submission System" who shall have the right to handle matters relating to the SEHK e-submission system on behalf of the Bank. Due to work rearrangements, Mr. Wang Kang no longer held his positions at the Bank including Board Secretary, Company Secretary and the afore-mentioned other relevant positions. Mr. Lu Wei's engagement and Mr. Wang Kang's departure both took effect upon CBRC approval of Mr. Lu Wei's qualification for office on 24 January 2017.

In March 2017, Mr. Qiao Wei resigned from his position as Secretary of the Committee for Disciplinary Inspection of the Bank.

12.4 Remunerations of Directors, Supervisors and Senior Management

The scheme of remunerations for the Bank's directors and senior management members shall be drafted by the Nomination and Remuneration Committee under the Board of Directors and approved by the Board of Directors. Thereafter the scheme of remunerations for the Bank's directors shall be submitted to the general meeting for approval. The scheme of remunerations for the Bank's supervisors shall be drafted by the Nomination Committee under the Board of Supervisors, and after its approval by the Board of Supervisors shall be submitted to the general meeting for approval. The Bank offers remunerations to directors, supervisors and senior management members who are at the same time employees of the Bank. Such remunerations shall be consistent with the positions held by the payees and include salary, bonus, allowance, subsidy, employee welfare and insurance contributions, housing provident fund and annuity. An allowance system is implemented for independent non-executive directors and external supervisors. The Bank does not pay any salary or allowance to any other directors or supervisors. In accordance with applicable PRC laws, the Bank has participated in various types of statutory contribution and pension schemes organized by the Chinese government for the benefit of its entire staff (including the executive directors, supervisors, and senior management members that are also employees of the Bank). Actual pre-tax remunerations that all directors, supervisors and senior management members (both incumbent and non-incumbent) received from the Bank for the reporting period was in the amount of RMB21.5758 million[1]. As at the end of the reporting period, the Bank had not provided any incentive shares to directors, supervisors or senior management members.

12.5 Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Bank Held by Its Directors, Supervisors and Senior Management Members

Mr. Wang Kang officially assumed office as Secretary to the Board of Directors of the Bank on 21 May 2015, upon which time he held 16,800 A shares of the Bank. There was no change in his shareholding by the end of the reporting period. Except for the Bank's former Board Secretary Mr. Wang Kang, no other directors, supervisors or senior management members of the Bank, incumbent or non-incumbent, held any shares, share options or restrictive shares of the Bank.

12.6 Interests of Directors and Supervisors in Material Contracts

During the reporting period, neither the Bank or its holding companies, nor any of its subsidiaries or fellow subsidiaries entered into any material contract in relation to the business of the Bank in which any director or supervisor has material interests, whether directly or indirectly.

12.7 Service Contracts of Directors and Supervisors

None of the directors or supervisors of the Bank has concluded with the Bank or any of the Bank's affiliates any service contract that may not be terminated within one year as of the entry into effect of the contract or that may only be terminated with the payment of other compensations in addition to the statutory compensations.

12.8 Relationships among Directors, Supervisors and Senior Management

There are no material financial, business, family or other relationships among directors, supervisors or senior management of the Bank.

1 Mr. Lu Wei is Secretary to the Board of Directors of the Bank since January 2017. The pre-tax remunerations that all directors, supervisors and senior management members (both incumbent and non-incumbent) received from the Bank for the reporting period does not include the remuneration for Mr. Lu Wei.

12.9 Interests of Directors in Business Competing with the Bank

None of the directors of the Bank has any interest in business which directly or indirectly competes or may compete with the Bank's business.

12.10 Insurance for Directors

In 2016, the Bank bought directors liability insurance for all of its directors.

12.11 Human Resources Management and Staff Profile

As at the end of the reporting period, the Bank (including its subsidiaries) had 58,023 employees, including 52,834 under labor contracts with the Bank and 5,189 dispatched to the Bank or hired with letters of engagement by the Bank. Of all the employees, 10,420 served as managerial function, 43,566 as technical function and 4,037 as supporting function. 10,132 employees, 17.46% of the total, held post-graduate degrees or above; 40,432 employees, 69.68% of the total, held bachelor's degrees; and 7,459 employees, 12.86% of the total, held junior diplomas and qualifications below junior diploma level. The Bank had 946 retirees.

12.11.1 Human Resources Management

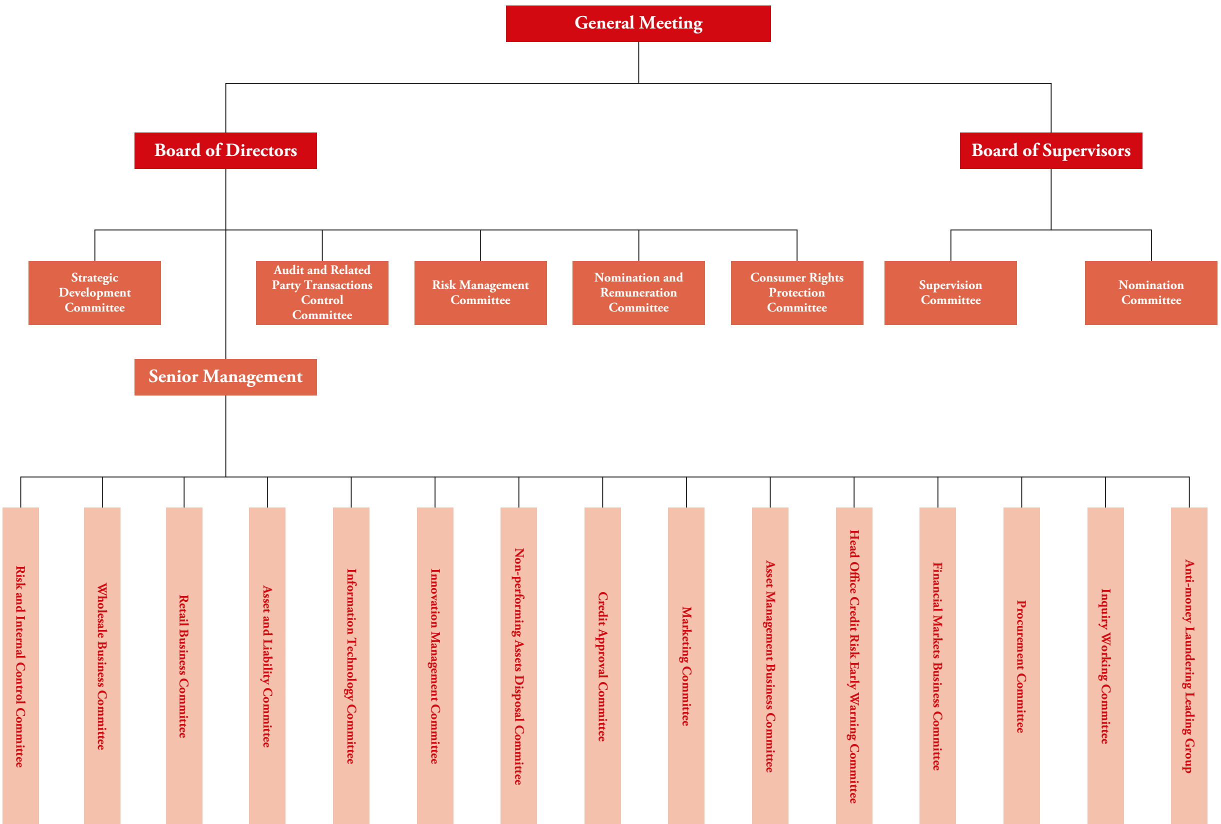
During the reporting period, the Bank further improved its human resources management by combining effective incentives and strict constraints. Among others, the Bank optimized its organizational structure, constructed its job system, built a remuneration system based on job value assessment, improved performance management, expanded career development paths for employees, put in place better mechanisms for cadre selection, appointment, supervision and management, reinforced the cultivation of managers and reserve talents at all levels, and developed/applied a new generation human resources management system.

12.11.2 Training and Development of Human Resources

The reporting period saw the Bank carry out its talent training and development by layer and category in accordance with its development strategy and core tasks. More intensive trainings were organized for newly appointed branch executives, leaders of main business lines and medium-level managers at the Head Office, and more in-depth ones for internationalized talents, reserve talents and internal trainers. In particular, the "CNCB Lectures" became a remarkable feature of the training exercise.

During the reporting period, the Bank hosted 6,137 training sessions of all categories, recording 633,100 person-times participation. For the full year of 2016, the E-learning system recorded 2.134 million person-times online learning, and held 284 online examinations. The "CNCB WeChat University" achieved full coverage of CNCB staff, online operated 120 WeChat courses and organized 33 examinations that recorded 80,000 person-times participation. In its efforts to reinforce Party school education and training, the Bank not only fostered face-to-face learning, but also uploaded Party School courses, enabling its Party members to attain online learning of 31.3 hours per person. 5 examinations were organized for job accreditation in the areas of risk control, retail banking and business operation, recording 30,196 person-times participation.

13.1 Corporate Governance Structure



13.2 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.

13.3 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.

13.4 The General Meeting

13.4.1 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.

13.4.2 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 meeting and 1 H shareholders class 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.

13.5 Board of Directors

13.5.1 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.

13.5.2 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

13.5.3 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 consolidated financial statements contained herein.

The directors acknowledge that they are responsible for preparing the consolidated 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.

13.5.4 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.

13.5.5 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.

13.5.6 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.

13.6 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.

13.6.1 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

13.6.2 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 consolidated 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 consolidated 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 ZT as its domestic auditor and PricewaterhouseCoopers as its overseas auditor in 2017, and decided to submit these matters to the Board of Directors for further deliberation.

13.6.3 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

13.6.4 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.

13.6.5 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.

13.7 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

13.8 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.

13.8.1 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

13.8.2 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

13.9 Independent Opinions of the Board of Supervisors on Relevant Matters

13.9.1 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 equity holders were identified on the part of the directors or senior management members in their course of duty performance.

13.9.2 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.

13.9.3 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.

13.9.4 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 equity holders or loss of the Bank's assets, or would constitute insider trading.

13.9.5 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 equity holders.

13.9.6 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.

13.9.7 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.

13.10 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.

13.11 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.

13.12 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.

13.13 Company Secretary

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

13.14 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 equity holders.

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.

13.15 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.

13.16 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.

13.17 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.

13.18 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.

13.19 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.

13.20 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.

13.21 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.

13.22 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 report 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.

13.23 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.

13.24 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 report nor was there any incident of administrative penalty issued against the Bank by regulatory authorities due to insider trading during the reporting period.

13.25 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) 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).

13.26 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.

13.27 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.

13.28 External Audit of Internal Control

For the reporting period, the Bank engaged PricewaterhouseCoopers ZT 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 ZT 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).

As per the audit opinion on the Bank's internal control over financial reporting set out in its audit report on internal control, PricewaterhouseCoopers ZT 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.

13.29 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 report.

To the shareholders of China CITIC Bank Corporation Limited

(Incorporated in the People's Republic of China with Limited Liability)

Opinion

What we have audited

The consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 160 to 276, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our 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.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Impairment of loans and advances to customers and investments classified as receivables
- Consolidation of structured entities – Non-principal guaranteed wealth management products
- De-recognition of financial assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers and investments classified as receivables	
Loans and advances to customers	**Loans and advances to customers**
Refer to Note 4 (c), Note 5 and Note 23 to the consolidated financial statements. As at 31 December 2016, the Group's loans and advances to customers amounted to RMB2,877.9 billion, and the corresponding allowance for impairment losses was RMB75.5 billion. Allowance for impairment losses represented management's best estimates of losses incurred within loans and advances to customers as at the balance sheet date. The allowance was computed individually or on a collective basis, where appropriate. Corporate loans were initially assessed for impairment individually by management. If objective evidence of impairment was identified, management regularly assesses the amount and timing of the expected future cash flows from the loans to calculate the allowance for impairment losses, which was the difference between the carrying amount of the loans and the present value of their expected future cash flows. Non-impaired corporate loans and all personal loans were included in homogeneous groups with similar credit risk characteristics for performance of impairment assessments on a collective basis. Models were used for this purpose, considering the similarity of credit risks and applying key assumptions such as, historical loss experience, loss identification period for incurred but unidentified impairment losses, macro-economic factors, and special considerations for high risk products and geographical locations in the calculation methodology. Management assessed these key assumptions on a periodic basis, and made adjustments where deemed appropriate.	We evaluated and tested the design and operating effectiveness of the relevant controls over the impairment assessments and impairment allowance computations for loans and advances to customers, including review and approval of results of credit reviews on impaired loans, the periodic revaluations of collateral, the estimation of future cash flows for impaired loans, and the collective impairment computations (including the selection and changes of models, data inputs and key assumptions and changes thereof used in the computations). We performed independent credit reviews of selected samples, considering the credit profiles of the related borrowers, guarantors and the collateral, as well as external evidence and factors, to ascertain whether management's identification of impaired loans was appropriate. For impaired loans identified individually, we examined, on a sample basis, data inputs to the discounted cash flow models, including the cash flow status of the borrowers and guarantors, latest collateral valuations, applicable haircut rates and disposal plans, in supporting the estimation of future cash flows and present value. For those loans and advances to customers which were assessed by management on a collective basis for impairment losses, we conducted independent testing on the appropriateness of the design and logic of the models employed by management. We tested the migration model for corporate loans and the roll rate models for personal loans, respectively, including completeness of the source data, appropriateness of the key assumptions, and mathematical accuracy of the calculations. We discussed with management and scrutinized the appropriateness of those key assumptions applied in management's impairment assessment, and compared them with available external evidence where necessary. We also applied sensitivities to underlying key assumptions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers and investments classified as receivables (Continued)	
Investments classified as receivables	**Investments classified as receivables**
Refer to Note 4 (c), Note 5 and Note 26 to the consolidated financial statements.	
As at 31 December 2016, the Group's investments classified as receivables ("Investments") amounted to RMB1,037.5 billion, and the corresponding allowance for impairment losses was RMB1.8 billion.	Loans and advances to customers and Investments relating to the same borrower were included in the Group's integrated credit approval and management system so that management managed its credit risk exposure in a holistic manner.
Management focused on and assessed the Investments with credit-type underlying assets individually for impairment. Underlying assets not identified as impaired from the individual assessments were included in homogenous groups with similar credit risk characteristics, considering risk factors relating to different industries and different types of underlying assets, and were assessed for impairment on a collective basis.	For Investments with credit-type underlying assets, the testing of relevant controls over impairment identification and assessments of these Investments was covered through our testing of internal controls over loans and advances to customers mentioned above. For Investments with credit-type underlying assets where the underlying assets related to borrowers who also had outstanding balances of loans and advances with the Group, we applied a consistent approach, to selection of samples and conducting credit reviews. For borrowers with no outstanding balances of loans and advances to customers with the Group, we separately selected samples and performed procedures on them to ascertain whether there was objective evidence of impairment for the underlying assets. For Investments with credit-type underlying assets, that were not identified as impaired from individual assessments, we evaluated the appropriateness of the Investments' allowance for impairment losses based on the credit risk characteristics of the underlying assets, and by reference to the level of the Group's collective impairment allowance for its corporate loans and advances to customers with similar credit risk characteristics.
Identification and assessment of impairment of loans and advances to customers and Investments involved complex and significant judgments by management, and, as such, we focused on this area as a key audit matter.	Based on the procedures performed above, in the context of the inherent uncertainties associated with impairment assessments, the assessment approaches, methodologies and key assumptions adopted by management were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products	
Refer to Note 4 (a), Note 5 and Note 62 to the consolidated financial statements. As at 31 December 2016, unconsolidated structured entities included non-principal guaranteed wealth management products ("WMPs") issued and managed by the Group. Management's decision on whether or not to consolidate structured entities was based on an assessment of the Group's power, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities. We focused on the consolidation assessment and judgment made by management involving the structures entities for non-principal guaranteed WMPs during our audit as whether or not to consolidate these entities involved significant judgment.	We evaluated and tested the design and operating effectiveness of management's relevant controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included the review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities. We selected samples of structured entities for non-principal guaranteed WMPs and performed the following tests: • assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities; • performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; • assessed whether the Group acted as a principal or an agent through analysis of the scope of the Group's decision-making authority, its remuneration entitlement, other interests the Group held, and the rights held by other parties. Based on the procedures performed above, we found management's judgment relating to the consideration of structured entities for non-principal guaranteed WMPs acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
De-recognition of Financial Assets Refer to Note 4 (c), Note 5 and Note 63 to the consolidated financial statements. During the year ended 31 December 2016, the Group entered into transactions which involved transfers of financial assets including those through securitisation and loan transfers. Management analysed the Group's contractual rights and obligations in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred by using models to determine whether the de-recognition criteria were met. Where necessary, the Group assessed whether it had relinquished its control over the transferred financial assets to determine whether the de-recognition criteria were met. The de-recognition assessment relating to the transfer of financial assets involved significant judgment from management, and as such, we focused our audit on the de-recognition of these financial assets.	We evaluated and tested the design and operating effectiveness of the relevant controls over transfers of financial assets, including the review and approval of the structure designs and contractual terms of the transactions, the approval of models for testing the transfer of risks and rewards of ownership and the key parameters and assumptions used in the models, as well as the review and approval of management's assessment results. We selected samples and read through transaction agreements to assess the contractual rights and obligations of the Group, and whether the Group transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows, to independent third parties. We also assessed the appropriateness of the models, the parameters and assumptions, the discount rates, and the variability factors. We also tested the mathematical accuracy of the calculations. For financial assets where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, we analysed whether the Group had relinquished its controls over these financial assets, and if the Group had a continuing involvement in these transferred financial assets. Based on the procedures performed above, we found management's assessment over de-recognition of transferred financial assets acceptable.

Other Information

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

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Shuk Ching, Margarita.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2017

Chapter 14 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	6	**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	7	**42,280**	35,674
Net trading gain	8	**3,547**	3,635
Net gain from investment securities	9	**1,682**	1,192
Net hedging gain	10	**—**	1
Other operating income		**512**	610
Operating income		**154,159**	145,545
Operating expenses	11	**(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	12	**(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	13	**(12,822)**	(13,246)
Profit for the year		**41,786**	41,740
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-sale 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	14	**(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)	15	**0.85**	0.88

The accompanying notes form an integral part of these consolidated financial statements.

Chapter 14 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	16	**553,328**	511,189
Deposits with banks and non-bank financial institutions	17	**208,641**	80,803
Precious metals		**3,372**	1,191
Placements with and loans to banks and non-bank financial institutions	18	**167,208**	118,776
Financial assets at fair value through profit or loss	19	**64,911**	26,220
Derivative financial assets	20	**47,366**	13,788
Financial assets held under resale agreements	21	**170,804**	138,561
Interest receivables	22	**32,922**	30,512
Loans and advances to customers	23	**2,802,384**	2,468,283
Available-for-sale financial assets	24	**534,533**	373,770
Held-to-maturity investments	25	**217,498**	179,930
Investments classified as receivables	26	**1,035,728**	1,112,207
Investments in associates	27	**1,111**	976
Property, plant and equipment	29	**17,834**	15,983
Intangible assets		**840**	802
Investment properties	30	**305**	325
Goodwill	31	**914**	854
Deferred tax assets	32	**12,697**	7,981
Other assets	33	**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	35	**981,446**	1,068,544
Placements from banks and non-bank financial institutions	36	**83,723**	49,248
Derivative financial liabilities	20	**45,059**	11,418
Financial assets sold under repurchase agreements	37	**120,342**	71,168
Deposits from customers	38	**3,639,290**	3,182,775
Accrued staff costs	39	**8,819**	8,302
Taxes payable	40	**6,364**	4,693
Interest payable	41	**37,155**	38,159
Provisions	42	**244**	2
Debt securities issued	43	**386,946**	289,135
Deferred tax liabilities	32	**11**	10
Other liabilities	44	**53,105**	41,652
Total liabilities		**5,546,554**	4,802,606

As at 31 December 2016
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	31 December 2016	31 December 2015
Equity			
Share capital	45	**48,935**	48,935
Preference shares	46	**34,955**	—
Capital reserve	47	**58,636**	58,636
Other comprehensive (loss)/income	48	**(1,142)**	3,584
Surplus reserve	49	**27,263**	23,362
General reserve	50	**73,911**	64,555
Retained earnings	51	**136,666**	118,668
Total equity attributable to equity holders of the Bank		**379,224**	317,740
Non-controlling interests	52	**5,272**	1,946
Total equity		**384,496**	319,686
Total liabilities and equity		**5,931,050**	5,122,292

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorised for issue by the board of directors on 22 March 2017.

Li Qingping	**Sun Deshun**	**Fang Heying**	**Li Peixia**	**Company stamp**
Chairperson	*President*	*Vice President and Chief Financial Officer*	*General Manager of Finance Department*	

Chapter 14 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) Profit for the year		—	—	—	—	—	—	41,629	11	146	41,786
(ii) Other comprehensive (loss)/income	14	—	—	—	(4,726)	—	—	—	1	—	(4,725)
Total comprehensive income		—	—	—	(4,726)	—	—	41,629	12	146	37,061
(iii) Proceed from issuance of preference shares	46	—	34,955	—	—	—	—	—	—	—	34,955
(iv) Proceeds from other equity instruments holders	52	—	—	—	—	—	—	—	—	3,324	3,324
(v) Profit appropriations											
— Appropriations to surplus reserve	49	—	—	—	—	3,901	—	(3,901)	—	—	—
— Appropriations to general reserve	50	—	—	—	—	—	9,356	(9,356)	—	—	—
— Dividend distribution to ordinary shareholders of the Bank	51	—	—	—	—	—	—	(10,374)	—	—	(10,374)
— Dividend distribution to non-controlling interests		—	—	—	—	—	—	—	(10)	—	(10)
— Dividend distribution to other equity instruments holders	52	—	—	—	—	—	—	—	—	(146)	(146)
As at 31 December 2016		48,935	34,955	58,636	(1,142)	27,263	73,911	136,666	123	5,149	384,496

		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) Profit for the year		—	—	—	—	—	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 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	49	—	—	—	3,968	—	(3,968)	—	—	—
— Appropriations to general reserve	50	—	—	—	—	14,108	(14,108)	—	—	—
— Dividends distribution to other equity instruments holders	52	—	—	—	—	—	—	—	(137)	(137)
As at 31 December 2015		48,935	58,636	3,584	23,362	64,555	118,668	121	1,825	319,686

The accompanying notes form an integral part of these consolidated financial statements.

Chapter 14 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)

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

	Notes	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	27	**(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	46	**34,955**	—
Cash received from other equity instruments issued	52	**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	53	**385,356**	226,364
Cash flows from operating activities include:			
Interest received		**213,544**	207,745
Interest paid		**(94,307)**	(102,040)

The accompanying notes form an integral part of these consolidated financial statements.

Chapter 14 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 No. 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 March 2017.

2 Basis of preparation

These consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements for the year ended 31 December 2016 comprise the Bank and its subsidiaries.

(a) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(b) Functional currency and presentation currency

The functional currency of the Bank is Renminbi ("RMB"). The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the consolidated financial statements according to Note 4 (b)(ii). The consolidated financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.

(Amounts in millions of Renminbi unless otherwise stated)

3 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.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(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	Acquisition of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
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 Amortisation

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 amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances.

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.

(Amounts in millions of Renminbi unless otherwise stated)

3 Statement of compliance (Continued)

(a) New and amended standards adopted by the Group (Continued)

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.

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.

(Amounts in millions of Renminbi unless otherwise stated)

3 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

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 unrealised 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.

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.

3 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 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise 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.

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: amortised 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 recognise 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.

The Group is analysing 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 organisation, 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.

3 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 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.

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 IAS 40 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.

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 recognise 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 recognise 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.

(Amounts in millions of Renminbi unless otherwise stated)

3 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 recognised when a transaction involves a business. A partial gain or loss is recognised 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.

4 Summary of significant accounting policies

(a) Consolidated financial statements

(i) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the financial statements of the acquiree at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against share premium in the capital reserve with any excess adjusted against retained earnings. The issuance costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. The combination date is the date on which one combining enterprise obtains control of other combining enterprises.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(a) Consolidated financial statements (Continued)

(ii) Business combinations not involving entities under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before the business combination. Where (i) the aggregate of the acquisition date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (ii) the acquirer's interest in the acquisition date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (Note 4 (m)). If (i) is less than (ii), the difference is recognised in the consolidated statement of profit or loss for the current period. The issuance costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed as incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in the consolidated statement of profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquire and will be reclassified to profit or loss, and other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs.

(iii) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries, as well as structured entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Bank has power, only substantive rights (held by the Bank and other parties) are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest is presented separately in the consolidated statement of financial position within owners' equity. Profit or loss and total comprehensive income attributable to non-controlling equity holders are presented separately in the consolidated statement of profit or loss and other comprehensive income.

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of equity holders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances, transactions and cash flows, and any unrealised profits arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated only limited to the extent that this is no evidence of impairment.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(a) Consolidated financial statements (Continued)

(iii) Consolidated financial statements (Continued)

Where a subsidiary was acquired during the reporting period, through a business combination not involving enterprises under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling equity holders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to capital reserve (share premium) in the consolidated statement of financial position. If the credit balance of capital reserve (share premium) is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognises assets, liabilities, non-controlling interests and other related items in equity holders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognised as investment income for the current period when the control is lost.

(b) Foreign currency translations

(i) Translation of foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated into Renminbi by applying the spot exchange rates at the dates of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the reporting date. The resulting exchange differences are recognised in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rate at the date the fair value is determined. The differences arising from the translation of available-for-sale equity investments is recognised in other comprehensive income. Changes in the fair value of monetary assets denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognised in the consolidated statement of profit or loss, and other changes in the carrying amount are recognised in other comprehensive income. The translation differences resulting from other monetary assets and liabilities are recognised in the consolidated statement of profit or loss.

(ii) Translation of financial statements denominated in foreign currency

Financial statements denominated in foreign currency are translated into Renminbi for the preparation of consolidated financial statements. The assets and liabilities in the financial statements denominated in foreign currency are translated into Renminbi at the spot exchange rates prevailing at the reporting date. The equity items, except for "retained earnings", are translated to Renminbi at the spot exchange rates at the dates on which such items arose. Income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. The resulting exchange differences are recognised in other comprehensive income.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in equity holders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(c) Financial instruments

(i) Classification

The Group classifies financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred, and on the contractual terms of the financial instruments. The categories are: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include those classified as held for trading, and those designated by the Group upon recognition as at fair value through profit or loss.

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

Financial assets are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets or are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial assets; or (iii) a contract contains one or more embedded derivatives, i.e. an entire hybrid (combined) contract, unless: (i) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the hybrid (combined) contract; or (ii) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative is prohibited.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than: (i) those that the Group, upon initial recognition, designates as financial assets at fair value through profit or loss or as available-for-sale financial assets; (ii) those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (ii) those that the Group, upon initial recognition, designates as financial assets at fair value through profit or loss or as available-for-sale financial assets, or (iii) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale financial assets. Loans and receivables mainly comprise balances with central banks, deposits and placements with and loans to banks and non-bank financial institutions, financial assets held under resale agreements, investments classified as receivables, and loans and advances to customers.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as: (i) financial assets at fair value through profit or loss, (ii) held-to-maturity investments or (iii) loans and receivables.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(i) Classification (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include those classified as held for trading, and those designated by the Group upon recognition as at fair value through profit or loss.

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

Financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial liabilities or are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in measurement bases of the financial liabilities; or (iii) a contract contains one or more embedded derivatives, i.e. an entire hybrid (combined) contract, unless: (i) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the hybrid (combined) contract; or (ii) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative is prohibited.

Other financial liabilities

Other financial liabilities are financial liabilities other than those at fair value through profit or loss, and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debts securities issued.

(ii) Derivatives and embedded derivatives

Derivatives mainly include forward and swap contracts in foreign currency market and interest rate market. The Group enters into derivatives to hedge its exposure on foreign exchange and interest rate risks; and for customer initiated transactions. The Group adopts hedge accounting in accordance with Note 4 (e) for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognised at fair value upon initial recognition. Positive fair value is recognised as assets while the negative fair value is recognised as liabilities. Gain or loss on re-measurement to fair value is recognised immediately in the consolidated statement of profit or loss.

Certain derivative is embedded into a non-derivative instrument (the host contract). The embedded derivatives are separated from the host contract and accounted for as a derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. When the embedded derivative is separated, the host contract is accounted for in accordance with Note 4 (c)(i).

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(iii) Recognition and de-recognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group derecognises a financial asset, if the part being considered for de-recognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for de-recognition, the difference between the two amounts below is recognised in the consolidated statement of profit or loss:

— the carrying amount of the financial asset transferred;

— the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

Securitisation

As part of its operations, the Group securities financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for de-recognition of financial assets are set out above. When the securitisation of financial assets that qualify for de-recognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets that do not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets that partially qualify for de-recognition, the book value of the transferred asset should be recognised between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in the consolidated statement of profit or loss.

Sales of assets on condition of repurchase

De-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

Financial liability

Financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged/cancelled, or (ii) an agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated statement of profit or loss.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(iv) Measurement

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

Subsequent to initial recognition, held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost under effective interest rate method, while other categories of financial instruments are measured at fair value. Investments in available-for-sale equity instruments that do not have a quoted market price in an active market and fair value cannot be reliably measured are measured at cost.

Gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in the consolidated statement of profit or loss.

Gain or loss on an available-for-sale financial asset is recognised directly as other comprehensive income, except for impairment losses and foreign exchange gains or losses arising from the amortised cost portion of monetary financial assets which are recognised directly in the consolidated statement of profit or loss. When the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated statement of profit or loss. Dividend income from the available-for-sale equity instruments is recognised in the consolidated statement of profit or loss when the investee declares the dividends.

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from other comprehensive income to the profit or loss.

For financial instrument carried at amortised cost, a gain or loss is recognised in the consolidated statement of profit or loss when the financial instrument is derecognised, impaired, or through the amortisation process.

(v) Impairment

The Group assesses at the reporting date the carrying amount of a financial asset (other than those at fair value through profit or loss). If there is objective evidence that the financial asset is impaired, the Group will recognise the impairment loss in the consolidated statement of profit or loss.

Objective evidence that a financial asset is impaired included but is not limited to:

— significant financial difficulty of the borrower or issuer;

— a breach of contract by the borrower or issuer, such as a default or delinquency in interest or principal payments;

— the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

— it is probable that the borrower will enter bankruptcy or other financial reorganisations;

— disappearance of an active market for that financial asset because of financial difficulties of the issuer;

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(v) Impairment (Continued)

— observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;

— significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the borrower or issuer operates, indicating that the advances to borrowers or the cost of an investment in an equity instrument may not be recovered;

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; and

— other objective evidence indicating there is an impairment of a financial asset.

The Group first assesses whether objective evidence of impairment exists individually for all corporate loans, investments classified as receivables, available-for-sale financial assets and held-to-maturity investments, and collectively for the remainder of financial assets (other than those at fair value through profit or loss). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment of impairment.

Impairment of financial assets carried at amortised cost

For financial assets carried at amortised cost, including loans and advances to customers, Investments classified as receivables and held-to-maturity investments, an impairment loss is recognised in the consolidated statement of profit or loss when there is objective evidence that the assets are impaired. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that are expected to result from foreclosure, less the cost of obtaining and selling the collateral.

Impairment reversal and written-off

If, in a subsequent period, the amount of the impairment loss on financial assets carried at amortised cost including loans and advances to customers, Investments classified as receivables and held-to-maturity investments decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal, had the impairment not been recognised. The amount of the reversal is recognised in the consolidated statement of profit or loss.

When the Group determines that a financial asset carried at amortised cost has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the financial asset carried at amortised cost is written off against its allowance for impairment losses. If in a subsequent period the financial asset carried at amortised cost written off is recovered, the amount recovered will be recognised in the consolidated statement of profit or loss through impairment losses.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(v) Impairment (Continued)

Rescheduled loans

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve the agreement of new loan conditions. The group has analysed de-recognition of rescheduled loans in accordance with Note 4 (c)(iii). Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to individual or collective impairment assessment, and the impairment allowance is calculated using the loan's original effective interest rate.

Available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised directly in other comprehensive income is removed from other comprehensive income and recognised in the consolidated statement of profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of profit or loss. For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of profit or loss, is removed from equity and recognised in the consolidated statement of profit or loss.

A significant or prolonged decline in the fair value of an equity instrument is an objective indicator of impairment of available-for-sale equity instrument. The Group separately checks all available-for-sale equity investments at reporting date. If a decline in the fair value of an equity instrument is below its initial cost by 50% or more, or fair value is below cost for one year or longer at reporting date, it indicates that such an equity instrument is impaired. If such a decline in fair value is below its initial cost by 20% or more but not up to 50% at reporting date, the Group takes other factors such as price volatility into consideration to judge whether the equity instrument is impaired.

If, in a subsequent period, the fair value of available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss, the impairment loss shall be treated in accordance with following principle:

(i) impairment loss on debt instruments classified as available-for-sale should be reversed, with the amount of the reversal recognised profit or loss;

(ii) impairment loss on equity instruments classified as available-for-sale should not be reversed through profit or loss, and any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income;

(iii) impairment loss of available-for-sale equity investments carried at cost should not be reversed through the consolidated statement of profit or loss.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(vi) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the statement of financial position and are not offset. However, financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only if the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

(vii) Financial assets held under resale and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions which the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions which the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

Cash advanced or received is recognised as amounts held under resale and repurchase agreements on the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the resale and repurchase consideration, and that between the purchase and sale consideration, should be expired over the period of the respective transaction using the effective interest method and are included in interest expense and interest income, respectively.

(viii) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in equity. Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from equity holders' equity.

(d) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the consolidated statement of profit or loss.

(e) Hedging

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item is being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities (fair value hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(f) Interests in subsidiaries

In the Bank's statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (see Note 4 (o)). Cost includes direct attributable costs of investment. Dividends declared by subsidiaries are recognised in investment income.

(g) Interests in associates

An associate is an entity over which the Group has significant influence.

Investment cost in an associate is initially recognised in accordance with the following principles: at the consideration paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

An investment in an associate is accounted for using the equity method, unless the investment is classified as held for sale.

The Group adopts the following accounting treatments when using the equity method:

— Where the initial investment cost of an associate exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

— After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognised in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

— The Group recognises its share of investee's profits or losses, other comprehensive income and other changes in equity holders' equity after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses resulting from transactions between the Group and its associates are eliminated in the same way as unrealised gains but only limited to the extent that there is no evidence of impairment.

— The Group discontinues recognising its share of net losses of investees after the carrying amount of investment to the associates and any long-term interest that in substance forms part of the Group's net interest in the associates are reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where profits are subsequently made by the associates, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

The Group makes provisions for impairment of interests in associates in accordance with the principles described in Note 4 (o).

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(h) Property, plant and equipment

Property, plant and equipment is asset held by the Group for the conduct of business and is expected to be used for more than one year. Construction-in-progress, an item of property, represents property under construction and is transferred to property when ready for its intended use.

(i) Cost

Property, plant and equipment is stated at cost upon initial recognition. Costs of a purchased property, plant and equipment comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of a self-constructed property, plant and equipment comprise construction materials, direct labor costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent to initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of profit or loss as an expense when incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost, less residual value if applicable, of property, plant and equipment and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

	Estimated useful lives
Buildings	30 – 35 years
Computer equipment and others	3 – 10 years

No depreciation is provided in respect of construction in progress.

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

(iv) Impairment

Impairment losses on property, plant and equipment are accounted for in accordance with the accounting policies as set out in Note 4 (o).

(v) Disposal and retirement

Gains or losses arising from the disposal or retirement of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss on the date of disposal or retirement.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(i) Land use rights

Land use rights are stated at cost less amortization and included under other assets. Land use rights are amortised on a straight-line basis over the respective periods of grant. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property, plant and equipment.

Impairment loss on land use rights is accounted for in accordance with the accounting policies as set out in Note 4 (o).

(j) Intangible assets

Intangible assets are initially recognised at cost. The cost less estimated net residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment loss on intangible assets is accounted for in accordance with the accounting policies as set out in Note 4 (o). Impaired intangible assets are amortised net of accumulated impairment losses.

Intangible assets which are not yet available for use should be estimated at least at each financial year-end, even if there was no indication that the assets were impaired.

(k) Investment properties

Investment properties are land and/or buildings which are owned and/or held under a leasehold interest to earn rental income and/or for capital appreciation.

The Group's investment properties are accounted for using the fair value model for subsequent measurement when either of the following conditions is met:

— There is an active property market in the location in which the investment property is situated;

— The Group can obtain the market price and other relevant information regarding the same type of or similar properties from the property market, so as to reasonably estimate the fair value of the investment property.

Investment properties are stated in the statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated statement of profit or loss.

4 Summary of significant accounting policies (Continued)

(l) Lease

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(i) Finance leases

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receipts and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the "net lease investment"), is included in "loans and advances to customers" on statement of financial position as a finance lease receivable. At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the net lease investment and the aggregate of their present value is recognised as unearned finance income which is included in "loans and advances to customers" as well. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses are accounted for in accordance with the accounting policy as set out in Note 4 (c)(v).

Where the Group is a lessee under finance leases, an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease, is included in "property, plant and equipment" on statement of financial position as a leased asset. An amount equal to the minimum lease payments is included in "other liabilities" on statement of financial position recognised as a long-term payable. The difference between the recorded amount of the leased asset and the recorded amount of the payable shall be accounted for as unrecognised finance charge. The Group recognises financial charge for the current period using the effective interest method.

Depreciation policy are accounted for in accordance with the accounting policy as set out in Note 4 (h) and impairment losses are accounted for in accordance with the accounting policy as set out in Note 4 (o). If there is a reasonable certainty that the lessee will obtain ownership of the leased asset by the end of the lease term, the leased asset should be depreciated over its useful life. Otherwise, leased asset is depreciated over the shorter of the lease term and its estimated useful life.

(ii) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 4 (h) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in Note 4 (o). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 4 (u)(iv).

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the consolidated statement of profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

4 Summary of significant accounting policies (Continued)

(m) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs impairment test on goodwill annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in the consolidated statement of profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of the purchased goodwill net of allowance for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4 (o).

(n) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value, plus any taxes paid for the seizure of the assets, litigation fees and other expenses incurred for collecting the repossessed assets are included in the carrying value of repossessed assets.

When the fair value less costs to sell is lower than a repossessed asset's carrying amount, an impairment loss is recognised in the consolidated statement of profit or loss. Repossessed assets are recognised at the carrying value, net of allowance for impairment losses.

The repossessed assets are disposed after acquisition and cannot be used without authorization. The repossessed assets that are transferred to own use are treated as newly purchased property, plant and equipment.

Any gain or loss arising from the disposal of the repossessed assets is included in the consolidated statement of profit or loss in the period in which the item is disposed.

(o) Allowance for impairment of non-financial assets

(i) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset other than goodwill such as investments in associates, property, plant and equipment, investment properties, intangible assets and other assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss in the consolidated statement of profit or loss.

If, in a subsequent period, the amount of impairment loss of the non-financial asset other than goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(o) Allowance for impairment of non-financial assets (Continued)

(ii) Impairment of goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the Group tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset. The carrying amount of an asset should not be reduced below the highest of its fair value less costs of disposal (if measurable); its value in use (if determinable) and zero.

An impairment loss in respect of goodwill is not reversed.

(p) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique (Note 60).

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(q) Employee benefits

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses, labor union expenses and employee education expenses, social insurance such as medical insurance, work-related injury insurance and maternity insurance, as well as housing provident funds, which are all calculated based on the regulated benchmark and ratio.

(ii) Post-employment benefits: Defined contribution plans

Pursuant to the relevant laws and regulations in the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are charged to profit or loss when the related services are rendered by the employees.

In addition to the statutory provision plan, the Bank's employees have joined its annuity scheme (the "scheme") which was established by the CITIC Group Corporation ("CITIC Group") in accordance with policies regarding the state owned enterprise annuity policy. The Bank has made annuity contributions in proportion to its employee's gross salaries which are expensed in the consolidated statement of profit or loss when the contributions are made.

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss as and when the contribution fall due.

(iii) Post-employment benefits: Defined benefit plans

The defined benefit plans of the Group are supplementary retirement benefits provided to the domestic employees.

The Group adopts the projected unit credit actuarial cost method, using unbiased and mutually compatible actuarial assumptions to estimate the demographic and financial variables, to measure the obligation associated in the defined benefits plan. The discounted present value of the defined benefit obligation, is recognised as the liabilities of the defined benefit plans.

The Group recognises the obligation of defined benefit plans in the accounting period in which the employees render the related services. Past-service costs are recognised immediately in the consolidated statement of profit or loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Re-measurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

4 Summary of significant accounting policies (Continued)

(r) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

Government grant is recognised at its fair value when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Grants related to income are government grants other than those related to assets. A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in the consolidated statement of profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in the consolidated statement of profit or loss immediately.

(s) Provisions and contingent liabilities

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A contingent liability is (a) a possible obligation that arises from past events and whose existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or (b) a present obligation that arises from past events and it is not probable that an outflow of economic benefits is required to settle the obligation; or the amount of the obligation cannot be measured reliably. Such liability is disclosed as contingent liabilities under Note 54.

(t) Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated financial statements as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") at the instruction of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(u) Income recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from owners. Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss as follows:

(i) Interest income

Interest income arising from the use of entity assets by others is recognised in the consolidated statement of profit or loss based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and interest paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognised using the rate of interest used to discount future cash flows ("unwinding of discount") for the purpose of measuring the related impairment loss.

(ii) Fee and commission income

Fee and commission income is recognised in the consolidated statement of profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan, the fee is recognised as revenue on expiry.

(iii) Dividend income

Dividend income is recognised in the consolidated statement of profit or loss on the date when the Group's right to receive payment is established.

(iv) Rental income from operating lease

Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated statement of profit or loss as an integral part of the aggregate net lease payments receivable.

(v) Finance income from finance lease and hire purchase contract

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(v) Income tax

Current tax and deferred tax are recognised in the consolidated statement of profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current income tax is the expected tax payables on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payables in respect of previous periods. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences also arise from unused tax losses and unused tax credits. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

At the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and meet the additional conditions that deferred tax assets and liabilities relate to income taxes levied by the same authority on the same taxable entity.

(w) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturity of three months or less at acquisition.

(x) Profit distribution

Proposed dividends for ordinary shares which are declared and approved after the end of each reporting period are not recognised as a liability in the consolidated statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the notes to the consolidated financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

As authorized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

(y) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(z) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group considers the business from different perspectives including products and services and geographic areas. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

5 Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(i) Impairment losses on loans and advances to customers and investments classified as receivables

Loans and advances to customers

The Group reviews its loans and advances to customers to assess impairment on a periodic basis during the year. In determining whether an impairment loss should be recognised in the consolidated statement of profit or loss, the Group makes estimates and judgments as to whether there is any observable data indicating that there is objective evidence of impairment and the extent, if any, to which it will have a measurable decrease in the estimated future cash flows related to individually assessed loans and advances or pools of loans and advances to customers with similar risk characteristics, as described in Note 4 (c)(v) impairment of financial assets carried at amortised cost.

Significant judgments are made in the determination of whether objective evidence of impairment exists in individually assessed loans and advances to customers or pools of loans and advances to customers with similar risk characteristics. Among other things, objective evidence of impairment includes deterioration in the financial condition of specific borrowers (or specific pools of borrowers) affecting their ability to meet their loan payment obligations, overdue status, financial position of guarantors, latest collateral valuations, concession the Group that would not otherwise be granted to borrowers for economic or legal reasons relating to their financial difficulties, as well as increasing industry sector over-capacity or obsolescence, or deterioration in national or regional economic conditions that are correlated to increasing loans and advances to customers defaults. These judgments are made both during management's regular assessments of credit quality of loans and advances to customers and when other circumstances indicate the possibility that objective evidence of impairment may exist.

Where it is determined that objective evidence of impairment exists, significant judgments and estimates are made in estimating the adverse impact on future cash flows related to individually assessed impaired loans and advances to customers. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Factors affecting these estimates include the availability and granularity of information related to specific borrowers; the results of regulatory reviews and the related portfolio analysis, and the clarity of the correlation between qualitative factors, such as industry sector performance or changes in regional economic conditions and loans and advances to customer's defaults of related borrowers.

(Amounts in millions of Renminbi unless otherwise stated)

5 Critical accounting estimates and judgements (Continued)

(i) Impairment losses on loans and advances to customers and investments classified as receivables (Continued)

Loans and advances to customers (continued)

Corporate loans and advances to customers not identified as impaired from individually assessments, together with all personal loans and advances to customers are included in in homogenous groups with similar credit risks characteristics for performance of impairment assessments on a collective basis. Migration model is used for corporate loans and roll rate models are used for personal loans considering the similarity of credit risks and applying key assumptions. Significant judgments are applied to the calculation of assessed impairment using these models. Critical factors affecting these judgments include modelling assumptions (e.g., loss given default) and levels of correlation between qualitative factors and loans and advances to customers default. The collective impairment loss is assessed after taking into account: (i) historical loss experience in portfolios of similar credit risk characteristics; (ii) the emergence period between a loss occurring and that loss being identified; (iii) high risk products and geographic locations; and (iv) the current economic and credit environments and whether in management's experience these indicate that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience. The Group considers the impact of the changes and uncertainty in the macro-economic environment, in which the Group operates when assessing the methodologies and assumptions used for loss estimation, makes adjustments where appropriate.

Investments classified as receivables

In determining whether an impairment loss should be recognised in the consolidated statement of profit or loss, the Group makes significant estimates and judgments as to whether there is any observable data indicating that there is objective evidence of impairment and the extent, if any, to which it will have a measurable decrease in the estimated future cash flows related to investments classified as receivables by underlying assets or groups of underlying assets with similar risk characteristics, as described in Note 4 (c)(v) Impairment of financial assets carried at amortised cost.

Where it is determined that objective evidence of impairment exists, significant judgments and estimates are made in estimating the adverse impact on future cash flows based on the underlying assets related to individually significant impaired investment classified as receivables.

Investments classified as receivables not identified as impaired from the individual assessment are included in groups with similar credit risk characteristics by underlying assets with the consideration of risk factors specific to different industries and different type of underlying assets, and assessed for impairment collectively. Significant judgments are applied to the calculation of collectively assessed impairment.

(ii) Impairment of available-for-sale equity investments

For available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group considers historical data of market volatility and historical share price of the specific equity investment as well as other factors, such as sector performance, financial information regarding the investee and industry practice.

(iii) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(Amounts in millions of Renminbi unless otherwise stated)

5 Critical accounting estimates and judgements (Continued)

(iv) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements and etc.. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

— whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

— the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgment is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

— where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

(v) Consolidation of structured entities

The Group makes significant judgment to assess whether or not to consolidate structured entities. When performing this assessment, the Group:–

— assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

— performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

— assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

(vi) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(Amounts in millions of Renminbi unless otherwise stated)

6 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).

7 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.

(Amounts in millions of Renminbi unless otherwise stated)

8 Net trading gain

	Year ended 31 December	
	2016	2015
Debt securities and certificates of interbank deposit	**894**	1,531
Foreign currencies	**2,311**	2,300
Derivatives and related exposures	**77**	(436)
Financial instrument designated at fair value through profit or loss	**265**	240
Total	**3,547**	3,635

9 Net gain from investment securities

	Year ended 31 December	
	2016	2015
Net gain from sale of available-for-sale securities	**818**	60
Net gain from bills rediscounting	**314**	906
Others	**550**	226
Total	**1,682**	1,192

10 Net hedging gain

	Year ended 31 December	
	2016	2015
Net gain of fair value hedge	**—**	1

11 Operating expenses

	Year ended 31 December	
	2016	2015
Staff costs		
— salaries and bonuses	**17,071**	15,260
— welfare expenses	**1,470**	1,296
— social insurance	**1,189**	1,057
— housing fund	**1,250**	1,211
— labour union expenses and employee education expenses	**613**	636
— housing allowance	**484**	439
— other short-term benefits	**106**	165
— post-employment benefits – defined contribution plans	**2,190**	2,291
— post-employment benefits – defined benefit plans	**6**	11
— other long-term benefits	**39**	21
Subtotal	**24,418**	22,387
Property and equipment expenses		
— rent and property management expenses	**4,670**	4,523
— depreciation	**1,683**	1,540
— amortisation expenses	**1,020**	914
— electronic equipment operating expenses	**804**	821
— maintenance	**685**	618
— others	**363**	347
Subtotal	**9,225**	8,763
Tax and surcharges	**4,487**	10,033
Other general operating and administrative expenses (Note (i))	**9,142**	9,419
Total	**47,272**	50,602

Note:

(i) Included in other general operating and administrative expenses were audit fees of RMB16 million for the year (2015: RMB16 million) and non-audit fees of RMB14 million for the year (2015: RMB3 million).

(Amounts in millions of Renminbi unless otherwise stated)

11 Operating expenses (Continued)

(a) Individuals with highest emoluments

For the year ended 31 December 2016, of the 5 individuals with the highest emoluments in the Group, there was no director (2015: one) and no supervisor (2015: Nil). The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals of the Group were as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**23,403**	31,955
Discretionary bonuses	**24,179**	15,879
Contribution to pension scheme	**1,684**	1,525
Total	**49,266**	49,359

The emoluments before individual income tax of the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December	
	2016	2015
Emolument bands (in RMB)		
RMB5,000,001 – RMB10,000,000	**2**	3
RMB10,000,001 – RMB15,000,000	**3**	2

No inducement fee and compensation for loss of office was paid to the five highest paid individuals in 2016 (2015: Nil).

12 Impairment losses on assets

	Year ended 31 December	
	2016	2015
Loans and advances to customers	**45,715**	35,120
Deposits with banks and non-bank financial institutions	**34**	—
Interest receivables	**5,033**	2,941
Available-for-sale financial assets	**43**	57
Held-to-maturity investments	**2**	(4)
Investments classified as receivables	**871**	729
Repossessed assets	**64**	41
Off-balance sheet items	**(82)**	(95)
Others	**608**	1,248
Subtotal	**6,573**	4,917
Total	**52,288**	40,037

(Amounts in millions of Renminbi unless otherwise stated)

13 Income tax

(a) Recognised in the consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 December 2016	2015
Current tax			
— Mainland China		**14,920**	12,992
— Hong Kong		**407**	304
— Overseas		**24**	41
Deferred tax	32 (b)	**(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.

(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

14 Other comprehensive (loss)/income, net of tax

	Year ended 31 December 2016	2015
Items that may be reclassified subsequently to profit or loss when specific conditions are met		
Other comprehensive income of available-for-sale financial assets		
— net changes in fair value recognised during the year	**(6,889)**	6,578
— net amount transferred to profit or loss	**(1,926)**	(865)
Income tax relating to other comprehensive income of available-for-sale financial assets	**2,188**	(1,438)
Other comprehensive (loss)/income for available-for-sale financial assets, net of tax	**(6,627)**	4,275
Exchange differences on translation	**1,897**	1,364
Others	**—**	3
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on defined benefit plans	**7**	(8)
Income tax relating to changes on the measurement of defined benefit plans	**(2)**	2
Changes on the measurement of defined benefit plans, net of tax	**5**	(6)
Others	**—**	8
Other comprehensive (loss)/income, net of tax	**(4,725)**	5,644

(Amounts in millions of Renminbi unless otherwise stated)

15 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, under the terms and conditions as detailed in Note 46. 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

16 Cash and balances with central banks

	Notes	**31 December 2016**	31 December 2015
Cash		**7,407**	7,355
Balances with central banks			
— statutory deposit reserve funds	(i)	**464,633**	432,965
— surplus deposit reserve funds	(ii)	**58,855**	63,656
— fiscal deposits	(iii)	**3,568**	3,797
— foreign exchange reserve	(v)	**18,865**	3,416
Total		**553,328**	511,189

Notes:

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

As at 31 December 2016, the statutory deposit reserve funds placed with the PBOC was calculated at 15% (31 December 2015: 15%) of eligible Renminbi deposits for domestic branches of the Bank and at 15% (31 December 2015: 0%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 5% (31 December 2015: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

The statutory RMB deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of the Group, was at 9% (31 December 2015: 9.5%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the PBOC.

(ii) The surplus deposit reserve funds are maintained with the PBOC for the purposes of clearing.

(iii) Fiscal deposits placed with the PBOC are not available for use in the Group's daily operations, and are non-interest bearing.

(v) The foreign exchange reserve is maintained with the PBOC in accordance with the related notice issued by the PBOC on 31 August 2015. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the Notice.

(Amounts in millions of Renminbi unless otherwise stated)

17 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**31 December 2016**	31 December 2015
In Mainland China			
— banks		**123,913**	36,194
— non-bank financial institutions		**42,383**	12,766
Subtotal		**166,296**	48,960
Outside Mainland China			
— banks		**31,623**	22,668
— non-bank financial institutions		**10,756**	9,175
Subtotal		**42,379**	31,843
Gross balance		**208,675**	80,803
Less: Allowance for impairment losses	34	**(34)**	—
Net balance		**208,641**	80,803

(b) Analysed by remaining maturity

	Note	**31 December 2016**	31 December 2015
Demand deposits (Note (i))		**100,394**	57,323
Time deposits with remaining maturity			
— within one month		**84,016**	12,005
— between one month and one year		**24,265**	11,475
Subtotal		**108,281**	23,480
Gross balance		**208,675**	80,803
Less: Allowance for impairment losses	34	**(34)**	—
Net balance		**208,641**	80,803

Note:

(i) As at 31 December 2016, the carrying amount of pledged deposits with banks and other financial institutions was RMB606 million (31 December 2015: RMB151 million). These deposits were mainly maintenance margin and membership fee pledged with a regulatory body.

(Amounts in millions of Renminbi unless otherwise stated)

18 Placements with and loans to banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**31 December 2016**	31 December 2015
In Mainland China			
— banks		**3,003**	15,320
— non-bank financial institutions		**138,293**	77,262
Subtotal		**141,296**	92,582
Outside Mainland China			
— banks		**25,921**	26,202
Subtotal		**25,921**	26,202
Gross balance		**167,217**	118,784
Less: Allowance for impairment losses	34	**(9)**	(8)
Net balance		**167,208**	118,776

(b) Analysed by remaining maturity

	Note	**31 December 2016**	31 December 2015
Within one month		**57,802**	57,439
Between one month and one year		**109,382**	61,298
Over one year		**33**	47
Gross balance		**167,217**	118,784
Less: Allowance for impairment losses	34	**(9)**	(8)
Net balance		**167,208**	118,776

19 Financial assets at fair value through profit or loss

	Notes	**31 December 2016**	31 December 2015
Held for trading financial assets			
— debt securities	(a)	**9,630**	8,536
— certificates of interbank deposit	(b)	**50,699**	15,226
— investment funds		**1**	1
Subtotal		**60,330**	23,763
Financial assets designated at fair value through profit or loss			
— debt securities	(c)	**4,581**	2,457
Total		**64,911**	26,220

(Amounts in millions of Renminbi unless otherwise stated)

19 Financial assets at fair value through profit or loss (Continued)

(a) Held for trading – debt securities

	31 December 2016	31 December 2015
Issued by		
In Mainland China		
— governments	**51**	386
— policy banks	**2,579**	3,778
— banks and non-bank financial institutions	**3,138**	876
— corporates	**2,838**	3,371
Subtotal	**8,606**	8,411
Outside Mainland China		
— governments	**—**	39
— banks and non-bank financial institutions	**898**	44
— corporates	**126**	42
Subtotal	**1,024**	125
Total	**9,630**	8,536
Listed in Hong Kong	**977**	697
Listed outside Hong Kong	**6,775**	7,737
Unlisted	**1,878**	102
Total	**9,630**	8,536

(b) Held for trading financial assets – certificates of interbank deposit

	31 December 2016	31 December 2015
Issued by		
Banks in Mainland China	**50,699**	15,226
Listed outside Hong Kong	**50,699**	15,226

(c) Financial assets designated at fair value through profit or loss – debt securities

	31 December 2016	31 December 2015
Issued by		
In Mainland China		
— banks	**4,183**	1,496
— policy banks	**263**	270
Subtotal	**4,446**	1,766
Outside Mainland China		
— banks	**135**	—
— corporates	**—**	691
Total	**4,581**	2,457
Listed outside Hong Kong	**4,446**	2,457
Unlisted	**135**	—
Total	**4,581**	2,457

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi unless otherwise stated)

20 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 (Note 20 (c)), 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.

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 analysed 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

(Amounts in millions of Renminbi unless otherwise stated)

20 Derivatives (Continued)

(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.

(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.

21 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	31 December 2016	31 December 2015
In Mainland China		
— banks	**146,370**	136,959
— non-bank financial institutions	**24,434**	251
Subtotal	**170,804**	137,210
Outside Mainland China		
— banks	**—**	1,351
Subtotal	**—**	1,351
Total	**170,804**	138,561

(b) Analysed by types of collateral

	31 December 2016	31 December 2015
Discounted bills	**—**	70,788
Securities	**170,770**	67,232
Others	**34**	541
Total	**170,804**	138,561

(c) Analysed by remaining maturity

	31 December 2016	31 December 2015
Within one month	**170,770**	135,200
Between one month and one year	**34**	3,261
More than one year	**—**	100
Total	**170,804**	138,561

Collateral received in respect of financial assets held under resale agreements are disclosed in Note 55 (b).

(Amounts in millions of Renminbi unless otherwise stated)

22 Interest receivables

	Note	**31 December 2016**	31 December 2015
Loans and advances to customers		**14,482**	10,343
Investments classified as receivables		**10,951**	12,963
Debt securities		**9,608**	7,882
Others		**1,787**	1,458
Gross balance		**36,828**	32,646
Less: Allowance for impairment losses	34	**(3,906)**	(2,134)
Net balance		**32,922**	30,512

23 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	34		
— 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

(Amounts in millions of Renminbi unless otherwise stated)

23 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses

	31 December 2016				
		Identified impaired loans and advances (Note (i))			
	Loans and advances for which allowance is collectively assessed	**for which allowance is collectively assessed**	**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				
		Identified impaired loans and advances (Note (i))			
	Loans and advances for which allowance is collectively assessed	for which allowance is collectively assessed	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	

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) Individually assessed identified impaired loans

	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.

(Amounts in millions of Renminbi unless otherwise stated)

23 Loans and advances to customers (Continued)

(c) Movements of allowance for impairment losses

	Year ended 31 December 2016			
	Loans and advances for which allowance is collectively assessed	**Impaired loans and advances for which allowance is collectively assessed**	**Impaired loans and advances for which allowance is individually assessed**	**Total**
As at 1 January 2016	**39,306**	**5,846**	**15,345**	**60,497**
Allowance for impairment losses 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 (Note 63)	**—**	**(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			
	Loans and advances for which allowance is collectively assessed	Impaired loans and advances for which allowance is collectively assessed	Impaired loans and advances for which allowance is individually assessed	Total
As at 1 January 2015	36,469	3,954	11,153	51,576
Allowance for impairment losses 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 (Note 63)	—	(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.

(Amounts in millions of Renminbi unless otherwise stated)

23 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.

(Amounts in millions of Renminbi unless otherwise stated)

23 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	

24 Available-for-sale financial assets

	Notes	**31 December 2016**	31 December 2015
Debt securities	(a)	**396,545**	297,444
Certificates of deposit	(b)	**116,050**	75,314
Equity investments			
— measured at fair value	(c)	**768**	446
— measured at cost	(c)	**411**	134
Investment funds	(d)	**20,737**	422
Wealth management products		**22**	10
Total		**534,533**	373,770

(Amounts in millions of Renminbi unless otherwise stated)

24 Available-for-sale financial assets (Continued)

(a) Debt securities analysed by location of counterparties

	31 December 2016	31 December 2015
In Mainland China		
— governments	**166,151**	97,953
— policy banks	**91,905**	72,893
— banks and non-bank financial institutions	**34,906**	23,842
— corporates	**70,094**	75,734
Subtotal	**363,056**	270,422
Outside Mainland China		
— governments	**15,023**	16,759
— banks and non-bank financial institutions	**11,787**	7,130
— corporates	**6,679**	3,133
Subtotal	**33,489**	27,022
Total	**396,545**	297,444
Listed in Hong Kong	**10,935**	8,457
Listed outside Hong Kong	**356,827**	258,974
Unlisted	**28,783**	30,013
Total	**396,545**	297,444

(b) Certificates of deposit analysed by location of counterparties

	31 December 2016	31 December 2015
In Mainland China		
— banks	**112,127**	72,053
Outside Mainland China		
— banks	**3,923**	3,261
Total	**116,050**	75,314
Listed outside Hong Kong	**116,050**	75,314

(c) Equity investments analysed by location of counterparties

	31 December 2016	31 December 2015
In Mainland China		
— corporates	**391**	115
Outside Mainland China		
— banks and non-bank financial institutions	**136**	126
— corporates	**652**	339
Total	**1,179**	580
Listed in Hong Kong	**305**	338
Listed outside Hong Kong	**116**	108
Unlisted	**758**	134
Total	**1,179**	580

Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi unless otherwise stated)

24 Available-for-sale financial assets (Continued)

(d) Investment funds analysed by location of counterparties

	31 December 2016	31 December 2015
In Mainland China		
— banks and non-bank financial institutions	**19,585**	—
Outside Mainland China		
— banks and non-bank financial institutions	**457**	422
— corporates	**695**	—
Total	**20,737**	422
Listed outside Hong Kong	**19,585**	—
Unlisted	**1,152**	422
Total	**20,737**	422

25 Held-to-maturity investments

Debt securities analysed by location of counterparties

	Note	31 December 2016	31 December 2015
In Mainland China			
— governments		**49,286**	50,066
— policy banks		**69,861**	64,022
— banks and non-bank financial institutions		**76,572**	39,370
— corporates		**21,430**	26,469
Subtotal		**217,149**	179,927
Outside Mainland China			
— banks and non-bank financial institutions		**348**	40
— public entities		**3**	4
Subtotal		**351**	44
Gross balance		**217,500**	179,971
Less: Allowance for impairment losses	34	**(2)**	(41)
Total		**217,498**	179,930
Listed in Hong Kong		**291**	272
Listed outside Hong Kong		**213,008**	174,848
Unlisted		**4,199**	4,810
Total		**217,498**	179,930
Fair value		**219,014**	185,152
Of which: listed securities		**214,813**	180,341

Debt securities traded on the China Domestic Inter-bank Bond Market are included in “Listed outside Hong Kong”.

(Amounts in millions of Renminbi unless otherwise stated)

26 Investments classified as receivables

	Note	31 December 2016	31 December 2015
Investment management products managed by securities companies		**452,966**	825,016
Wealth management products		**458,390**	147,605
Trust investment plans		**126,128**	139,971
Others		**—**	500
Gross balance		**1,037,484**	1,113,092
Less: Allowance for impairment losses	34	**(1,756)**	(885)
Net balance		**1,035,728**	1,112,207

As of 31 December 2016, RMB145,635 million (31 December 2015: RMB75,639 million) of investments classified as receivables listed above were managed by related companies of CITIC Corporation Limited, the Bank's immediate parent company.

The underlying assets of investments classified as receivables primarily include interbank assets and wealth management products issued by other banks, credit assets and rediscounted bills (Note 58 a(viii)).

27 Investments in associates

	31 December 2016	31 December 2015
Investments in associates	**1,111**	976

(a) The Group holds its investment in associates through subsidiaries and details of the associates as at 31 December 2016 was as follows:

Name of company	Forms of business structure	Place of incorporation	Effective percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC International Assets Management Limited ("CIAM")	Corporation	Hong Kong	40%	Investment holding and assets management	HKD2,218 million
Binhai (Tianjin) Financial Assets Exchange Company Limited ("BFAE") (Note (i))	Corporation	Mainland China	20%	Financial services and investment	RMB500 million

Note:

(i) BFAE was established on 24 March 2016, with a registered capital of RMB500 million. The Group invested RMB100 million in BFAE representing 20% of BFAE's equity.

(b) Financial information of the associates are as follow:

	As at or for the year ended 2016				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net profit**
CIAM	**3,102**	**579**	**2,523**	**(48)**	**3**
BFAE	**499**	**2**	**497**	**—**	**(2)**

(Amounts in millions of Renminbi unless otherwise stated)

27 Investments in associates (Continued)

(c) Movement of the Group's interests in associates

	Total
Initial investment cost	**993**
As at 1 January 2016	**976**
Additions	**100**
Share of gain from associates for the year	**1**
Dividend received	**(9)**
Exchange difference	**43**
As at 31 December 2016	**1,111**

	Total
Initial investment cost	893
As at 1 January 2015	870
Share of gain from associates for the year	52
Share of other comprehensive income of associates for the year	6
Dividend received	(8)
Exchange difference	56
As at 31 December 2015	976

28 Investment in subsidiaries

	Notes	**31 December 2016**	31 December 2015
Investment in subsidiaries			
— CIFH	(i)	**16,570**	16,570
— CNCB (Hong Kong) Investment Limited ("CNCB Investment")	(ii)	**1,577**	1,577
— Lin'an Rural Bank	(iii)	**102**	102
— CFLL	(v)	**4,000**	4,000
Total		**22,249**	22,249

(Amounts in millions of Renminbi unless otherwise stated)

28 Investment in subsidiaries (Continued)

Major subsidiaries of the Group as at 31 December 2016 are as follows:

Name of entity	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH (Note (i))	Hong Kong	HKD7,503 million	Commercial banking and other financial services	100%	—	100%
CNCB Investment (Note (ii))	Hong Kong	HKD1,889 million	Lending services	99.05%	0.95%	100%
Lin'an Rural Bank (Note (iii))	Mainland China	RMB200 million	Commercial banking	51%	—	51%
CFLL (Note (iv))	Mainland China	RMB4,000 million	Financial lease operations	100%	—	100%

Notes:

(i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope through its subsidiaries covers commercial banking and other financial services. The Bank holds 100% shareholding in CIFH. CIFH holds 100% shareholding in CITIC Bank International Limited ("CBI").

(ii) CNCB Investment was founded in Hong Kong in 1984. Holding a money lending licence issued by the Hong Kong Company Registry, CNCB Investment's business scope includes capital market investment, lending and other related services. The Bank holds 99.05% shareholding in CNCB Investment, and CIFH holds the remaining 0.95% shareholding in CNCB Investment. As at 31 December 2016, the Bank effectively held 100% shareholding in CNCB Investment.

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China in 2011 with a registered capital of RMB200 million. Its principal activities are commercial banking related businesses. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

(v) The Bank established CFLL in 2015 with a registered capital of RMB4 billion. Its principal business activities are financial leasing.

(Amounts in millions of Renminbi unless otherwise stated)

29 Property, plant and equipment

The Group

	Buildings (Note (ii))	**Construction in progress**	**Computer equipment and others**	**Total**
Cost or deemed cost:				
As at 1 January 2016	**14,372**	**1,121**	**9,468**	**24,961**
Additions	**2,396**	**30**	**1,072**	**3,498**
Transfers	**680**	**(680)**	**—**	**—**
Disposals	**(65)**	**—**	**(253)**	**(318)**
Exchange difference	**85**	**—**	**71**	**156**
As at 31 December 2016	**17,468**	**471**	**10,358**	**28,297**
Accumulated depreciation:				
As at 1 January 2016	**(3,452)**	**—**	**(5,526)**	**(8,978)**
Depreciation charges	**(506)**	**—**	**(1,177)**	**(1,683)**
Disposals	**27**	**—**	**243**	**270**
Exchange difference	**(18)**	**—**	**(54)**	**(72)**
As at 31 December 2016	**(3,949)**	**—**	**(6,514)**	**(10,463)**
Net carrying value:				
As at 1 January 2016	**10,920**	**1,121**	**3,942**	**15,983**
As at 31 December 2016 (Note (i))	**13,519**	**471**	**3,844**	**17,834**

	Buildings (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2015	12,264	1,684	8,368	22,316
Additions	1,227	300	1,258	2,785
Transfers	863	(863)	—	—
Disposals	(10)	—	(216)	(226)
Exchange difference	28	—	58	86
As at 31 December 2015	14,372	1,121	9,468	24,961
Accumulated depreciation:				
As at 1 January 2015	(2,992)	—	(4,586)	(7,578)
Depreciation charges	(449)	—	(1,091)	(1,540)
Disposals	3	—	193	196
Exchange difference	(14)	—	(42)	(56)
As at 31 December 2015	(3,452)	—	(5,526)	(8,978)
Net carrying value:				
As at 1 January 2015	9,272	1,684	3,782	14,738
As at 31 December 2015 (Note (i))	10,920	1,121	3,942	15,983

(Amounts in millions of Renminbi unless otherwise stated)

29 Property, plant and equipment (Continued)

Notes:

(i) As at 31 December 2016, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB3,620 million (31 December 2015: RMB1,850 million). The Group believes the incomplete registration procedure does not affect the rights of the Group as the legal successor to these buildings.

(ii) Analysed by remaining term of leases

The net carrying value of buildings at the reporting date is analysed by the remaining terms of the leases as follows:

	31 December 2016	31 December 2015
Long term leases (over 50 years), held in Hong Kong	**70**	68
Medium term leases (10-50 years), held in Hong Kong	**211**	158
Medium term leases (10-50 years), held in Mainland China	**13,213**	10,669
Permanent term lease, held in overseas	**25**	25
Total	**13,519**	10,920

30 Investment properties

	31 December 2016	31 December 2015
Fair value as at 1 January	**325**	280
Change in fair value	**8**	27
Transfers	**(51)**	—
Exchange difference	**23**	18
Fair value as at 31 December	**305**	325

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties are located and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 31 December 2016.

All investment properties of the Group were revalued at 31 December 2016 by an independent firm of surveyors, Prudential Surveyors (Hong Kong) Limited, on an open market value basis. The fair value is in line with the definition of "*IFRS 13 – Fair value measurement*". The revaluation surplus has been credited to the profit or charged to the loss. Prudential Surveyors (Hong Kong) Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

The investment properties of the Group are categorised into Level 3.

(Amounts in millions of Renminbi unless otherwise stated)

30 Investment properties (Continued)

(a) Analysed by remaining term of leases

The net carrying value of investment properties at the reporting date is analysed by the remaining terms of the leases as follows:

	31 December 2016	31 December 2015
Long term leases (over 50 years), held in Hong Kong	**15**	16
Medium term leases (10-50 years), held in Hong Kong	**255**	276
Medium term leases (10-50 years), held in Mainland China	**35**	33
Total	**305**	325

31 Goodwill

	31 December 2016	31 December 2015
As at 1 January	**854**	795
Additions	**—**	10
Exchange difference	**60**	49
As at 31 December	**914**	854

Based on the result of impairment test, no impairment losses on goodwill were recognised as at 31 December 2016 (2015: Nil).

32 Deferred tax assets/(liabilities)

	31 December 2016	31 December 2015
Deferred tax assets	**12,697**	7,981
Deferred tax liabilities	**(11)**	(10)
Net	**12,686**	7,971

(a) Analysed by nature and jurisdiction

	31 December 2016		31 December 2015	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— allowance for impairment losses	**52,757**	**13,165**	38,879	9,694
— fair value adjustments	**(968)**	**(250)**	(8,060)	(2,017)
— employee retirement benefits and salaries payable	**2,882**	**721**	2,818	704
— others	**(3,844)**	**(939)**	(1,647)	(400)
Subtotal	**50,827**	**12,697**	31,990	7,981
Deferred tax liabilities				
— fair value adjustments	**(65)**	**(11)**	(59)	(10)
— others	**—**	**—**	(1)	—
Subtotal	**(65)**	**(11)**	(60)	(10)
Net	**50,762**	**12,686**	31,930	7,971

(Amounts in millions of Renminbi unless otherwise stated)

32 Deferred tax assets/(liabilities) (Continued)

(b) Movement of deferred tax

	Allowance for impairment losses	Fair value adjustments	Employee retirement benefits and accrued staff cost	Others	Total deferred tax
As at 1 January 2016	9,694	(2,027)	704	(400)	7,971
Recognised in profit or loss	3,468	(422)	19	(536)	2,529
Recognised in other comprehensive income	—	2,188	(2)	—	2,186
Exchange difference	3	—	—	(3)	—
As at 31 December 2016	13,165	(261)	721	(939)	12,686
As at 1 January 2015	7,830	(250)	1,899	(162)	9,317
Recognised in profit or loss	1,861	(335)	(1,197)	(238)	91
Recognised in other comprehensive income	—	(1,438)	2	—	(1,436)
Exchange difference	3	(4)	—	—	(1)
As at 31 December 2015	9,694	(2,027)	704	(400)	7,971

Note:

There is no material unrecognised deferred tax assets or liabilities as at 31 December 2016 (31 December 2015: Nil).

33 Other assets

	Notes	31 December 2016	31 December 2015
Precious metal leasing		23,927	12,443
Prepayments for properties and equipment	(i)	12,335	12,555
Prepayments for assets acquired for finance leases		4,448	1,984
Fee and commission receivables		3,684	2,777
Repossessed assets	(ii)	1,814	960
Leasehold improvements		1,677	1,793
Prepaid rent		1,065	1,072
Land use rights		1,054	851
Advanced payments and settlement accounts		805	1,355
Others		7,845	4,351
Total		58,654	40,141

(i) Prepayments for properties and equipment

Prepayments for properties and equipment are mainly payments the Group made for office premises being constructed.

(ii) Repossessed assets

	31 December 2016	31 December 2015
Premises	1,836	1,045
Others	196	85
Gross balance	2,032	1,130
Less: Allowance for impairment losses	(218)	(170)
Net balance	1,814	960

As at 31 December 2016, the Group intended to dispose all of the repossessed assets, and had no plan to transfer the repossessed assets for own use.

(Amounts in millions of Renminbi unless otherwise stated)

34 Movements of allowance for impairment losses

	Notes	As at 1 January	Charge for the year	Reversal for the year	Write-offs	Others Note (i)	As at 31 December
		Year ended 31 December 2016					
Deposits with bank and non-bank financial institutions	17	**—**	**34**	**—**	**—**	**—**	**34**
Placements with and loans to banks and non-bank financial institutions	18	**8**	**—**	**—**	**—**	**1**	**9**
Interest receivables	22	**2,134**	**5,452**	**(419)**	**(3,296)**	**35**	**3,906**
Loans and advances to customers	23	**60,497**	**48,425**	**(2,710)**	**(30,952)**	**283**	**75,543**
Available-for-sale financial assets	24	**160**	**45**	**(2)**	**—**	**(41)**	**162**
Held-to-maturity investments	25	**41**	**2**	**—**	**—**	**(41)**	**2**
Investments classified as receivables	26	**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**

	Notes	As at 1 January	Charge for the year	Reversal for the year	Write-offs	Others Note (i)	As at 31 December
		Year ended 31 December 2015					
Placements with and loans to banks and non-bank financial institutions	18	8	—	—	—	—	8
Interest receivables	22	1,390	3,398	(457)	(2,223)	26	2,134
Loans and advances to customers	23	51,576	37,421	(2,301)	(26,239)	40	60,497
Available-for-sale financial assets	24	97	63	(6)	—	6	160
Held-to-maturity investments	25	41	—	(4)	—	4	41
Investments classified as receivables	26	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. In addition to the allowance for impairment losses above, the Group also charged impairment losses against off-balance sheet items (Note 12).

35 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2016	31 December 2015
In Mainland China		
— banks	**446,824**	396,463
— non-bank financial institutions	**531,949**	655,307
Subtotal	**978,773**	1,051,770
Outside Mainland China		
— banks	**2,566**	16,722
— non-bank financial institutions	**107**	52
Subtotal	**2,673**	16,774
Total	**981,446**	1,068,544

(Amounts in millions of Renminbi unless otherwise stated)

36 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2016	31 December 2015
In Mainland China		
— banks	**46,689**	31,494
— non-bank financial institutions	**20,000**	13,729
Subtotal	**66,689**	45,223
Outside Mainland China		
— banks	**17,034**	4,025
Subtotal	**17,034**	4,025
Total	**83,723**	49,248

37 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	31 December 2016	31 December 2015
In Mainland China		
— PBOC	**85,415**	8,917
— banks	**33,100**	60,223
— non-bank financial institutions	**—**	1,970
Subtotal	**118,515**	71,110
Outside Mainland China		
— banks	**1,758**	58
— non-bank financial institutions	**69**	—
Subtotal	**1,827**	58
Total	**120,342**	71,168

(b) Analysed by type of collateral

	31 December 2016	31 December 2015
Discounted bills	**29,055**	27,492
Debt securities	**91,287**	43,676
Total	**120,342**	71,168

The Group did not derecognise financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 31 December 2016, of these collateral pledged disclosed in Note 55, no legal title has been transferred to counterparties.

(Amounts in millions of Renminbi unless otherwise stated)

38 Deposits from customers

(a) Analysed by nature

	31 December 2016	31 December 2015
Demand deposits		
— corporate customers	**1,683,827**	1,187,929
— personal customers	**232,960**	178,917
Subtotal	**1,916,787**	1,366,846
Time and call deposits		
— corporate customers	**1,390,212**	1,446,939
— personal customers	**325,053**	362,433
Subtotal	**1,715,265**	1,809,372
Outward remittance and remittance payables	**7,238**	6,557
Total	**3,639,290**	3,182,775

(b) Deposits from customers above included pledged deposits for the following:–

	31 December 2016	31 December 2015
Bank acceptance	**213,624**	292,556
Guarantees	**25,822**	21,775
Letters of credit	**9,624**	9,241
Others	**148,798**	121,310
Total	**397,868**	444,882

39 Accrued staff costs

		Year ended 31 December 2016			
	Notes	**As at 1 January**	**Additions during the year**	**Reductions during the year**	**As at 31 December**
Short-term employee benefits	(a)	**8,158**	**20,554**	**(20,039)**	**8,673**
Post-employment benefits — defined contribution plans	(b)	**32**	**2,190**	**(2,190)**	**32**
Post-employment benefits — defined benefit plans	(c)	**49**	**6**	**(20)**	**35**
Other long-term benefits		**63**	**39**	**(23)**	**79**
Total		**8,302**	**22,789**	**(22,272)**	**8,819**

		Year ended 31 December 2015				
	Notes	As at 1 January	Additions during the year	Reductions during the year	Transfer out (Note (i))	As at 31 December
Short-term employee benefits	(a)	11,387	20,064	(19,512)	(3,781)	8,158
Post-employment benefits — defined contribution plans	(b)	16	2,291	(2,275)	—	32
Post-employment benefits — defined benefit plans	(c)	40	11	(2)	—	49
Other long-term benefits		78	21	(36)	—	63
Total		11,521	22,387	(21,825)	(3,781)	8,302

(Amounts in millions of Renminbi unless otherwise stated)

39 Accrued staff costs (Continued)

(a) Short-term employee benefits

	Year ended 31 December 2016			
	As at 1 January	Additions during the year	Reductions during the year	As at 31 December
Salaries and bonuses	**7,134**	**15,442**	**(15,093)**	**7,483**
Social insurance	**35**	**1,189**	**(1,175)**	**49**
Welfare expenses	**—**	**1,470**	**(1,470)**	**—**
Housing fund	**26**	**1,250**	**(1,257)**	**19**
Labour union expenses and employee education expenses	**915**	**613**	**(468)**	**1,060**
Housing allowance	**34**	**484**	**(470)**	**48**
Others	**14**	**106**	**(106)**	**14**
Total	**8,158**	**20,554**	**(20,039)**	**8,673**

	Year ended 31 December 2015				
	As at 1 January	Additions during the year	Reductions during the year	Transfer out (Note (i))	As at 31 December
Salaries and bonuses	10,589	15,260	(14,934)	(3,781)	7,134
Social insurance	19	1,057	(1,041)	—	35
Welfare expenses	—	1,296	(1,296)	—	—
Housing fund	25	1,211	(1,210)	—	26
Labour union expenses and employee education expenses	711	636	(432)	—	915
Housing allowance	28	439	(433)	—	34
Others	15	165	(166)	—	14
Total	11,387	20,064	(19,512)	(3,781)	8,158

Note:

(i) This represents deferred emoluments payable to employees in respect of services provided to the Group. Such amount will be distributed according to plans. As at 31 December 2015, the deferred emolument payable amounted to RMB3,781 million and was included in “other liabilities” (Note 44).

(b) Post-employment benefits – defined contribution plans

Post-employment benefits-defined contribution plans include contributions to statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowance of the employees to the statutory retirement plan under the administration of the government.

In addition to the above statutory retirement plan, the Bank’s qualified employees have joined a defined contribution retirement scheme (the “Scheme”) which was established by the Group and managed by the CITIC Group. The Bank has made annuity contributions at 5% (31 December 2015: 5%) of its employee’s gross wages. For twelve months ended 31 December 2016, the Bank made annuity contribution amounting to RMB629 million (31 December 2015: RMB571 million).

The Group’s employees based in Hong Kong join the Mandatory Provident Fund Scheme with certain contribution ratios pursuant to the relevant laws and regulations in Hong Kong.

(Amounts in millions of Renminbi unless otherwise stated)

39 Accrued staff costs (Continued)

(c) Post-employment benefits – defined benefit plans

The Group offers supplementary retirement benefits for certain of its qualified employees in Mainland China. These retired staff can elect to join this supplementary retirement benefit plan. The amount that is recognised as at reporting date presents the discounted value of benefit obligation in the future.

The Group's obligations in respect of the supplementary retirement benefit plan as at the reporting date are based on the projected unit credit actuarial cost method and computed by a qualified professional actuary firm (a member of Society of Actuaries in the United States of America).

Save for the disclosed above, the Group has no other material obligation for payment of retirement benefits.

40 Taxes payable

	31 December 2016	31 December 2015
Income tax	**3,442**	2,248
VAT and surcharges	**2,911**	—
Business tax and surcharges	**—**	2,563
Others	**11**	(118)
Total	**6,364**	4,693

41 Interest payable

	31 December 2016	31 December 2015
Deposits from customers	**27,867**	28,701
Debt securities issued	**2,045**	2,061
Others	**7,243**	7,397
Total	**37,155**	38,159

42 Provisions

	31 December 2016	31 December 2015
Litigation provisions	**244**	2

Movement of provisions:

	31 December 2016	31 December 2015
As at 1 January	**2**	5
Accruals	**243**	3
Reversals	**—**	(1)
Payments	**(1)**	(5)
As at 31 December	**244**	2

The Bank recorded litigation provisions for cases occurred in 2016 which amounted to RMB241 million.

(Amounts in millions of Renminbi unless otherwise stated)

43 Debt securities issued

	Notes	31 December 2016	31 December 2015
Long-term debt securities issued	(a)	**31,288**	31,295
Subordinated bonds issued:			
— by the Bank	(b)	**68,441**	70,434
— by CBI	(c)	**7,801**	7,345
Certificates of deposit issued	(d)	**9,493**	8,705
Certificates of interbank deposit issued	(e)	**269,923**	171,356
Total		**386,946**	289,135

(a) As at 31 December 2016, long-term debt securities issued by the Group:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	31 December 2016 Nominal Value	31 December 2015 Nominal Value
Fixed rate bond	8 November 2013	12 November 2018	5.20%	**15,000**	15,000
Fixed rate bond	27 February 2014	27 February 2017	4.125%	**1,500**	1,500
Fixed rate bond	21 May 2015	25 May 2020	3.98%	**7,000**	7,000
Fixed rate bond	13 November 2015	17 November 2020	3.61%	**8,000**	8,000
Total nominal value				**31,500**	31,500
Less: Unamortised issuance cost and discount				**(35)**	(28)
Elimination of positions held by a subsidiary				**(177)**	(177)
Carrying value				**31,288**	31,295

(b) The carrying value of the Bank's subordinated bonds issued as at 31 December:

	Notes	31 December 2016	31 December 2015
Subordinated fixed rate bonds maturing:			
— in June 2021	(i)	**—**	2,000
— in May 2025	(ii)	**11,500**	11,500
— in June 2027	(iii)	**19,979**	19,977
— in August 2024	(v)	**36,962**	36,957
Total		**68,441**	70,434

Notes:

(i) The interest rate on the subordinated fixed rate bonds issued on 22 June 2006 was 4.12% per annum. The Bank had exercised the option to redeem all of the bonds at face value on 22 June 2016.

(ii) The interest rate on the subordinated fixed rate bonds issued on 28 May 2010 is 4.30% per annum. The Bank has an option to redeem the bonds on 28 May 2020. If they are not redeemed, the interest rate of the bonds will remain at 4.30% per annum for the next five years.

(iii) The interest rate on the subordinated fixed rate bonds issued on 21 June 2012 is 5.15% per annum. The Bank has an option to redeem the bonds on 21 June 2022. If they are not redeemed, the interest rate of the bonds will remain at 5.15% per annum for the next five years.

(v) The interest rate on the subordinated fixed rate bonds issued on 26 August 2014 is 6.13% per annum. The Bank has an option to redeem the bonds on 26 August 2019. If they are not redeemed, the interest rate of the bonds will remain 6.13% per annum for the next five years.

(Amounts in millions of Renminbi unless otherwise stated)

43 Debt securities issued (Continued)

(c) The carrying value of CBI's subordinated bonds issued as at 31 December:

	Notes	**31 December 2016**	31 December 2015
Subordinated fixed rate notes maturing:			
— in June 2020	(i)	**3,641**	3,462
— in September 2022	(ii)	**2,077**	1,933
— in May 2024	(iii)	**2,083**	1,950
Total		**7,801**	7,345

(i) Subordinated notes with nominal value of USD500 million bear an interest rate of 6.875% per annum were issued on 24 June 2010 by CBI, payable semi-annually. The notes are listed on Singapore Exchange Securities Trading Limited.

(ii) Subordinated notes with nominal value of USD300 million bear interest at a fixed rate of 3.875% per annum were issued on 27 September 2012 by CBI, payable semi-annually until 28 September 2017, and thereafter fixed at an interest rate of the prevailing five-year US Treasury bonds yield plus 3.250% per annum if the notes are not redeemed on or before the call date at the option of the Bank. The notes are listed on the Singapore Exchange Securities Trading Limited and will mature on 28 September 2022.

(iii) Subordinated notes with nominal value of USD300 million bear interest at a fixed rate of 6.00% per annum were issued on 7 November 2013 by CBI, payable semi-annually until 7 May 2019, and thereafter fixed at the interest rate of the prevailing five-year US Treasury bonds yield plus 4.718% per annum if the notes are not redeemed on the call date. The notes are listed on the Hong Kong Stock Exchange and will mature on 7 May 2024.

(d) These certificates of deposit were issued by CBI with interest rate ranging from 0.46% to 3.62% per annum.

(e) As at 31 December 2016, the Bank had issued certain certificates of interbank deposits, totaling RMB269,923 million (31 December 2015: RMB171,356 million), with yield ranging from 2.68% to 3.75% (31 December 2015: 2.75% to 4.77%) per annum. The original expiry terms are between one month to two years.

44 Other liabilities

	Notes	**31 December 2016**	31 December 2015
Settlement and clearing accounts		**30,033**	23,718
Deferred emoluments payable	39 (a)	**3,756**	3,781
Advances and deferred expenses		**3,740**	2,947
Accrued expenses		**655**	389
Payment and collection accounts		**468**	541
Precious metal contracts		**448**	2,935
Dormant accounts		**436**	339
Others	(i)	**13,569**	7,002
Total		**53,105**	41,652

Note:

(i) Others include the Group's accounts payable to the third party investors of structured entities. As at 31 December 2016, the amount of these accounts payable was RMB5,669 million.

(Amounts in millions of Renminbi unless otherwise stated)

45 Share capital

	31 December 2016 and 31 December 2015 Number of shares (millions)	Nominal Value
Ordinary shares		
Registered, issued and fully paid:		
A-Share	**34,053**	**34,053**
H-Share	**14,882**	**14,882**
Total	**48,935**	**48,935**

	Note	31 December 2016	31 December 2015
As at 1 January		**48,935**	46,787
Additions	(i)	**—**	2,148
As at 31 December		**48,935**	48,935

Note:

(i) On 31 December 2015, the Bank through private placement issued 2,147,469,539 shares to China National Tobacco Corporation (CNTC), at an issuance price of RMB5.55 per share, raising RMB11,888 million in total after deduction of issuance expenses (including underwriting and sponsorship fees). Such issuance resulted in an increase in share capital and share premium by RMB2,148 million and RMB9,740 million, respectively.

46 Preference shares

Financial instruments in issue	Dividend rate	Issued price (RMB)	Issued number of shares (RMB millions)	Issued nominal value (RMB millions)	Maturity date	Conversions
Preference shares	3.80% per annum for the first five years after issuance, and re-priced every five years	100	350	35,000	No maturity date	No conversion during the year

350 million preference shares of RMB100 each were issued in October 2016, with a dividend rate of 3.80% per annum for the first five years from issuance, to no more than 200 qualified investors, pursuant to the approval by its ordinary shareholders' meeting and relevant regulatory authorities.

The carrying amount of preference shares, net of direct issuance expenses, was RMB34,955 million as at 31 December 2016. All the proceeds received is used to replenish Other Tier-One capital in order to increase the Bank's Tier-One capital adequacy ratio (Note 59). Dividends are non-cumulative and where payable are paid annually. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

As authorised by the ordinary shareholders' Annual General Meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents of preference shares are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

(Amounts in millions of Renminbi unless otherwise stated)

46 Preference shares (Continued)

Upon occurrence of the triggering events as stipulated in paragraph 2 (3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No.56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB7.07 per share, partially or entirely. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalisation of reserves and new issuances of ordinary shares, subject to terms and formulae provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary shareholders.

These preference shares are classified as equity instruments, and presented as equity in the consolidated statement of financial position; and are qualified as Additional Tier-One capital Instruments in accordance with the CBRC requirements.

47 Capital reserves

	31 December 2016	31 December 2015
Share premium	**58,555**	58,555
Other reserves	**81**	81
Total	**58,636**	58,636

48 Other comprehensive (loss)/income

Other comprehensive (loss)/income comprises items that may be reclassified subsequently to profit or loss when specific conditions are met, mainly include fair value changes or available-for-sale financial assets, exchange difference on translating foreign operations, etc; and items that will not be reclassified to profit or loss, such as net changes on the measurement of defined benefit plan (Note 39).

49 Surplus reserve

	31 December 2016	31 December 2015
As at 1 January	**23,362**	19,394
Appropriations	**3,901**	3,968
As at 31 December	**27,263**	23,362

Under the relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are required to appropriate 10% of its profit for the year, as determined under regulations issued by the regulatory bodies of the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year to the discretionary surplus reserve upon approval by ordinary shareholders at the Annual General Meeting. The Bank makes its appropriation on an annual basis.

Subject to the approval of ordinary shareholders, statutory surplus reserves may be used for replenishing accumulated losses, if any, and may be converted into share capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before the process.

(Amounts in millions of Renminbi unless otherwise stated)

50 General reserve

	31 December 2016	31 December 2015
As at 1 January	**64,555**	50,447
Appropriations	**9,356**	14,108
As at 31 December	**73,911**	64,555

Pursuant to relevant Ministry of Finance ("MOF") notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. With the regulations enforced from 1 July 2012, the minimum general reserve balance should increase to 1.5% of the ending balance of gross risk-bearing assets with a transition period of five years. The Bank makes its appropriation on an annual basis.

51 Profit appropriations and retained earnings

(a) Profit appropriations and distributions other than dividends declared during the year

	Notes	31 December 2016	31 December 2015
Appropriations to			
— surplus reserve	49	**3,901**	3,968
— general reserve	50	**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 (RMB2.12 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 will be 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.

(Amounts in millions of Renminbi unless otherwise stated)

52 Non-controlling interests

As at 31 December 2016, non-controlling interests included ordinary shareholders held by non-controlling interest in subsidiaries and other equity instrument holders' interests. Other equity instrument holders' interest amounted to RMB5,149 million representing other equity instruments issued by CBI, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier-One capital securities (the "Capital Securities").

Financial instruments in issue	Issue date	Nominal value (millions)	First call date	Coupon rate	Payment frequency
Capital Securities	22 April 2014	USD300	22 April 2019	7.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 5.627% per annum	Semi-annually
Capital Securities	11 October 2016	USD500	11 October 2021	4.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 3.107% per annum	Semi-annually

CBI may, at its sole discretion, elect to cancel any payment of coupon, in whole or in part, or redeem Capital Securities in whole on the first call date and any subsequent coupon distribution date, where the holders of these Capital Securities have no right to require CBI to redeem. These Capital Securities listed above are classified as other equity instruments.

A distribution payment of RMB146 million was paid to the holders of the Capital Securities issued at 22 April 2014 during the year ended 31 December 2016 (as at 31 December 2015: RMB137 million).

53 Notes to consolidated statement of cash flows

Cash and cash equivalents

	31 December 2016	31 December 2015
Cash	**7,407**	7,355
Cash equivalents		
— Surplus deposit reserve funds	**58,855**	63,656
— Deposits with banks and non-bank financial institutions due within three months when acquired	**204,665**	70,826
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**63,158**	64,458
— Investment securities due within three months when acquired	**51,271**	20,069
Subtotal	**377,949**	219,009
Total	**385,356**	226,364

(Amounts in millions of Renminbi unless otherwise stated)

54 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 acceptances.

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. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority acceptances 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%.

(Amounts in millions of Renminbi unless otherwise stated)

54 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 (Note 67 (i)).

(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

(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).

(Amounts in millions of Renminbi unless otherwise stated)

54 Commitments and contingent liabilities (Continued)

(f) Redemption commitment for treasury bonds

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).

55 Collateral

(a) Assets pledged

(i) The carrying amount of financial assets pledged as collateral in the Group's ordinary course of businesses, including financial assets sold under repurchase agreements and borrowings from central banks, are disclosed as below:

	31 December 2016	31 December 2015
Debt securities	**324,303**	115,553
Discounted bills	**29,188**	27,492
Others	**76**	137
Total	**353,567**	143,182

As at 31 December 2016 and 31 December 2015, the Group's liabilities related to the above collateral were due within 12 months from the effective dates of these agreements and title of these collateral was not transferred to counterparties.

(ii) In addition, as at 31 December 2016, the Group pledged debt securities and deposits with banks and other financial institutions with carrying amount totalling RMB1,153 million (31 December 2015: RMB159 million) as collateral for derivative transactions and guarantee funds to exchanges. Title of these pledged assets was not transferred to counterparties.

(b) Collateral accepted

The Group received debt securities as collateral for financial assets held under resale agreements as set out in Note 21. Under the terms of theses agreements, the Group could not resell or re-pledge these collateral unless in the event of default by the counterparties. As at 31 December 2016 and 31 December 2015, the Group did not resell or re-pledge any of these collateral.

(Amounts in millions of Renminbi unless otherwise stated)

56 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals, as well as entrusted provident housing fund mortgage business services. All entrusted loans are made under the instruction or at the direction of these corporations, individuals or provident housing fund centre and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group does not expose to credit risk in relation to these transactions, but acts as an agent to hold and manage these assets and liabilities at the instruction of the entrusting parties and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised on the consolidated statement of financial position. Income received and receivable for providing these services is included in the consolidated statement of profit or loss as fee income.

At the reporting date, the entrusted assets and liabilities were as follows:

	31 December 2016	31 December 2015
Entrusted loans	**703,259**	606,264
Entrusted funds	**703,260**	606,334

(b) Wealth management services

The Group's wealth management services to customers mainly represent sale of wealth management products, including principal guaranteed (Note 62 (c)) and non-principal or interest guaranteed wealth management products (Note 62 (b)), to corporate and personal banking customers.

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is recognised in the consolidated statement of profit or loss as commission income. The Group has entered into placements transactions at market interest rates with the wealth management products vehicles (Note 62 (b)).

The assets and liabilities of these wealth management products are not assets and liabilities of the Group and are not recognised on the consolidated statement of financial position.

As at 31 December 2016, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 62 (b).

(Amounts in millions of Renminbi unless otherwise stated)

57 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 tangible 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.

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.

(Amounts in millions of Renminbi unless otherwise stated)

57 Segment reporting (Continued)

(a) Business segments (Continued)

	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

	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

(Amounts in millions of Renminbi unless otherwise stated)

57 Segment reporting (Continued)

(a) Business segments (Continued)

	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

	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.

(Amounts in millions of Renminbi unless otherwise stated)

57 Segment reporting (Continued)

(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 of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an 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 of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;

— "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.

(Amounts in millions of Renminbi unless otherwise stated)

57 Segment reporting (Continued)

(b) Geographical segments (Continued)

	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

	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	188,178	193,363	110,711	17,171	208,682	28,031	1,075,750

(Amounts in millions of Renminbi unless otherwise stated)

57 Segment reporting (Continued)

(b) Geographical segments (Continued)

	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

	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.

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

— **Credit risk** Credit risk represents the potential loss that may arise from the failure of a customer or counterparty to meet its contractual obligations or commitments to the Group.

— **Market risk** Market risk arises from unfavourable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance sheet or off-balance sheet business in the Group.

— **Liquidity risk** Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

— **Operational risk** Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategy risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. The Group identifies and manages this risk through its target market definitions, credit approval process, post-disbursement monitoring and remedial management procedures. Credit risk arises primarily from credit business. In respect of treasury businesses, credit risk mainly represents impairment losses of different types of investments due to default by issuers or counterparties, and inability of derivative counterparties in fulfilling their obligations.

Credit business

In addition to underwriting standards, the principal means of managing credit risk are credit limit management, credit approval process, post-disbursement monitoring procedures such as early warning and examination etc. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction.

The Group undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk and Internal Control Committee monitors overall portfolio risk as well as individual problematic credit business, both actual and potential, on a regular basis.

The Group adopts a credit risk classification approach to manage the portfolio risk. Credit businesses are classified as non-impaired and impaired based on the different risk level. When one or more event demonstrates there is an objective evidence of impairment and losses, corresponding credit businesses classified as impaired. The allowance for impairment losses on impaired credit businesses is collectively or individually assessed as appropriate.

The Group applies a series of criteria in determining the classification of credit business. The credit classification criteria focuses on a number of factors, including (i) the obligor's ability to repay the credit business, (ii) the obligor's repayment history, (iii) the obligor's willingness to repay, (iv) the net realisable value of collateral if any, and (v) the prospect for the support from any financially responsible guarantor. The Group also takes into account the length of time for which payments of principal and/or interests on credit business are overdue, high risk products and geographical locations together with deterioration in national or regional economic conditions.

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

The Group's credit policies and approval processes for personal loans are designed with reference to the fact that there are high volumes of relatively homogeneous, small value transaction in each retail loan category. Because of the nature of retail banking, the credit policies are based primarily on the Group's strategy and statistical analyses of risks with respect to different products and types of customers. The Group monitors its own and industry experience to determine and periodically revise product terms and desired customer profiles.

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending credit business facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers' application for credit businesses.

Concentration of credit risk exists when changes in geographic, economic or industrial factors similarly affect the Group's counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of credit business is diversified along industry, geographic and product sectors.

Treasury business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical area. The Group's system closely monitors the credit exposure on a real-time basis, regularly reviews its credit limit policies and adjusts the credit limits, taken into account various factors including market condition at the time.

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	31 December 2016	31 December 2015
Balances with central banks	**545,921**	503,834
Deposits with bank and non-bank financial institutions	**208,641**	80,803
Placements with and loans to banks and non-bank financial institutions	**167,208**	118,776
Financial assets at fair value through profit or loss	**64,910**	26,219
Derivative financial assets	**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	**2,802,384**	2,468,283
Available-for-sale financial assets	**512,595**	372,758
Held-to-maturity investments	**217,498**	179,930
Investments classified as receivables	**1,035,728**	1,112,207
Other financial assets	**49,669**	36,222
Subtotal	**5,855,646**	5,081,893
Credit commitments	**1,075,750**	1,083,338
Maximum credit risk exposure	**6,931,396**	6,165,231

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from central bank, other banks and non-bank financial institutions, financial assets held under resale agreements, investment securities, and investments classified as receivable are as follows:

		31 December 2016				
	Notes	Loans and advances to customers	Due from central bank, other banks and non-bank financial institutions	Financial assets held under resale agreements	Investment securities	Investments classified as receivables
Impaired						
Individually assessed						
Gross balance		38,001	33	—	61	—
Allowance for impairment losses		(25,448)	(9)	—	(31)	—
Net balance		12,553	24	—	30	—
Collectively assessed						
Gross balance		10,579	—	—	—	—
Allowance for impairment losses		(8,107)	—	—	—	—
Net balance		2,472	—	—	—	—
Overdue but not impaired	(i)					
— less than three months		34,667	—	—	—	—
— three months to one year		14,193	—	—	—	—
Gross balance		48,860	—	—	—	—
Allowance for impairment losses		(8,395)	—	—	—	—
Net balance		40,465	—	—	—	—
Neither overdue nor impaired						
Gross balance		2,780,487	921,780	170,804	795,077	1,037,484
Allowance for impairment losses	(ii)	(33,593)	(34)	—	(104)	(1,756)
Net balance		2,746,894	921,746	170,804	794,973	1,035,728
Total net balance		2,802,384	921,770	170,804	795,003	1,035,728

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from central bank, other banks and non-bank financial institutions, financial assets held under resale agreements, investment securities, and investments classified as receivables are as follows: (continued)

	Notes	Loans and advances to customers	Due from central bank, other banks and non-bank financial institutions	Financial assets held under resale agreements	Investment securities	Investments classified as receivables
		31 December 2015				
Impaired						
Individually assessed						
Gross balance		28,039	30	—	128	—
Allowance for impairment losses		(15,345)	(8)	—	(120)	—
Net balance		12,694	22	—	8	—
Collectively assessed						
Gross balance		8,011	—	—	—	—
Allowance for impairment losses		(5,846)	—	—	—	—
Net balance		2,165	—	—	—	—
Overdue but not impaired	(i)					
— less than three months		35,118	—	—	—	—
— three months to one year		6,418	—	—	—	—
Gross balance		41,536	—	—	—	—
Allowance for impairment losses		(5,544)	—	—	—	—
Net balance		35,992	—	—	—	—
Neither overdue nor impaired						
Gross balance		2,451,194	703,391	138,561	578,956	1,113,092
Allowance for impairment losses	(ii)	(33,762)	—	—	(57)	(885)
Net balance		2,417,432	703,391	138,561	578,899	1,112,207
Total net balance		2,468,283	703,413	138,561	578,907	1,112,207

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from central bank, other banks and non-bank financial institutions, financial assets held under resale agreements, investment securities, and investments classified as receivables are as follows: (continued)

Notes:

(i) Collateral and other credit enhancements for overdue but not impaired corporate loans and advances to customers

	31 December 2016	31 December 2015
Secured portion	26,571	21,184
Unsecured portion	11,433	9,557
Corporate loans and advances which were overdue but not impaired	38,004	30,741
Maximum exposure covered by pledge and collateral held	25,426	20,571

The fair value of collateral was estimated by management based on the latest revaluations including available external valuations, if any, adjusted by taking into account the current realisation experience as well as market conditions.

(ii) Such allowance for impairment losses represented collective assessed allowance as at the respective date.

(iii) Loans and advances to customers analysed by industry sector:

	31 December 2016			31 December 2015		
	Gross balance	%	Loans and advances secured by collateral	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
— manufacturing	385,822	13.4	203,543	414,273	16.4	201,490
— real estate	293,429	10.2	246,107	254,892	10.1	216,414
— wholesale and retail	238,545	8.3	146,674	260,675	10.3	161,575
— rental and business services	180,124	6.3	115,905	147,798	5.8	87,060
— transportation, storage and postal services	161,976	5.6	84,728	147,535	5.8	72,340
— water, environment and public utility management	148,476	5.2	77,814	127,435	5.0	64,321
— construction	90,666	3.2	39,612	102,532	4.1	47,940
— production and supply of electric power, gas and water	60,046	2.1	25,187	54,704	2.2	20,219
— public management and social organisations	19,846	0.7	4,427	20,835	0.8	4,880
— others	267,344	9.2	108,593	236,743	9.4	95,297
Subtotal	1,846,274	64.2	1,052,590	1,767,422	69.9	971,536
Personal loans	956,606	33.2	695,631	668,613	26.4	478,582
Discounted bills	75,047	2.6	—	92,745	3.7	—
Gross loans and advances to customers	2,877,927	100.0	1,748,221	2,528,780	100.0	1,450,118

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) *Loans and advances to customers analysed by industry sector: (continued)*

As at 31 December 2016, impaired loans and individual and collective allowance for impairment losses in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

	31 December 2016				
	Impaired loans and advances	**Individually assessed impairment allowance**	**Collectively assessed impairment allowance**	**Impairment charged during the year**	**Impaired loan written off during the year**
Manufacturing	**14,506**	**10,053**	**9,063**	**15,573**	**(10,979)**
Wholesale and retail	**12,425**	**8,452**	**5,877**	**12,271**	**(11,278)**
Real estate	**147**	**21**	**3,285**	**15**	**(45)**

	31 December 2015				
	Impaired loans and advances	Individually assessed impairment allowance	Collectively assessed impairment allowance	Impairment charged during the year	Impaired loan written off during the year
Manufacturing	10,338	5,378	8,894	9,176	(7,871)
Wholesale and retail	12,127	7,475	6,313	14,140	(12,174)
Real estate	249	54	2,505	(20)	—

(iv) *Loans and advances to customers analysed by geographical sector:*

	31 December 2016			31 December 2015		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Bohai Rim (including Head Office)	**771,415**	**26.8**	**377,852**	680,886	26.9	315,864
Yangtze River Delta	**634,919**	**22.1**	**413,445**	553,616	21.9	330,052
Pearl River Delta and West Strait	**477,683**	**16.6**	**376,115**	396,853	15.7	298,743
Western	**379,192**	**13.2**	**238,126**	340,226	13.5	201,975
Central	**374,358**	**13.0**	**230,806**	348,882	13.8	205,182
Northeastern	**70,967**	**2.5**	**47,749**	68,949	2.7	42,845
Outside Mainland China	**169,393**	**5.8**	**64,128**	139,368	5.5	55,457
Total	**2,877,927**	**100.0**	**1,748,221**	2,528,780	100.0	1,450,118

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers analysed by geographical sector: (continued)

As at 31 December 2016, impaired loans and individual and collective impairment allowance in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

	31 December 2016		
	Impaired loans and advance	**Individually assessed impairment allowance**	**Collectively assessed impairment allowance**
Bohai Rim (including Head Office)	**13,321**	**6,781**	**14,729**
Central	**10,312**	**5,307**	**7,786**
Yangtze River Delta	**8,002**	**5,117**	**9,825**
Western	**7,121**	**3,324**	**7,001**
Pearl River Delta and West Strait	**6,564**	**3,273**	**8,747**

	31 December 2015		
	Impaired loans and advance	Individually assessed impairment allowance	Collectively assessed impairment allowance
Bohai Rim (including Head Office)	8,869	3,354	12,624
Central	5,212	1,873	7,380
Yangtze River Delta	8,838	4,124	9,398
Western	2,668	1,281	5,795
Pearl River Delta and West Strait	7,685	3,440	8,361

(v) Loans and advances to customers analysed by type of security

	31 December 2016	31 December 2015
Unsecured loans	**548,123**	492,822
Guaranteed loans	**506,536**	493,095
Secured loans		
— loans secured by collateral	**1,417,736**	1,169,587
— pledged loans	**330,485**	280,531
Subtotal	**2,802,880**	2,436,035
Discounted bills	**75,047**	92,745
Gross loans and advances to customers	**2,877,927**	2,528,780

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(a) Credit risk (Continued)

(vi) Rescheduled loans and advances to customers

	31 December 2016		31 December 2015	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances				
— rescheduled loans and advances overdue more than 3 months	**14,680**	**0.51%**	7,857	0.31%
— rescheduled loans and advances overdue less than 3 months	**2,554**	**0.09%**	3,548	0.14%
Total	**17,234**	**0.60%**	11,405	0.45%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated because of deterioration in the financial position of the borrowers, or of the inability of the borrowers to meet their original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider. As at 31 December 2016, with borrowers' financial difficulty, the concession the Group considered resulted from economic or legal reasons is not significant.

(vii) Debt instruments analysed by credit rating

The Group adopts a credit rating approach to manage credit risk of its debt instruments portfolio. The ratings are obtained from major rating agencies where the debt instruments are issued. The carrying amounts of debt instruments investments analysed by rating as at the end of the reporting period are as follows:

	31 December 2016					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt instruments issued by:						
— governments	**212,655**	**14,050**	**2**	**208**	**1,182**	**228,097**
— policy banks	**162,917**	**721**	**970**	**—**	**—**	**164,608**
— public entities	**3**	**—**	**—**	**—**	**—**	**3**
— banks and non-bank financial institutions	**21,735**	**228,982**	**23,873**	**18,606**	**7,548**	**300,744**
— corporates	**2,513**	**71,522**	**20,484**	**5,608**	**1,424**	**101,551**
Total	**399,823**	**315,275**	**45,329**	**24,422**	**10,154**	**795,003**

	31 December 2015					
	Unrated (Note (i))	AAA	AA	A	Below A	Total
Debt instruments issued by:						
— governments	126,538	27,025	4,694	6,818	127	165,202
— policy banks	140,385	—	578	—	—	140,963
— public entities	4	—	—	—	—	4
— banks and non-bank financial institutions	11,157	118,243	15,660	13,040	5,136	163,236
— corporates	1,890	87,682	13,887	4,181	1,862	109,502
Total	279,974	232,950	34,819	24,039	7,125	578,907

Note:

(i) Unrated debt instruments held by the Group are bonds issued primarily by the Chinese government, policy banks, banks and non-bank financial institutions.

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(a) Credit risk (Continued)

(viii) Investments classified as receivables analysed by type of underlying assets

	31 December 2016	31 December 2015
Interbank assets and wealth management products issued by other banks	**480,630**	396,247
Credit assets	**310,361**	293,378
Rediscounted bills	**246,493**	423,467
Total	**1,037,484**	1,113,092

The Group includes Investments classified as receivables into integrated credit approval and management system, so that management manages its credit risk exposure in a holistic manner. The type of collateral of credit assets of Investments classified as receivables includes guarantee, security by collateral, and pledge.

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance sheet and off-balance sheet businesses for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has established a market risk management system that formulates procedures to identify, measure, supervise and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Risk and Internal Control Committee of the Group is responsible for approving market risk management policies, establishing appropriate organisational structure and information systems to effectively identify, measure, monitor and control market risks, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorisation limits, providing independent report of market risk to identify, measure and monitor the Group's market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated with the relevant operations, so as to ensure the dynamic balance between business development and risk undertaking.

The Group uses sensitivity analysis, foreign exchange exposure and interest rate re-pricing gap analysis as the primary instruments to monitor market risk.

Interest rate risk and currency risk are the major market risks that the Group is exposed to.

Interest rate risk

The Group's interest rate exposures mainly arise from the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjust the ratio of floating and fixed rate exposures, the loan re-pricing cycle, as well as optimise the term structure of its deposits accordingly.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure, manage and report the interest rate risk on a regular basis.

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

The following tables summarise the average interest rates, and the next re-pricing dates or contractual maturity date whichever is earlier for the assets and liabilities as at the end of each reporting date.

	31 December 2016						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.52%	553,328	37,488	515,840	—	—	—
Deposits with banks and non-bank financial institutions	1.40%	208,641	—	206,641	2,000	—	—
Placements with and loans to banks and non-bank financial institutions	2.56%	167,208	24	80,460	86,724	—	—
Financial assets held under resale agreements	2.30%	170,804	—	170,776	28	—	—
Investments classified as receivables	4.01%	1,035,728	28,164	352,938	442,532	169,148	42,946
Loans and advances to customers (Note (ii))	4.82%	2,802,384	349	1,158,361	906,588	724,573	12,513
Investments (Note (iii))	3.41%	818,053	24,339	156,396	188,124	298,639	150,555
Others		174,904	146,546	21,633	6,725	—	—
Total assets		5,931,050	236,910	2,663,045	1,632,721	1,192,360	206,014
Liabilities							
Borrowing from central banks	3.02%	184,050	—	39,000	145,050	—	—
Deposits from banks and non-bank financial institutions	2.81%	981,446	1,881	770,427	208,588	—	550
Placements from banks and non-bank financial institutions	2.10%	83,723	—	53,943	29,780	—	—
Financial assets sold under repurchase agreements	2.42%	120,342	—	117,349	2,993	—	—
Deposits from customers	1.68%	3,639,290	14,658	2,731,303	580,926	310,524	1,879
Debt securities issued	3.55%	386,946	—	88,582	194,164	47,258	56,942
Others		150,757	150,309	245	203	—	—
Total liabilities		5,546,554	166,848	3,800,849	1,161,704	357,782	59,371
Interest rate gap		384,496	70,062	(1,137,804)	471,017	834,578	146,643

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

	31 December 2015						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central bank	1.47%	511,189	14,567	496,622	—	—	—
Deposits with banks and non-bank financial institutions	1.22%	80,803	—	74,077	6,726	—	—
Placements with and loans to banks and non-bank financial institutions	2.59%	118,776	22	78,139	40,120	—	495
Financial assets held under resale agreements	3.90%	138,561	—	138,320	141	100	—
Investments classified as receivables	5.20%	1,112,207	3,583	452,100	461,183	183,372	11,969
Loans and advances to customers (Note (ii))	5.85%	2,468,283	310	1,035,127	990,598	428,157	14,091
Investments (Note (iii))	3.86%	580,896	1,991	107,371	121,567	216,221	133,746
Others		111,577	109,416	444	1,717	—	—
Total assets		5,122,292	129,889	2,382,200	1,622,052	827,850	160,301
Liabilities							
Borrowing from central banks	3.50%	37,500	—	13,500	24,000	—	—
Deposits from banks and non-bank financial institutions	3.80%	1,068,544	1,632	536,885	528,017	1,010	1,000
Placements from banks and non-bank financial institutions	1.81%	49,248	—	37,039	11,874	335	—
Financial assets sold under repurchase agreements	2.43%	71,168	—	67,976	3,192	—	—
Deposits from customers	2.16%	3,182,775	16,263	2,137,461	665,174	362,891	986
Debt securities issued	4.65%	289,135	—	82,007	96,899	39,795	70,434
Others		104,236	101,302	606	2,328	—	—
Total liabilities		4,802,606	119,197	2,875,474	1,331,484	404,031	72,420
Interest rate gap		319,686	10,692	(493,274)	290,568	423,819	87,881

Notes:

(i) Average interest rate represented the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category included overdue amounts (net of allowance for impairment losses) of RMB54,540 million as at 31 December 2016 (as at 31 December 2015: RMB50,079 million).

(iii) Investments included the financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments.

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 31 December 2016 and 31 December 2015.

	31 December 2016		31 December 2015	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(7,845)**	**(1,442)**	(2,753)	(906)
-100 basis points	**7,845**	**1,442**	2,753	906

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain assumptions as discussed below. The analysis measures only the impact of changes in interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within the three months bracket, and the after three months but within one year bracket are both reprice or mature at the beginning of the respective periods, (ii) it does not reflect the potential impact of unparalleled yield curve movements, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income and other comprehensive income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance sheet and off-balance sheet business of the Group. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial instruments, mainly foreign exchange swaps, to manage its exposure.

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (continued)

The exposures at the reporting date were as follows:

	31 December 2016				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central bank	524,885	27,676	601	166	553,328
Deposits with banks and non-bank financial institutions	158,350	29,861	12,451	7,979	208,641
Placements with and loans to banks and non-bank financial institutions	139,008	17,843	8,392	1,965	167,208
Financial assets held under resale agreements	170,804	—	—	—	170,804
Investments classified as receivables	1,035,728	—	—	—	1,035,728
Loans and advances to customers	2,534,542	169,570	83,657	14,615	2,802,384
Investments	751,958	33,959	25,898	6,238	818,053
Others	125,301	41,890	4,163	3,550	174,904
Total assets	5,440,576	320,799	135,162	34,513	5,931,050
Liabilities					
Borrowings from central banks	184,050	—	—	—	184,050
Deposits from banks and non-bank financial institutions	932,435	41,923	815	6,273	981,446
Placements from banks and non-bank financial institutions	57,671	25,688	197	167	83,723
Financial assets sold under repurchase agreements	118,515	1,827	—	—	120,342
Deposits from customers	3,304,504	181,508	119,014	34,264	3,639,290
Debt securities issued	369,652	16,817	477	—	386,946
Others	126,796	14,603	3,711	5,647	150,757
Total liabilities	5,093,623	282,366	124,214	46,351	5,546,554
Net on-balance sheet position	346,953	38,433	10,948	(11,838)	384,496
Credit commitments	958,523	90,017	12,151	15,059	1,075,750
Derivatives (Note (i))	31,003	(16,931)	12,341	(16,575)	9,838

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (continued)

	31 December 2015				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central bank	496,205	14,178	613	193	511,189
Deposits with banks and non-bank financial institutions	37,835	29,019	9,860	4,089	80,803
Placements with and loans to banks and non-bank financial institutions	79,776	29,751	6,615	2,634	118,776
Financial assets held under resale agreements	137,210	1,351	—	—	138,561
Investments classified as receivables	1,109,612	2,595	—	—	1,112,207
Loans and advances to customers	2,227,366	168,536	63,532	8,849	2,468,283
Investments	527,396	24,883	15,299	13,318	580,896
Others	98,924	8,541	3,885	227	111,577
Total assets	4,714,324	278,854	99,804	29,310	5,122,292
Liabilities					
Borrowings from central banks	37,500	—	—	—	37,500
Deposits from banks and non-bank financial institutions	1,028,229	34,148	847	5,320	1,068,544
Placements from banks and non-bank financial institutions	38,814	9,714	—	720	49,248
Financial assets sold under repurchase agreements	71,168	—	—	—	71,168
Deposits from customers	2,854,718	192,475	99,888	35,694	3,182,775
Debt securities issued	273,085	14,350	1,700	—	289,135
Others	89,850	6,748	3,257	4,381	104,236
Total liabilities	4,393,364	257,435	105,692	46,115	4,802,606
Net on-balance sheet position	320,960	21,419	(5,888)	(16,805)	319,686
Credit commitments	998,408	66,099	10,986	7,845	1,083,338
Derivatives (Note (i))	(26,270)	8,141	1,257	27,960	11,088

Note:

(i) Derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 31 December 2016 and 31 December 2015, the results of the Group's foreign exchange rate sensitivity analysis.

	31 December 2016		31 December 2015	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**804**	**15**	1,714	90
5% depreciation	**(804)**	**(15)**	(1,714)	(90)

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain assumptions as follows: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 500 basis point fluctuation in the foreign currency exchange rates against RMB at the reporting date, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously and does not take into account the correlation effect of changes in different foreign currencies, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, foreign exchange derivative instruments, and; all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's profit and other comprehensive income resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis. Precious metal is included in foreign currency for the purpose of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities and customers may concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the entire Group's liquidity risk policies, strategies, and implements centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The tools that the Group uses to measure and monitor liquidity risk mainly include:

— Liquidity gap analysis

— Liquidity indicators (including but not limited to regulated and internal managed indicators, such as loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring

— Scenario analysis

— Stress testing

On this basis, the Group establishes regular reporting mechanisms for liquidity risk to report the latest situation of liquidity risk to the senior management on a timely basis.

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities

	31 December 2016						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Assets							
Cash and balances with central banks	66,247	85	18,865	–	–	468,131	553,328
Deposits with banks and non-bank financial institutions	101,482	105,159	2,000	–	–	–	208,641
Placements with and loans to banks and non-bank financial institutions	–	80,442	86,742	–	–	24	167,208
Financial assets held under resale agreements	–	170,775	29	–	–	–	170,804
Investments classified as receivables	–	352,938	442,532	197,312	42,946	–	1,035,728
Loans and advances to customers (Note (ii))	15,529	532,820	919,444	588,000	706,599	39,992	2,802,384
Investments (Note (iii))	3,015	122,827	187,363	326,963	156,607	21,278	818,053
Others	25,929	37,816	51,983	13,095	4,480	41,601	174,904
Total assets	212,202	1,402,862	1,708,958	1,125,370	910,632	571,026	5,931,050
Liabilities							
Borrowings from central banks	–	39,000	145,050	–	–	–	184,050
Deposits from banks and non-bank financial institutions	183,673	588,635	208,588	–	550	–	981,446
Placements from banks and non-bank financial institutions	–	53,943	29,780	–	–	–	83,723
Financial assets sold under repurchase agreements	–	117,349	2,993	–	–	–	120,342
Deposits from customers	2,202,231	584,576	539,205	311,399	1,879	–	3,639,290
Debt securities issued	–	85,346	197,319	47,340	56,941	–	386,946
Others	82,716	17,322	34,817	7,247	4,056	4,599	150,757
Total liabilities	2,468,620	1,486,171	1,157,752	365,986	63,426	4,599	5,546,554
(Short)/long position	(2,256,418)	(83,309)	551,206	759,384	847,206	566,427	384,496

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities (continued)

	31 December 2015						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Assets							
Cash and balances with central banks	71,059	–	3,416	–	–	436,714	511,189
Deposits with banks and non-bank financial institutions	57,103	16,974	6,726	–	–	–	80,803
Placements with and loans to banks and non-bank financial institutions	–	81,118	37,620	16	–	22	118,776
Financial assets held under resale agreements	–	138,320	141	100	–	–	138,561
Investments classified as receivables	–	452,100	461,183	186,955	11,969	–	1,112,207
Loans and advances to customers (Note (ii))	19,429	504,373	892,359	602,310	418,369	31,443	2,468,283
Investments (Note (iii))	296	63,979	113,642	261,416	139,919	1,644	580,896
Others	23,220	14,711	25,133	8,984	8,952	30,577	111,577
Total assets	171,107	1,271,575	1,540,220	1,059,781	579,209	500,400	5,122,292
Liabilities							
Borrowings from central banks	–	13,500	24,000	–	–	–	37,500
Deposits from banks and non-bank financial institutions	225,398	312,518	528,022	1,010	1,000	596	1,068,544
Placements from banks and non-bank financial institutions	–	37,039	11,874	335	–	–	49,248
Financial assets sold under repurchase agreements	–	67,976	3,192	–	–	–	71,168
Deposits from customers	1,334,115	819,432	665,351	362,891	986	–	3,182,775
Debt securities issued	–	80,028	97,281	41,392	70,434	–	289,135
Others	57,151	13,821	19,673	7,926	938	4,727	104,236
Total liabilities	1,616,664	1,344,314	1,349,393	413,554	73,358	5,323	4,802,606
(Short)/long position	(1,445,557)	(72,739)	190,827	646,227	505,851	495,077	319,686

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Credit Commitments include bank acceptance, credit card commitments, guarantees, loan commitment and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	31 December 2016			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank Acceptance	**535,313**	**—**	**—**	**535,313**
Credit Card Commitments	**215,845**	**—**	**—**	**215,845**
Guarantees	**87,364**	**74,772**	**1,021**	**163,157**
Loan Commitments	**15,172**	**27,835**	**31,929**	**74,936**
Letter of Credit	**84,999**	**1,500**	**—**	**86,499**
Total	**938,693**	**104,107**	**32,950**	**1,075,750**

	31 December 2015			
	Less than 1 year	1-5 years	Over 5 years	Total
Bank Acceptance	631,431	—	—	631,431
Credit Card Commitments	149,138	—	—	149,138
Guarantees	81,574	50,887	1,106	133,567
Loan Commitments	16,618	29,142	31,278	77,038
Letter of Credit	91,405	759	—	92,164
Total	970,166	80,788	32,384	1,083,338

Notes:

(i) For cash and balances with central banks, the undated period amount represented statutory deposit reserve funds and fiscal deposits maintained with the PBOC. For placements with and loans to banks and non-bank financial institutions, loans and advances to customers and investments, the undated period amount represented the balances being impaired or overdue for more than one month. Equity investments were also reported under undated period.

(ii) The balances of loans and advances to customers which were overdue within one month but not impaired are included in repayable on demand.

(iii) Investments included the financial assets at fair value through profit or loss, available-for-sale financial assets, and held-to-maturity investments. For investments, the remaining term to maturity did not represent the Group's intended holding period.

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (Continued)

(d) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, IT systems, or external events, including legal risk, but excluding strategy risk and reputational risk.

The Group manages operational risk through a control-based environment by establishing a sound mechanism of operational risk management in order to identify, assess, monitor, control, mitigate and report operational risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. Key controls include:

— establishing matrix and centralised authorization mechanism, strict prohibition of unauthorised activities;

— through consistent legal responsibility framework, taking strict disciplinary actions against non-compliance in order to ensure accountability;

— promoting operational risk management culture throughout the organisation; building a team of operational risk management professionals. Through formal training and performance appraisal system in raising risk management awareness;

— strengthening cash and account management in accordance with the relevant policies and procedures, intensifying the monitoring of suspicious transactions. Ensure our staff are well-equipped with the necessary knowledge and basic skills on anti money laundering through continuous training;

— backup systems and disaster recovery plans covering all the major activities, especially backoffice operations in order to minimise any unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain disruptive events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operational risk. The Group's management information system has the functionalities of recording and capturing lost data and events of operational risk to further support operational risk control and self-assessment, as well as monitoring of key risk indicators.

59 Capital Adequacy Ratio

Capital adequacy ratio reflects the Group's operational and risk management capability and it is the core of capital management. The Group's capital management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testings and other measures to forecast, plan and manage capital adequacy ratio.

The Group's management monitors the Group's and the Bank's capital adequacy regularly based on regulations issued by the CBRC. The required information is filed with the CBRC by the Group and the Bank semi-annually and quarterly, respectively.

From 1 January 2013, the Group commenced the computation of its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations promulgated by the CBRC in the year of 2012. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

(Amounts in millions of Renminbi unless otherwise stated)

59 Capital Adequacy Ratio (Continued)

Under the "Regulation Governing Capital of Commercial Banks (provisional)", the Bank is required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 7.50%, 8.50% and 10.50%, respectively, by the end of 2018. In addition, overseas subsidiaries and branches are directly regulated by the respective local banking regulators and the requirements of capital adequacy ratios differ by country. During the year, the Group has complied in full with all its externally imposed capital requirements.

The capital adequacy ratios calculated in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". According to the requirements, for credit risk, the capital requirement was measured using the weighting method. The market risk was measured by adopting the standardised approach and the operational risk was measured by using the basic indicator approach.

Relevant requirements promulgated by the CBRC are listed as below.

	31 December 2016	31 December 2015
Core Tier-One capital adequacy ratio	**8.64%**	9.12%
Tier-One capital adequacy ratio	**9.65%**	9.17%
Capital adequacy ratio	**11.98%**	11.87%
Components of capital base		
Core Tier-One capital:		
Share capital	**48,935**	48,935
Qualified portion of 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
Qualified portion of non-controlling interests	**48**	75
Total core Tier-One capital	**344,317**	317,815
Core Tier-One capital deductions:		
Goodwill	**(914)**	(854)
Other intangible assets other than land use right (net of related deferred tax liability)	**(840)**	(802)
Net core Tier-One capital	**342,563**	316,159
Other Tier-One capital (Note (i))	**40,107**	1,828
Tier-One capital	**382,670**	317,987
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**65,368**	69,299
Surplus allowance for loan impairment	**26,963**	24,447
Qualified portion of non-controlling interests	**7**	7
Net capital base	**475,008**	411,740
Total risk-weighted assets	**3,964,448**	3,468,135

Note:

(i) As at 31 December 2016, the Group's other Tier-One capital included preference shares issued by the Bank (Note 46) and non-controlling interests (Note 52).

(Amounts in millions of Renminbi unless otherwise stated)

60 Fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges and exchange-traded derivatives.

Level 2: inputs other than quoted prices included within Level 1 are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are Renminbi bonds. The fair values of these bonds are determined based on the evaluation results provided by China Central Depository & Clearing Corporate Limited. This level also includes a majority of over-the-counter derivative contracts, the evaluation method of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Input parameters are sourced from the Open market such as Bloomberg and Reuters.

Level 3: inputs for assets or liabilities are based on unobservable parameters. This level includes equity investments and debt instruments with one or more than one significant unobservable parameters. Management determine the fair value through inquiring from counterparties or using the valuation techniques. The model incorporate unobservable parameters such as discount rate and market price volatilities.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Market Department, the Financial Institution Department, and the Investment Bank Department are responsible for the fair valuation of financial assets and financial liabilities. The Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items according to the result generated from the valuation process and accounting policies. The Finance and Accounting Department prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the year ended 31 December 2016, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(Amounts in millions of Renminbi unless otherwise stated)

60 Fair value (Continued)

(a) Financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not carried at fair value of the Group include Cash and balances with central banks, Deposits with banks and non-bank financial institutions, Placements with and loans to banks and non-bank financial institutions, Financial assets held under resale agreements, Loans and advances to customers, Held-to-maturity investments, Investments classified as receivables, Borrowings from central banks, Deposits from banks and non-bank financial institutions, Placements from banks and non-bank financial institutions, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued.

Except for the items shown in the tables below, the maturity dates of aforesaid financial assets and liabilities are within a year or are mainly floating interest rates, as a result, their carrying amounts are approximately equal to their fair value.

	Carrying values		Fair values	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Financial assets:				
Held-to-maturity investments	**217,498**	179,930	**219,014**	185,152
Investments classified as receivables	**1,035,728**	1,112,207	**1,040,380**	1,124,181
Financial liabilities:				
Debt securities issued				
— certificates of deposit issued	**9,493**	8,705	**9,443**	8,706
— debt securities issued	**31,288**	31,295	**31,683**	32,381
— subordinated bonds issued	**76,242**	77,779	**78,920**	83,181
— certificates of interbank deposit issued	**269,923**	171,356	**268,664**	171,501

Fair value of financial assets and liabilities above at fair value hierarchy is as follows:

	31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Held-to-maturity investments	**961**	**218,053**	**—**	**219,014**
Investments classified as receivables	**—**	**264,700**	**775,680**	**1,040,380**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**—**	**9,443**	**—**	**9,443**
— debt securities issued	**—**	**31,683**	**—**	**31,683**
— subordinated bonds issued	**8,124**	**70,796**	**—**	**78,920**
— certificates of interbank deposit issued	**—**	**268,664**	**—**	**268,664**

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Held-to-maturity investments	833	184,319	—	185,152
Investments classified as receivables	—	450,781	673,400	1,124,181
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	—	8,706	—	8,706
— debt securities issued	—	32,381	—	32,381
— subordinated bonds issued	7,615	75,566	—	83,181
— certificates of interbank deposit issued	—	171,501	—	171,501

(Amounts in millions of Renminbi unless otherwise stated)

60 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 2016				
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss				
Held for trading financial assets				
— debt securities	2,947	6,683	—	9,630
— investment funds	—	—	1	1
— certificates of interbank deposit	—	50,699	—	50,699
Financial assets designed at fair value through profit or loss				
— debt securities	—	4,581	—	4,581
Derivative financial assets				
— interest rate derivatives	—	3,363	2	3,365
— currency derivatives	—	42,232	—	42,232
— precious metals derivatives	—	1,769	—	1,769
Available-for-sale financial assets				
— debt securities	42,080	354,452	13	396,545
— investment funds	375	20,279	83	20,737
— certificates of deposit	25	116,025	—	116,050
— wealth management products	—	22	—	22
— equity investments	768	—	—	768
Total financial assets measured at fair value	46,195	600,105	99	646,399
Liabilities				
Derivative financial liabilities				
— interest rate derivatives	—	2,811	2	2,813
— currency derivatives	—	40,045	—	40,045
— precious metals derivatives	—	2,201	—	2,201
Total financial liabilities measured at fair value	—	45,057	2	45,059

(Amounts in millions of Renminbi unless otherwise stated)

60 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (Continued)

	Level 1 (Note (i))	**Level 2** (Note (i))	**Level 3** (Note (ii))	**Total**
As at 31 December 2015				
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss				
Held for trading financial assets				
— debt securities	479	8,057	—	8,536
— investment funds	—	—	1	1
— certificates of interbank deposit	—	15,226	—	15,226
Financial assets designed at fair value through profit or loss				
— debt securities	—	2,457	—	2,457
Derivative financial assets				
— interest rate derivatives	—	1,288	3	1,291
— currency derivatives	17	11,472	—	11,489
— precious metals derivatives	—	1,008	—	1,008
Available-for-sale financial assets				
— debt securities	40,313	257,120	11	297,444
— investment funds	—	352	70	422
— certificates of deposit	671	74,643	—	75,314
— wealth management products	—	10	—	10
— equity investments	424	—	22	446
Total financial assets measured at fair value	41,904	371,633	107	413,644
Liabilities				
Derivative financial liabilities				
— interest rate derivatives	—	992	3	995
— currency derivatives	1	10,118	—	10,119
— precious metals derivatives	—	304	—	304
Total financial liabilities measured at fair value	1	11,414	3	11,418

(Amounts in millions of Renminbi unless otherwise stated)

60 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (Continued)

Notes:

(i) During the current year, there were no significant transfers amongst Level 1, Level 2 and Level 3 of the fair value hierarchy.

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy:

	Assets							Liabilities	
	Trading financial assets	Financial assets designed at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets				Derivative financial liabilities	
	Investment funds	Debt securities	Interest rate derivatives	Debt securities	Investment funds	Equity instruments	Total	Interest rate derivatives	Total
As at 1 January 2016	1	—	3	11	70	22	107	(3)	(3)
Total gains or losses									
— in profit or loss	—	—	1	—	—	—	1	(1)	(1)
Purchase	—	—	—	1	7	—	8	—	—
Settlements	—	—	(2)	—	—	(22)	(24)	2	2
Exchange effect	—	—	—	1	6	—	7	—	—
As at 31 December 2016	1	—	2	13	83	—	99	(2)	(2)
Total gain or loss for the year included in profit or loss for assets and liabilities held at the end of the reporting period	—	—	1	—	—	—	1	(1)	(1)

	Assets							Liabilities	
	Trading financial assets	Financial assets designed at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets				Derivative financial liabilities	
	Investment funds	Debt securities	Interest rate derivatives	Debt securities	Investment funds	Equity instruments	Total	Interest rate derivatives	Total
As at 1 January 2015	2	—	5	12	127	—	146	(10)	(10)
Total gains or losses									
— in profit or loss	—	—	(2)	—	—	22	20	7	7
— in other comprehensive income	—	—	—	—	(17)	—	(17)	—	—
Purchase	—	—	—	—	(40)	—	(40)	—	—
Settlements	(1)	—	—	(1)	—	—	(2)	—	—
As at 31 December 2015	1	—	3	11	70	22	107	(3)	(3)
Total gain or loss for the year included in profit or loss for assets and liabilities held at the end of the reporting period	—	—	(2)	—	—	22	20	7	7

(Amounts in millions of Renminbi unless otherwise stated)

61 Related parties

(a) Relationship of related parties

(i) The Group is controlled by CITIC Corporation Limited (incorporated in Hong Kong), which owns 65.37% of the Bank's shares. The ultimate parent of the Group is CITIC Group (incorporated in China).

(ii) Related parties of the Group include subsidiaries, joint ventures and associates of CITIC Corporation Limited and CITIC Group. The Bank entered into banking transactions with its subsidiaries at arm's length in the ordinary course of business. These transactions are eliminated on consolidation.

On 23 January 2015, Banco Bilbao Vizcaya Argentaria S.A. ("BBVA") disposed of the Bank's share and as a result, the shareholding ratio by BBVA in the Bank declined from 9.6% to less than 5% thereafter. BBVA ceased to be related party of the Group from 22 January 2016 in accordance with the regulations of China Securities Regulatory Commission ("CSRC").

As at 31 December 2015, the Bank issued 2,147,469,539 shares to China National Tobacco Corporation ("CNTC") through private placement. After the private placement, CNTC holds 4.39% shares of the Bank. A non-executive director delegated by CNTC was appointed on 17 March 2016, and was approved by the CBRC on 24 June 2016. CNTC is thereafter regarded as the Group's related party as it has significant influence upon the Bank.

During the year ended 31 December 2016, Xinhu Zhongbao Co., Ltd. acquired 2,320,177,000 shares of the Bank from a third party, which represents 4.74% shares of the Bank. A non-executive director delegated by Xinhu Zhongbao Co., Ltd. was appointed on 17 March 2016, and was approved by the CBRC on 16 November 2016. Xinhu Zhongbao Co., Ltd. is thereafter regarded as the Group's related party, as it has significant influence upon the Bank.

(b) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of private placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Year ended 31 December 2016		
	Ultimate parent company equity holders	**Other major and affiliates Note(i)**	**Associates**
Profit and loss			
Interest income	367	13	—
Fee and commission income and other operating income	1,204	—	—
Interest expense	(588)	(333)	—
Net trading gain/(loss)	64	(5)	(17)
Other service fees	(804)	—	—

(Amounts in millions of Renminbi unless otherwise stated)

61 Related parties (Continued)

(b) Related party transactions (Continued)

	Year ended 31 December 2015		
	Ultimate parent company and affiliates	BBVA	Associates
Profit and loss			
Interest income	268	—	—
Fee and commission income and other operating income	154	—	—
Interest expense	(649)	—	—
Net trading gain	66	383	8
Other service fees	(673)	—	—

	31 December 2016		
	Ultimate parent company and affiliates	**Other major equity holders Note(i)**	**Associates**
Assets			
Gross loans and advances to customers	**19,436**	**5,490**	—
Less: collectively assessed allowance for impairment losses	**(182)**	**(64)**	—
Loans and advances to customers (net)	**19,254**	**5,426**	—
Interest receivables	**170**	**5**	—
Deposits with banks and non-bank financial institutions	**1**	—	—
Placements with and loans to banks and non-bank financial institutions	**693**	—	—
Derivative financial assets	**28**	—	**19**
Investments	**663**	—	**1,111**
Other assets	**10,743**	—	—
Liabilities			
Deposits from banks and non-bank financial institutions	**17,038**	**159**	—
Derivative financial liabilities	**40**	—	**23**
Deposits from customers	**74,011**	**22,715**	**64**
Interest payable	**128**	**395**	—
Other liabilities	**266**	—	—
Off-balance sheet items			
Guarantees and letters of credit	**257**	—	—
Acceptances	**36**	—	—
Entrusted funds	**8,181**	—	—
Funds raised from investors of non-principle guaranteed wealth management products	**1,586**	—	—
Guarantees received	**7,787**	**290**	—
Nominal amount of derivatives	**1,664**	—	—

(Amounts in millions of Renminbi unless otherwise stated)

61 Related parties (Continued)

(b) Related party transactions (Continued)

	31 December 2015		
	Ultimate parent company and affiliates	BBVA	Associates
Assets			
Gross loans and advances to customers	14,793	1,094	—
Less: collectively assessed allowance for impairment losses	(151)	—	—
Loans and advances to customers (net)	14,642	1,094	—
Interest receivables	69	—	—
Placements with and loans to banks and non-bank financial institutions	22	—	—
Derivative financial assets	61	100	—
Investments	406	—	976
Other assets	9,271	988	—
Liabilities			
Deposits from banks and non-bank financial institutions	21,887	—	—
Derivative financial liabilities	11	112	—
Deposits from customers	49,555	—	22
Interest payable	110	—	—
Other liabilities	118	—	—
Off-balance sheet items			
Guarantees and letters of credit	968	255	—
Acceptances	90	—	—
Entrusted funds	1,000	—	—
Funds raised from investors of non-principle guaranteed wealth management products	432	—	—
Guarantees received	8,574	—	—
Nominal amount of derivatives	2,780	39,755	—

Note:

(i) Other major equity holders include BBVA, CNTC and Xinhu Zhongbao Co., Ltd. The amounts disclosed represented those transactions or balances when they were considered as related parties of the Group during the relevant periods. The transactions and balances above included all the affiliates of BBVA and Xinhu Zhongbao Co., Ltd., and direct subsidiaries of CNTC. The transactions with CNTC's indirect subsidiaries and joint ventures are described in Note 61 (e).

(Amounts in millions of Renminbi unless otherwise stated)

61 Related parties (Continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

The aggregate amount of relevant loans outstanding as at 31 December 2016 to directors, supervisors and executive officers amounted to RMB8.27 million (as at 31 December 2015: RMB11.63 million).

The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000
Salaries and other emoluments	**11,475**	13,669
Discretionary bonuses	**8,120**	17,042
Retirement schemes contributions	**1,981**	2,729
	21,576	33,440

(d) Supplementary defined contribution plan

The Group has established a supplementary defined contribution plan for its qualified employees which is administered by CITIC Group (Note 39 (b)).

(e) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "state-owned entities").

Transactions with state-owned entities, including CNTC's indirect subsidiaries and joint ventures, include but are not limited to the following:

— lending and deposit taking;

— taking and placing of inter-bank balances;

— derivative transactions;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. The Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

(Amounts in millions of Renminbi unless otherwise stated)

62 Structured entities

(a) Unconsolidated structured entities held by the Group

The Group invests in 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.

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 consolidated statement of financial position under which relevant assets are recognised:

	31 December 2016				
	Carrying amount				
	Held-to-maturity investments	**Available for sale financial assets**	**Investment classified as receivables**	**Total**	**Maximum loss exposure**
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				
	Held-to-maturity investments	Available for sale financial assets	Investment classified as receivables	Total	Maximum loss exposure
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. Analysis of investments classified as receivables by type of underlying assets is set out in Note 58 (a)(viii).

(Amounts in millions of Renminbi unless otherwise stated)

62 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.

(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.

(Amounts in millions of Renminbi unless otherwise stated)

63 Transfers of financial assets

For the year ended 31 December 2016, the Group entered into transactions which involved transfers of financial assets including securitisation transactions, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial de-recognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 37. Details of securitisation and loan transfer transactions conducted by the Group for the year ended 31 December 2016 totalled RMB119,126 million are set forth below.

Securitisation transactions

During the year ended 31 December 2016, the Group entered into securitisation transactions backed by financial assets transferred with book value before impairment of RMB49,155 million (31 December 2015: RMB41,333 million), of which RMB44,656 million (31 December 2015: RMB38,925 million) were qualified for full de-recognition. The balance of RMB4,499 million (31 December 2015: RMB2,408 million) was in respect of non-performing loans transferred and the Group concluded that it had continuing involvement in these assets as at 31 December 2016 based on the related criteria set forth in Note 4 (c) and Note 5 (iv). As at 31 December 2016, the Group continued to recognise assets of RMB690 million (31 December 2015: RMB286 million) under loans and advances to customers together with assets and liabilities of the same amount under other assets and other liabilities, respectively, arising from such continuing involvement (Note 23 (c)).

Loan transfers

During the year ended 31 December 2016, the Group also through other types of transactions transferred loans of book value before impairment of RMB69,971 million (2015: RMB42,972 million), of which RMB54,025 million represented non-performing loans (2015: RMB39,506 million). The Group carried out assessment based on the criteria as detailed in Note 4 (c) and Note 5 (iv) and concluded that these transferred assets qualified for full de-recognition (Note 23 (c)).

64 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

As at 31 December 2016, the Group did not enter into enforceable master netting arrangements with counterparties and therefore there were no offsettings of any assets and liabilities in the consolidated statement of financial position.

(Amounts in millions of Renminbi unless otherwise stated)

65 Statements of financial position and changes in equity of the Bank

Statement of financial position

	31 December 2016	31 December 2015
Assets		
Cash and balances with central banks	**550,987**	509,851
Deposits with banks and non-bank financial institutions	**187,080**	64,800
Precious metals	**3,372**	1,191
Placements with and loans to banks and non-bank financial institutions	**162,708**	98,276
Financial assets at fair value through profit or loss	**63,590**	25,349
Derivative financial assets	**43,546**	10,384
Financial assets held under resale agreements	**170,804**	137,210
Interest receivables	**32,081**	29,849
Loans and advances to customers	**2,592,552**	2,304,874
Available-for-sale financial assets	**479,591**	328,994
Held-to-maturity investments	**217,498**	179,930
Investments classified as receivables	**1,030,059**	1,109,807
Investments in subsidiaries	**22,249**	22,249
Property, plant and equipment	**17,166**	15,448
Intangible assets	**838**	801
Deferred tax assets	**12,589**	7,930
Other assets	**52,703**	37,352
Total assets	**5,639,413**	4,884,295
Liabilities		
Borrowings from central banks	**184,000**	37,400
Deposits from banks and non-bank financial institutions	**981,326**	1,069,630
Placements from banks and non-bank financial institutions	**50,042**	32,399
Derivative financial liabilities	**41,478**	8,439
Financial assets sold under repurchase agreements	**120,342**	71,110
Deposits from customers	**3,429,060**	2,994,826
Accrued staff costs	**8,062**	7,610
Taxes payable	**6,050**	4,694
Interest payable	**36,447**	37,422
Provisions	**244**	2
Debt securities issued	**369,829**	273,262
Other liabilities	**43,831**	35,863
Total liabilities	**5,270,711**	4,572,657
Equity		
Share capital	**48,935**	48,935
Preference shares	**34,955**	—
Capital reserve	**61,359**	61,359
Other comprehensive (loss)/income	**(1,737)**	4,790
Surplus reserve	**27,263**	23,362
General reserve	**73,370**	64,350
Retained earnings	**124,557**	108,842
Total equity	**368,702**	311,638
Total liabilities and equity	**5,639,413**	4,884,295

(Amounts in millions of Renminbi unless otherwise stated)

65 Statements of financial position and changes in equity of the Bank (Continued)

Statement of changes in equity

	Share capital	Preference shares	Capital reserve	Other comprehensive income/(loss)	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2016	**48,935**	**—**	**61,359**	**4,790**	**23,362**	**64,350**	**108,842**	**311,638**
(i) Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**39,010**	**39,010**
(ii) Other comprehensive loss	**—**	**—**	**—**	**(6,527)**	**—**	**—**	**—**	**(6,527)**
Total comprehensive income	**—**	**—**	**—**	**(6,527)**	**—**	**—**	**39,010**	**32,483**
(iii) Proceed from issuance of preference shares	**—**	**34,955**	**—**	**—**	**—**	**—**	**—**	**34,955**
(iv) Profit appropriations								
— Appropriations to surplus reserve	**—**	**—**	**—**	**—**	**3,901**	**—**	**(3,901)**	**—**
— Appropriations to general reserve	**—**	**—**	**—**	**—**	**—**	**9,020**	**(9,020)**	**—**
— Dividend distribution to equity holders of the bank	**—**	**—**	**—**	**—**	**—**	**—**	**(10,374)**	**(10,374)**
As at 31 December 2016	**48,935**	**34,955**	**61,359**	**(1,737)**	**27,263**	**73,370**	**124,557**	**368,702**

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2015	46,787	51,619	435	19,394	50,350	87,138	255,723
(i) Profit for the year	—	—	—	—	—	39,672	39,672
(ii) Other comprehensive income	—	—	4,355	—	—	—	4,355
Total comprehensive income	—	—	4,355	—	—	39,672	44,027
(iii) Proceeds from shares issuance	2,148	9,740	—	—	—	—	11,888
(iv) Profit appropriations							
— Appropriations to surplus reserve	—	—	—	3,968	—	(3,968)	—
— Appropriations to general reserve	—	—	—	—	14,000	(14,000)	—
As at 31 December 2015	48,935	61,359	4,790	23,362	64,350	108,842	311,638

(Amounts in millions of Renminbi unless otherwise stated)

66 Benefits and interests of directors and supervisors

(a) Directors and supervisors' emoluments

The remuneration of the Bank's director and supervisor is set out below:

For the year ended 31 December 2016:

	Emoluments paid or receivable in respect of services as director or supervisor of the Bank						
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Bank RMB'000	Total RMB'000
Executive directors							
Li Qingping (Note (i))	—	—	—	—	—	—	—
Sun Deshun	—	783	868	313	176	—	2,140
Non-executive directors							
Chang Zhenming (Note (i))	—	—	—	—	—	—	—
Zhu Xiaohuang (Note (i))	—	—	—	—	—	—	—
Huang Fang	—	—	—	—	—	—	—
Wan Liming	—	—	—	—	—	—	—
Independent non-executive directors							
Wu Xiaoqing	300	—	—	—	—	—	300
Wong Luen Cheung Andrew	300	—	—	—	—	—	300
He Cao	150	—	—	—	—	—	150
Chen Lihua	150	—	—	—	—	—	150
Qian Jun	—	—	—	—	—	—	—
Supervisors							
Cao Guoqiang	—	700	659	298	168	—	1,825
Shu Yang	—	—	—	—	—	—	—
Wang Xiuhong	300	—	—	—	—	—	300
Jia Xiangsen	300	—	—	—	—	—	300
Zheng Wei	300	—	—	—	—	—	300
Cheng Pusheng	—	340	791	253	154	—	1,538
Wen Shuping	—	290	382	42	141	—	855
Ma Haiqing	—	240	836	294	174	—	1,544
Former Directors and Supervisors resigned in 2016							
Zhang Xiaowei (Note (ii))	—	—	—	—	—	—	—
Li Zheping (Note (iii))	150	—	—	—	—	—	150
Yuan Ming (Note (iii))	25	—	—	—	—	—	25

(Amounts in millions of Renminbi unless otherwise stated)

66 Benefits and interests of directors and supervisors (Continued)

(a) Directors and supervisors' emoluments (Continued)

For the year ended 31 December 2015

	Emoluments paid or receivable in respect of services as director or supervisor of the Bank						
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Bank RMB'000	Total RMB'000
Executive directors							
Li Qingping (Note (i))	—	—	—	—	—	—	—
Sun Deshun	—	700	691	392	195	—	1,978
Non-executive directors							
Chang Zhenming (Note (i))	—	—	—	—	—	—	—
Zhu Xiaohuang (Note (i))	—	—	—	—	—	—	—
Zhang Xiaowei	—	—	—	—	—	—	—
Independent non-executive directors							
Li Zheping	300	—	—	—	—	—	300
Wu Xiaoqing	300	—	—	—	—	—	300
Wong Luen Cheung Andrew	300	—	—	—	—	—	300
Yuan Ming	275	—	—	—	—	—	275
Supervisors							
Cao Guoqiang	—	600	632	378	190	—	1,800
Shu Yang	—	—	—	—	—	—	—
Wang Xiuhong	300	—	—	—	—	—	300
Jia Xiangsen	100	—	—	—	—	—	100
Zheng Wei	175	—	—	—	—	—	175
Cheng Pusheng	—	300	1,999	227	140	—	2,666
Wen Shuping	—	290	1,277	25	217	—	1,809
Ma Haiqing	—	223	2,202	282	191	—	2,898
Former Directors and Supervisors resigned in 2015							
Dou Jianzhong (Note (iv))	—	—	—	—	—	—	—
Gonzalo José Toraño Vallin (Note (iv))	—	—	—	—	—	—	—
Ouyang Qian (Note (v))	—	583	549	329	163	—	1,624
Zheng Xuexue (Note (vi))	—	—	—	—	—	—	—
Li Gang (Note (iv))	—	328	2,071	316	164	—	2,879
Deng Yuewen (Note (iv))	—	290	1,768	254	189	—	2,501

(Amounts in millions of Renminbi unless otherwise stated)

66 Benefits and interests of directors and supervisors (Continued)

(a) Directors and supervisors' emoluments (Continued)

Notes:

(i) Ms. Li Qingping, Mr. Chang Zhenming and Mr. Zhu Xiaohuang did not receive any emoluments from the Group for the years ended 31 December 2016 and 2015. Their emoluments were paid and borne by CITIC Limited and CITIC Group, an intermediary parent company and the ultimately parent company, respectively, of the Group which were not disclosed in the table above. A portion of their emoluments received from the parent companies were in respect of their services to the Group.

(ii) Mr. Zhang Xiaowei resigned in August, 2016.

(iii) Mr. Li Zheping and Mr. Yuanming resigned in June, 2016.

(iv) Mr. Dou Jianzhong, Mr. Gonzalo José Toraño Vallin, Mr. Li Gang and Mr. Deng Yuewen resigned in May, 2015.

(v) Mr. Ouyang Qian resigned in October, 2015.

(vi) Mr. Zheng Xuexue resigned in August, 2015.

(b) Other benefits and interests

No direct or indirect retirement benefits and termination benefits were paid to directors as at 31 December 2016 (2015: Nil).

As at 31 December 2016 and 31 December 2015, the respective balance of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors were not significant.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Bank was a party and in which a director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 2016 (2015: Nil).

67 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 (Note 54 (c)(ii)), 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 submited it to the ordinary shareholders at the Annual General Meeting for approval (Note 51).

(Amounts in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 Difference between the financial report prepared under IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated financial statements, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2016 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the profit for the year ended 31 December 2016 or total equity as at 31 December 2016 between the Group's consolidated financial statements prepared in accordance with IFRSs and those prepared in accordance with PRC GAAP respectively.

2 Liquidity coverage ratio

	31 December 2016	31 December 2015
Liquidity coverage ratio	**91.12%**	87.78%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk management of Commercial Banks (Provisional) issued by the CBRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

3 Currency concentrations

	31 December 2016			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**320,799**	**135,162**	**34,513**	**490,474**
Spot liabilities	**(282,366)**	**(124,214)**	**(46,351)**	**(452,931)**
Forward purchases	**1,310,888**	**47,971**	**104,258**	**1,463,117**
Forward sales	**(1,325,304)**	**(35,647)**	**(120,492)**	**(1,481,443)**
Options	**(2,515)**	**17**	**(341)**	**(2,839)**
Net long position	**21,502**	**23,289**	**(28,413)**	**16,378**

	31 December 2015			
	US Dollars	HK Dollars	Others	Total
Spot assets	278,854	99,804	29,310	407,968
Spot liabilities	(257,435)	(105,692)	(46,115)	(409,242)
Forward purchases	716,892	54,444	95,056	866,392
Forward sales	(729,696)	(53,203)	(66,922)	(849,821)
Options	20,945	16	(174)	20,787
Net long position	29,560	(4,631)	11,155	36,084

(Amounts in millions of Renminbi unless otherwise stated)

4 International claims

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-Sale financial assets, held-to-maturity investments and investments classified as receivables.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2016			
	Banks	**Official sector**	**Non-bank private sector**	**Total**
Asia Pacific excluding Mainland China	**19,145**	**440**	**42,585**	**62,170**
— of which attributed to Hong Kong	**5,896**	**300**	**32,929**	**39,125**
Europe	**2,575**	**2**	**10,779**	**13,356**
North and South America	**44,256**	**61,934**	**99,518**	**205,708**
Africa	**—**	**—**	**—**	**—**
Total	**65,976**	**62,376**	**152,882**	**281,234**

	31 December 2015			
	Banks	Official sector	Non-bank private sector	Total
Asia Pacific excluding Mainland China	16,894	7,706	44,586	69,186
— of which attributed to Hong Kong	7,430	964	30,177	38,571
Europe	2,971	3,078	10,110	16,159
North and South America	73,887	27,920	121,678	223,485
Africa	1	—	70	71
Total	93,753	38,704	176,444	308,901

(Amounts in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

		31 December 2016	
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	**771,415**	**13,858**	**13,321**
Yangtze River Delta	**634,919**	**9,029**	**8,002**
Pearl River Delta and West Strait	**477,683**	**8,215**	**6,564**
Western	**379,192**	**8,408**	**7,121**
Central	**374,358**	**12,589**	**10,312**
Northeastern	**70,967**	**4,691**	**1,953**
Outside Mainland China	**169,393**	**921**	**1,307**
Total	**2,877,927**	**57,711**	**48,580**

		31 December 2015	
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	680,886	10,056	8,869
Yangtze River Delta	553,616	9,194	8,838
Pearl River Delta and West Strait	396,853	7,110	7,685
Western	340,226	3,185	2,668
Central	348,882	6,363	5,212
Northeastern	68,949	1,698	1,753
Outside Mainland China	139,368	296	1,025
Total	2,528,780	37,902	36,050

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

— individually; or

— collectively: for portfolios of homogeneous loans and advances.

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(a) Gross overdue amounts due from banks and other financial institutions

	31 December 2016	31 December 2015
Gross amounts due from banks and other financial institutions which have been overdue	**33**	30
As a percentage of total gross amounts due from banks and other financial institutions	**0.02%**	0.04%

(Amounts in millions of Renminbi unless otherwise stated)

6 Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (Continued)

(b) Gross amounts of overdue loans and advances to customers

	31 December 2016	31 December 2015
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**10,806**	9,794
— between 6 and 12 months	**26,375**	12,291
— over 12 months	**20,530**	15,817
Total	**57,711**	37,902
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.38%**	0.38%
— between 6 and 12 months	**0.92%**	0.49%
— over 12 months	**0.71%**	0.63%
Total	**2.01%**	1.50%

— The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

— Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

— Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances are repayable on demand which are outside the approved limit that was advised to the borrower, they are also considered as overdue.

— As at 31 December 2016, the loans and advances to customers of RMB34,234 million (2015: RMB23,612 million) and RMB23,477 million (2015: RMB14,290 million) of the above overdue loans and advances were subject to individual assessment and collective assessment for impairment respectively.

Loans and advances to customers overdue for more than 3 months for which allowance for impairment losses was individually assessed.

	31 December 2016	31 December 2015
Secured portion	**17,570**	12,186
Unsecured portion	**16,664**	11,426
Total	**34,234**	23,612
Individual allowance for impairment losses	**(23,110)**	(13,677)
Net balance	**11,124**	9,935
Maximum exposure covered by pledge and collateral held	**17,110**	11,946

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.

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 31 December 2016, the majority of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the consolidated financial statements.

Chapter 15 Reference for Equity Holders

15.1 Information on Shares

15.1.1 IPOs

Since 27 April 2007 the Bank is concurrently listed on SSE and SEHK.

15.1.2 Ordinary Shares

As at the end of the reporting period, the Bank had 48,934,796,573 issued and outstanding shares, including 34,052,633,596 A shares and 14,882,162,977 H shares.

Please refer to "Changes in Ordinary Share Capital and Shareholdings of Substantial Ordinary Shareholders" of the report for detailed information on the Bank's private offering of 2,147,469,539 A shares to China Tobacco Corporation.

15.1.3 Preference Shares

As at the end of the reporting period, the Bank had made a private offering of 350 million preference shares at RMB100.00 par value per share in China. The preference shares were issued at par at initial coupon rate of 3.80% and with no maturity period.

Please refer to "Preference Shares" of the report for details on the issue of preference shares.

15.1.4 Dividends

The Board of Directors proposes to pay a final cash dividend of RMB2.15 every 10 shares (before tax) for 2016.

Please refer to "Report of Board of Directors" of the report for detailed information about dividend distribution.

15.1.5 Stock Code and Stock Name:

A share	
SSE	601998 CITIC Bank
Reuters	601998.SS
Bloomberg	601998 CH
H share	
SEHK	0998 CITIC Bank
Reuters	998.HK
Bloomberg	998 HK
Preference Shares	
SSE	360025 CITIC Excellent 1

15.2 Shareholders' Inquiry

If shareholders have any inquiry about their shareholdings, such as share transfer, "street name" shares, address redirecting and loss of share certificate, please post letters to the following addresses:

A share
China Securities Depository and Clearing Corporation Limited Shanghai Branch
3/F, China Insurance Building, No. 166 Lu Jia Zui East Road, Pudong New District, Shanghai
Tel: +86-21-6887 0587

H share
Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, Hong Kong
Tel: +852-2862 8555
Fax: +852-2865 0990
E-mail: hkinfo@computershare.com.hk

Preference Shares
China Securities Depository and Clearing Corporation Limited Shanghai Branch
3/F, China Insurance Building, No. 166 Lu Jia Zui East Road, Pudong New District, Shanghai
Tel: +86-21-6887 0587

15.2.1 Credit Rating

As at the end of the reporting period, the Bank had the following ratings:

Ratings by Moody's Investors Service:
(1) Baa2/P-2 for deposit rating,
(2) ba2 for baseline credit assessment (BCA), and
(3) neutral for rating prospect

Ratings by Fitch ratings:
(1) BBB for default rating,
(2) 2 for support rating,
(3) BBB for support bottom line rating,
(4) b+ for survival rating, and
(5) neutral for rating prospect

15.2.2 Index Constituent Stock

A-share Index of SSE
SSE 50 Index
SSE 180 Index
SSE Composite Index
SSE Corporate Governance Index
New SSE Composite
Shanghai-Shenzhen 300 Index
China Securities Index 100 Index
China Securities Index 800 Index

15.2.3 Investors' Inquiry

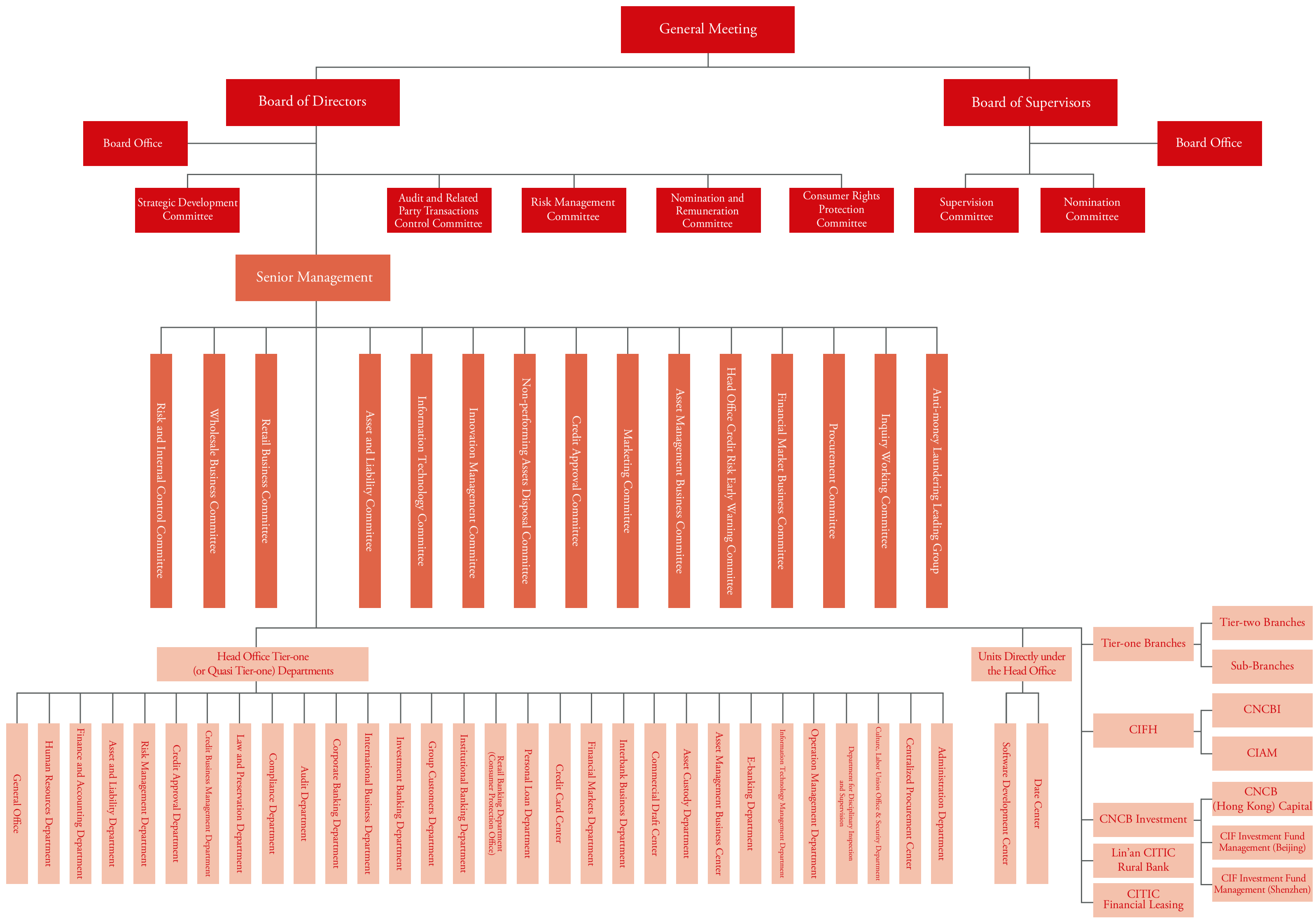
For any inquiry, investors may contact:
Investor Relations Team of China CITIC Bank Corporation Limited
Address: No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Tel: +86-10-8523 0010
Fax: +86-10-8523 0081
E-mail: ir@citicbank.com

15.3 Other Information

The Bank's annual report (A shares) is available in Chinese and its annual report (H shares) is available in both Chinese and English. To obtain a copy of the annual report (H shares) prepared in accordance with the international accounting standards, please write to Computershare Hong Kong Investor Services Limited, the Bank's H-share Registrar. For a copy of the annual report (A shares) prepared in accordance with the PRC accounting standards, please visit the Head Office of the Bank (No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing). The annual report is also available (in both the Chinese and English languages) on the website of SSE (www.sse.com.cn), HKEX News (www.hkexnews.hk) and the Bank (www.citicbank.com).

Should you have any queries about how to obtain a copy of the annual report or how to access the annual report on the Bank's website, please call the Bank's hotline at +86-10-8523 0010.

Chapter 16 Corporate Structure



Note: The above chart illustrates the Bank's organizational structure as at the end of the reporting period. In January 2017, the Bank set up a new tier-one department – Private Banking Department.

Chapter 17 List of Domestic and Overseas Affiliates

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); and CITIC Bank International (CNCBI), an affiliate of the Bank, had 41 outlets in Hong Kong, Macao, New York, Los Angeles, Singapore and mainland China.

Head Office	Address: No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100010 Website: www.citicbank.com	Tel: 4006800000 Fax: 010-85230002/3 Hotline: 95558

		Tier-one Branches				Tier-two branches (out-of-town sub-branches)		
Region	Province/ Municipality/ Autonomous Region	Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax
Bohai Rim	Beijing	Beijing branch	81	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code:100033	010-66293529 010-66211770		—	
	Tianjin	Tianjin Branch	35	Address: F/3-8 Tianjin Global Financial Center, No. 2, North Dagu Road, Heping District, Tianjin Postal Code: 300020	022-23028888 022-23028800	Binhai New Area Branch	Address: No.16, Third Avenue, Tianjin Economic Development Zone Postal Code: 300457	022-25206823 022-25206631
						Tianjin FTZ Branch	Address: Rm 102-202, Building 2, Financial Center, No.158 Xisan Road, Tianjin Airport Logistics and Processing Area Postal Code: 300308	022-24895003 022-84908313
	Hebei	Shijiazhuang Branch	67	Address: CITIC Tower, No. 10, Ziqiang Road, Shijiazhuang, Hebei Province Postal Code: 050000	0311-87033788 0311-87884483	Tangshan Branch	Address: No. 460, North Weiguo Road, Lubei District, Tangshan, Hebei Province Postal Code: 063000	0315-3738508 0315-3738522
						Baoding Branch	Address: No.178, Middle Swan Road, Baoding City, Hebei Province Postal Code: 071000	0312-2081598 0312-2081510
						Handan Branch	Address: Jinlin Building, No. 408 Renmin Road, Congtai District, Handan, Hebei Province Postal Code: 056002	0310-7059688 0310-2076050
						Cangzhou Branch	Address: Yihe Mansion, intersection of West Jiefang Road and Jing'er Avenue, Canal District, Cangzhou City, Hebei Province Postal Code: 061001	0317-5588001 0317-5588018
						Chengde Branch	Address: No.107 Fuhua New World Plaza, Xinhua Road, Shuangqiao District, Chengde City, Hebei Province Postal Code: 067000	0314-2268838 0314-2268839
						Langfang Branch	Address: 101 Guangyang Road, Guangyang District, Langfang City, Hebei Province Postal Code: 065000	0316-5218911 0316-5218915
	Shandong	Jinan Branch	47	Address: CITIC Plaza, No. 150, Leyuan Street, Jinan, Shandong Province Postal Code: 250011	0531-85180916 0531-86916444	Zibo Branch	Address: CITIC Mansion, No. 230 Liuquan Road, Zhangdian District, Zibo, Shandong Province Postal Code: 255000	0533-2210138 0533-2210138
						Jining Branch	Address: No. 28, Gongxiao Road, Jining, Shandong Province Postal Code: 272000	0537-2338888 0537-2338888
						Dongying Branch	Address: No. 128, Fuqian Avenue, Dongcheng, Dongying, Shandong Province Postal Code: 257091	0546-7922255 0546-8198666
						Linyi Branch	Address: No.138 Linyi Road, Linyi Economic Development Zone, Shandong Province Postal Code: 276034	0539-8722769 0539-8722765

Region	Province/ Municipality/ Autonomous Region	Tier-one Branches: Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Tier-two branches (out-of-town sub-branches): Name of branch	Address/Postcode	Telephone/Fax
		Qingdao Branch	59	Address: No. 22, Mid Hong Kong Road, Qingdao, Shandong Province Postal Code: 266071	0532-85022889 0532-85022888	Weihai Branch	Address: No. 2, North Qingdao Road, Weihai, Shandong Province Postal Code: 264200	0631-5336802 0631-5314076
						Yantai Branch	Address: 77 Changjiang Road, Economic and Technological Development Area, Yantai City, Shandong Province Postal Code: 264006	0535-6611030 0535-6611032
						Weifang Branch	Address: No. 246 East Shengli Street, Kuiwen District, Weifang, Shandong Province Postal Code: 261041	0536-8056002 0536-8056002
						Rizhao Branch	Address: 66 Qinhuangdao Road, Economic Development Area, Rizhao City, Shandong Province Postal Code: 276800	0633-7895558 0633-8519177
Yangtze River Delta	Shanghai	Shanghai Branch	50	Address: Aurora Plaza, No. 99. Fucheng Road, Pudong New District, Shanghai Postal Code: 200120	021-58771111 021-58776606	Shanghai Pudong Branch	1/F Tomson Finance Tower, 710 Oriental Road, Shanghai Postal Code:200122	021-68752833 021-68751178
						Shanghai FTZ Branch	Address: F/33, Aurora Plaza, No. 99. Fucheng Road, Pudong New District, Shanghai Postal Code: 200120	021-58771111 021-58776331
	Jiangsu	Nanjing Branch	84	Address: No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	025-83799181 025-83799000	Wuxi Branch	Address: No. 187, Zhongshan Road, Wuxi, Jiangsu Province Postal Code: 214001	0510-82707177 0510-82709166
						Changzhou Branch	Address: Boai Plaza, No.72, Boai Road, Changzhou, Jiangsu Province Postal Code: 213003	0519-88108833 0519-88107020
						Yangzhou Branch	Address: No. 171, Weiyang Road, Yangzhou, Jiangsu Province Postal Code: 225300	0514-87890717 0514-87890563
						Taizhou Branch	Address: No. 15, Gulou Road, Taizhou Postal Code: 225300	0523-86399158 0523-86243344
						Nantong Branch	Address: Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province Postal Code: 226001	0513-81120901 0513-81120900
						Zhenjiang Branch	Address: Building No. 66, Shenhua Guancheng International, No.8, Tanshan Road, Zhenjiang, Jiangsu Province Postal Code: 212004	0511-89886271 0511-89886200
						Yancheng Branch	Address: No.188, South Yingbin Road, Yancheng, Jiangsu Province Postal Code: 224000	0515-89089958 0515-89089900
						Xuzhou Branch	Address: F/1-3, Prosperity Mansion, No.6 North Jiefang Road, Xuzhou, Jiangsu Province Postal Code: 221000	0516-81009989 0516-68389258
		Suzhou Branch	28	Address: No. 258, Zhuhui Road, Suzhou, Jiangsu Province Postal Code: 215006	0512-65190307 0512-65198570		—	

		Tier-one Branches				Tier-two branches (out-of-town sub-branches)		
Region	Province/ Municipality/ Autonomous Region	Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax
	Zhejiang	Hangzhou Branch	90	Address: No. 9 East Jiefang Road, Sijiqing Neighborhood, Jianggan District, Hangzhou, Zhejiang Province Postal Code: 310002	0571-87032888 0571-87089180	Jiaxing Branch	Address: No. 639, East Zhongshan Road, Jiaxing, Zhejiang Province Postal Code: 314000	0573-82097693 0573-82093454
						Shaoxing Branch	Address: No. 289, West Renmin Road, Shaoxing, Zhejiang Province Postal Code: 312000	0575-85227222 0575-85110428
						Wenzhou Branch	Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou Postal Code: 325000	0577-88858466 0577-88858575
						Yiwu Branch	Address: No. 100, Huangyuan Road, Yiwu, Zhejiang Province Postal Code: 322000	0579-85378838 0579-85378817
						Huzhou Branch	Address: No. 318, Huancheng West Road, Huzhou, Zhejiang Province Postal Code: 313000	0572-2226078 0572-2226001
						Taizhou Branch	Address: Development and Investment Mansion, No. 188 Central Shifu Avenue, Taizhou, Zhejiang Province Postal Code: 318000	0576-81889777 0576-88819916
						Lishui Branch	Address: No.1, Zijin Road, Lishui, Zhejiang Province Postal Code: 323000	0578-2082977 0578-2082985
						Zhoushan Branch	Address: F/1-5, East Side Building of Zhongchang International Mansion, No.31 Hexing Road, Lincheng, Dinghai District, Zhoushan City, Zhejiang Province Postal Code: 316021	0580-8258288 0580-8258655
						Quzhou Branch	Address: F/1-3, Zhongbai Mansion, No.2 Upper Street, Kecheng District, Quzhou City, Zhejiang Province Postal Code: 324000	0570-8895800 0570-8895817
		Ningbo Branch	29	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	0574-87733226 0574-87733060		—	
Pearl River Delta and West Strait	Fujian	Fuzhou Branch	50	Address: Hengli Financial Center, No. 6, Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350001	0591-87613100 0591-87537066	Quanzhou Branch	Address: F/1-3, Kaixiang Building, No. 336, Fengze Street, Quanzhou, Fujian Province Postal Code: 362000	0595-22148687 0595-22148222
						Putian Branch	Address: 1/F & 2/F, Phoenix Building, No. 81, Licheng Avenue, Chengxiang District, Putian, Fujian Province Postal Code: 351100	0594-2853280 0594-2853260
						Zhangzhou Branch	Address: 1/F -4/F, Yiqun Building, West Shengli Road, Zhangzhou Postal Code: 363000	0596-2995568 0596-2995207
						Ningde Branch	Address: No.70 South Jiaocheng Road, Ningde, Fujian Province Postal Code: 352100	0593-8991918 0593-8991901
						Sanming Branch	Address: Building 12, Huming Xincun, Xinshibeilu, Meilie District, Sanming City, Fujian Province Postal Code: 365000	0598-8569777 0598-8569731
						Fujian FTZ Fuzhou Sub-zone Branch	Address: F/1-2, Building 1, No.87 Junzhu Road, Mawei District, Fuzhou City, Fujian Province Postal Code: 350015	0591-88621213 0591-88621200

Region	Province/ Municipality/ Autonomous Region	Tier-one Branches: Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Tier-two branches (out-of-town sub-branches): Name of branch	Address/Postcode	Telephone/Fax
		Xiamen Branch	19	Address: CITIC Bank Building (Huijing City), No. 81, West Hubin Road, Xiamen, Fujian Province Postal Code: 361001	0592-2385088 0592-2389000	Longyan Branch	Address: F/1-3, No. 153, East Fushan International Center, Denggao West Road, Xinluo District, Longyan, Fujian Province Postal Code: 364000	0597-2956510 0597-2956500
						Fujian FTZ Xiamen Sub-zone Branch	Address: Unit 1, F/6, No. 91, Building B, Xiameng International Navigation Center, Xiamen Sub-zone (Bonded Area), China (Fujian) FTZ, Fujian Province Postal Code: 361001	0592-6035062 0592-2389000
	Guangdong	Guangzhou Branch	67	Address: CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	020-87521188 020-87520668	Foshan Branch	Address: A Tower, Caifu Plaza, No. 37, Fenjiang South Road, Chancheng District, Foshan, Guangdong Province Postal Code: 528000	0757-83994912 0757-83998273
						Zhongshan Branch	Address: No. 82, Dixing Plaza 2, Zhongshansi Road, Zhongshan, Guangdong Province Postal Code: 528400	0760-88668311 0760-88668383
						Jiangmen Branch	Address: CNCB Tower, No. 131, Yingbin Avenue, Jiangmen, Guangdong Province Postal Code: 529000	0750-3939098 0750-3939029
						Huizhou Branch	Address: 1/F & 5/F, Dalong Building (Phase II), No. 2 Wenhua 1st Road, Jiangbei, Huizhou, Guangdong Province Postal Code: 516000	0752-2898862 0752-2898851
						Zhuhai Branch	Address: No. 1, Guanhaimingju Floor 1 &2, Jidajingshan Road, Xiangzhou District, Zhuhai, Guangdong Province Postal Code: 519015	0756-3292968 0756-3292956
						Zhaoqing Branch	Address: No.06, 07 & 08, F/1, and C1, C2 and C3, Mall 2, F/3, Integrated Building for Self Use, No. 9 Hengyu Bay, Xinghu Avenue, Zhaoqing City, Guangdong Province Postal Code:526040	0758-2312888 0758-2109113
						Shantou Branch	Address: 102 Glorious Century Plaza, Time Square, Longhu District, Shantou, Guangdong Province Postal Code: 515000	020-89997888 020-89997829
						Guangdong FTZ Hengqin Branch	Address: F/1, No.11 Tianhe Street, Hengqin Town and Rm 202 Building 10, No.12 Dezheng Street, Zhuhai City, Guangdong Province Postal Code: 519000	0756-2993206 0756-2993201
		Shenzhen Branch	45	Address: Phase II Time Square, No.8 Third Central Road, Shenzhen, Guangdong Province Postal Code: 518048	0755-25941266 0755-25942028	Qianhai Branch	Address: F/1, 2 and 3, Building 11A, and F/1, 2 and 3, Building 11B, 1 Qianwan Road, Qianhai Shenzhen-Hong Kong Cooperation District, Shenzhen, Guangdong Province Postal Code: 518067	0755-26869310 0755-26862900
		Dongguan Branch	31	Address: Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province Postal Code: 523070	0769-22667888 0769-22667999		—	
	Hainan	Haikou Branch	12	Address: F/1-3, Banshan Hua Yuan, No.1 Middle Jinmao Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	0898-68578310 0898-68578364	Sanya Branch	Address: Building G, Juxinyuan, No.180 Phoenix Road, Jiyang District, Sanya, Hainan Province Postal Code: 572000	0898-88202191 0898-88861756

		Tier-one Branches				Tier-two branches (out-of-town sub-branches)		
Region	Province/ Municipality/ Autonomous Region	Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax
Central Region	Anhui	Hefei Branch	38	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	0551-62898001 0551-62898002	Wuhu Branch	Address: Weixingshidai Financial Center, No. Beijingzhonglu, Jinghu District, Wuhu, Anhui Province Postal Code: 241000	0553-3888685 0553-3888712
						Anqing Branch	Address: No. 1, Zhongxing Road, Anqing, Anhui Province Postal Code: 246005	0556-5280606 0556-5280605
						Bengbu Branch	Address: No. 1859, Caifu Plaza, Tushan East Road, Bengbu, Anhui Province Postal Code: 233000	0552-2087001 0552-2087001
						Chuzhou Branch	Address: No.79 West Langya Road, Chuzhou City, Anhui Province Postal Code: 239000	0550-3529558 0550-3529598
						Maanshan Branch	Address: No.1177 Central Huxi Road, Maonshan City, Anhui Province Postal Code: 243000	0555-2773228 0555-2773225
						Liu'an Branch	Address: F/1-4 Fortune Square, Meishannanlu Gaosu, Liu'an City, Anhui Province Postal Code: 237000	0564-3836207 0564-3836205
	Henan	Zhengzhou Branch	77	Address: CITIC Mansion, No.1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	0371-55588888 0371-55588555	Luoyang Branch	Address: No.405 Middle Zhongzhou Road, West Industrial Area, Luoyang, Henan Province Postal Code: 471000	0379-69900958 0379-69900139
						Jiaozuo Branch	Address: No. 1736, Tanan Road, Jiaozuo, Henan Province Postal Code: 454000	0391-8768282 0391-8789969
						Nanyang Branch	Address: Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province Postal Code: 473000	0377-61626896 0377-61628299
						Anyang Branch	Address: F/1, Anyang Workers' Cultural Palace, No. 30, Jiefang Avenue, Anyang, Henan Province Postal Code: 455000	0372-5998026 0372-5998086
						Pingdingshan Branch	Address: F/1-2, Phase II of Pingan Yi Yuan, Middle Miners' Road, Pingdingshan City, Henan Province Postal Code: 467000	0375-2195563 0375-2195519
						Xinxiang Branch	Address: F/1-2, Xinghairuyi Building, intersection of Xinzhong Avenue & East Renmin Road, Xinxiang, Henan Province Postal Code: 453000	0373-5891022 0373-5891055
						Shangqiu Branch	Address: Hua Chi Yue Hai Hotel, 128 Shenhuo Road, Shangqiu City, Henan Province Postal Code: 476000	0370-3070999 0370-3070099

Region	Province/ Municipality/ Autonomous Region	Tier-one Branches: Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Tier-two branches (out-of-town sub-branches): Name of branch	Address/Postcode	Telephone/Fax
	Hubei	Wuhan Branch	44	Address: No. 747, Hankou Construction Avenue, Wuhan, Hubei Province Postal Code: 430015	027-85355111 027-85355222	Huangshi Branch	Address: F/1-3, No.71 West Hangzhou Road, Tuanchengshan, Huangshi City, Hubei Province Postal Code: 453000	0714-6226555 0714-6226555
						Xiangyang Branch	Address: 1/F, Special No.1 Nanpaopu Street, People's Square, Xiangyang City, Hubei Province Postal Code: 441000	0710-3454199 0710-3454166
						Ezhou Branch	Address: 1/F, Hongchen Mansion, No. 91 Gucheng Road, Ezhou District, Ezhou, Hubei Province Postal Code: 436000	0711-3835776 0711-3835789
						Yichang Branch	Address: No. 2 Meianchangdi Office Wing, Floor 1 & 2, Xilinyi Road, Xilin District, Yichang, Hubei Province Postal Code: 443000	0717-6495558 0717-6433698
						Shiyan Branch	Address: F/1-2, Hua Fu Ming Di Project, No.3 Middle Beijing Road, Maojian District, Shiyan City, Hubei Province Postal Code: 442000	0719-8106608 0719-8106606
						Jingzhou Branch	Address: F/1-2, No.241 Middle Beijing Road, Shashi District, Jingzhou City, Hubei Province Postal Code: 434000	0716-8811167 0716-8811185
	Hunan	Changsha Branch	47	Address: Beichen Times Square, No.1500 North Xiangjiang Road, Kaifu District, Changsha, Hunan Province Postal Code: 410000	0731-84582008 0731-84582008	Zhuzhou Branch	Address: 111 North Binjiang Road, Tianyuan District, Zhuzhou, Hunan Province Postal Code: 412000	0731-22822800 0731-22822829
						Xiangtan Branch	Address: No. 19, Middle Furong Road, Yuetang District, Xiangtan, Hunan Province Postal Code: 412000	0731-52350999 0731-55571058
						Hengyang Branch	Address: No. 38, Jiefangdadao, Huaxin Development Zone, Hengyang, Hunan Province Postal Code: 421001	0734-8669859 0734-8669899
						Yueyang Branch	Address: No. 366, Jianxiang Road, Yueyanglou District, Yueyang, Hunan Province Postal Code: 414000	0730-8923077 0730-8923078
						Shaoyang Branch	Address: No. 235, North West Lake Road, Beita District, Shaoyang City, Hunan Province Postal Code: 422000	0739-2332786 0739-2272788
	Jiangxi	Nanchang Branch	20	Address: Tower A, No. 16, Hengmao Guoji Huacheng, No. 333, South Square Road, Nanchang Postal Code: 330003	0791-6660107 0791-6660107	Pingxiang Branch	Address: Yun Yuan Building, No.16, East Jianshe Road, Pingxiang, Jiangxi Province Postal Code: 337000	0799-6890078 0799-6890005
						Jiujiang Branch	Address: Tower B, Jinxuanyijun Hotel, No. 276, Changhong Avenue, Lushan District, Jiujiang City, Jiangxi Province Postal Code: 332000	0792-8193526 0792-8193596
						Ganzhou Branch	Address: B Tower, Caifu Plaza, No.16, Xingguo Road, Zhanggong District, Ganzhou, Jiangxi Province Postal Code: 341000	0797-2136885 0797-2136863
						Shangrao Branch	Address: Building 11, No.99 Shangrao Road, Xinzhou District, Shangrao City, Jiangxi Province Postal Code: 334000	0793-8323380 0793-8323380

Region	Province/ Municipality/ Autonomous Region	Tier-one Branches: Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Tier-two branches (out-of-town sub-branches): Name of branch	Address/Postcode	Telephone/Fax
Western Region	Shanxi	Taiyuan Branch	27	Address: Block A, Princes' Palace Commercial Building, No. 9, Fuxi Street, Taiyuan, Shanxi Province Postal Code: 030002	0351-3377040 0351-3377000	Lvliang Branch	Address: No.1, Lijing Road, Lishi District, Lvliang, Shanxi Province Postal Code: 033000	0358-8212615 0358-8212630
						Datong Branch	Address: 1/F-3/F, 19-21 Podium Building, Yu Hua Di Jing, Intersection of Yuhe West Road & Pingcheng East Street, Datong, Shanxi Province Postal Code: 037008	0352-2513779 0352-2513800
						Changzhi Branch	Address: Office Building, Upper City No.2, Binhe City, No.288 Chengdong Road, Changzhi, Shanxi Province Postal Code: 046000	0355-8590000 0355-8590956
						Linfen Branch	Address: F/1-3 Hongjing International Building, West Xiangyang Road, Yaodu District, Shanxi Province Postal Code: 041000	0357-6095558 0357-7188025
	Chongqing	Chongqing Branch	28	Address: No. 5 Chengxi Avenue, Jiangbei District, Chongqing Postal Code: 400020	023-63107573 023-63107257		—	
	Guangxi	Nanning Branch	18	Address: No. 36-1, Shuangyong Road, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	0771-6115804 0771-5569889	Liuzhou Branch	Address: No. 7, South Side of Guizhong Avenue, Liuzhou, Guangxi Zhuang Autonomous Region Postal Code: 545006	0772-2083609 0772-2083622
						Qinzhou Branch	Address: No. 10, Yongfu West Road, Qinzhou, Guangxi Postal Code: 535000	0777-2366139 0777-3253388
						Guilin Branch	Address: China Software•Modern City F/1,3,4, No.28 Wangjiang Road, Qixing District, Guilin, Guangxi Postal Code: 541000	0773-3679878 0773-3679880
	Guizhou	Guiyang Branch	15	Address: Fuzhong International Plaza, No. 126, Xinhua Road, Guiyang, Guizhou Province Postal Code: 550002	0851-85587009 0851-85587096	Zunyi Branch	Address: Tian'an Hotel, Xiamen Road, Huichuan District, Zunyi, Guizhou Province Postal Code: 563000	0851-28627318 0851-28322930
	Inner Mongolia	Hohhot Branch	33	Address: CITIC Building, Jintai Center, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	0471-6664933 0471-6664933	Baotou Branch	Address: No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region Postal Code: 014010	0472-5338930 0472-5338909
						Erdos Branch	Address: Anxiajiayuan, Tianjiao Road, Dongsheng District, Erdos, Inner Mongolia Autonomous Region Postal Code: 017000	0477-8188031 0477-8187016
						Chifeng	Address: No. 128, West Hada Street, Hongshan District, Chifeng, Inner Mongolia Autonomous Region Postal Code: 024000	0476-8867021 0476-8867022
	Ningxia	Yinchuan Branch	11	Address: No.160 Middle Beijing Road, Yinchuan, Ningxia Hui Autonomous Region Postal Code:750002	0951-7653000 0951-7653000		—	
	Qinghai	Xining Branch	11	Address: No.1 Jiaotong Lane, Xining, Qinghai Province Postal Code:810008	0971-8812658 0971-8812616		—	

Region	Province/ Municipality/ Autonomous Region	Tier-one Branches: Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Tier-two branches (out-of-town sub-branches): Name of branch	Address/Postcode	Telephone/Fax
	Shaanxi	Xi'an Branch	38	Address: No. 1, Middle Zhuque Road, Xi'an, Shaanxi Province Postal Code: 710061	029-89320050 029-89320054	Xianyang Branch	Address: Lvyuan Building, No.108 Middle Qinhuang Road, Xianyang, Shaanxi Province Postal Code: 712000	029-33192679 029-33192691
						Baoji Branch	Address: No 50, Caifu Plaza B, Gaoxindadao, Baoji, Shaanxi Province Postal Code: 721013	0917-3158980 0917-3158809
						Weinan Branch	Address: Xinda Plaza, Shijimingzhu Plaza, Chaoyangdajie, Weinan, Shaanxi Province Postal code: 714000	0913-2089622 0913-2089606
						Yulin Branch	Address: No.248 Changxing Road, Yulin Economic Development Zone, Shaanxi Province Postal code: 719000	0912-6662063 0912-6662052
	Sichuan	Chengdu Branch	41	Address: No.1480 Tianfu Avenue, High-Tech Area, Chengdu, Sichuan Province Postal Code: 610041	028-85258881 028-85258898	Yibin Branch	Address: No.4 West Guangchang Road, Yibin, Sichuan Province Postal Code: 644001	0831-2106999 0831-2106915
						Dazhou Branch	Address: F/1-5 Building No.8, Tongjin International New City, Middle Jinlong Avenue, Tongchuan District, Dazhou, Sichuan Province Postal Code: 635000	0818-3395590 0818-3395559
	Xinjiang	Urumqi Branch	9	Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi Postal Code: 830002	0991-2365936 0991-2365888		—	
	Yunnan	Kunming Branch	36	Address: Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	0871-63648666 0871-63648667	Qujing Branch	Jinsui Phase III, No. 310, West Nanning Road, Qilin District, Qujing, Yunnan Province Postal Code: 655000	0874-3119086 0874-3115696
						Dali Branch	Address: CNCB, 2 Wanhua Road, Xiaguan District, Dali, Yunnan Province Postal Code: 671000	0872-3035227 0872-3035228
						Yuxi Branch	Address: No.13 Longma Road, Hongta District, Yuxi City, Yunnan Province Postal Code: 653100	0877-8868990 0877-8868989
	Gansu	Lanzhou Branch	15	Address: No. 638, West Donggang Road, Lanzhou, Gansu Province Postal Code: 730000	0931-8890699 0931-8890699		—	
	Tibet	Lhasa Branch	2	Address: No. 22 Jiangsu Road, Chengguan District, Lhasa City, Tibet Autonomous Region Postal Code: 850000	0891-6599108 0891-6599126		—	

		Tier-one Branches				Tier-two branches (out-of-town sub-branches)		
Region	Province/ Municipality/ Autonomous Region	Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postcode	Telephone/Fax
Northeastern region	Heilongjiang	Harbin Branch	20	Address: No. 236, Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150090	0451-55558247 0451-53995558	Mudanjiang Branch	Address: No. 80 Xisantiao Road, Xi'an District, Mudanjiang City, Heilongjiang Province Postal Code: 157099	0453-6313011 0453-6313016
						Daqing Branch	Address: No.1 Jianhang Street, Sa'ertu District, Daqing City, Heilongjiang Province Postal Code: 132000	0459-6995022 0459-6995050
	Jilin	Changchun Branch	18	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130041	0431-81910011 0431-81910123	Jilin Branch	Address: No. 818 East Jiefang Road, Changyi District, Jilin, Jilin Province Postal Code: 132001	0432-65150000 0432-65156100
	Liaoning	Shenyang Branch	40	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	024-31510456 024-61510234	Fushun Branch	Address: No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal Code: 113006	024-53886701 024-53886711
						Huludao Branch	Address: No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal Code: 125001	0429-2808185 0429-2800885
		Dalian Branch	42	Address: No. 29, Renmin Road, Zhongshan District, Dalian City, Liaoning Province Postal Code: 116001	0411-82821868 0411-82815834	Branch of Dalian Economic Development Zone	Address: No.223 Jinma Road, Dalian Economic Development Zone, Liaoning Province Postal Code: 116600	0411-87625961 0411-87615093
						Anshan Branch	Address: No.35 Wuyi Road, Tiedong District, Anshan City, Liaoning Province Postal Code: 114000	0412-2230815 0412-2230815
						Yingkou Branch	Address: No.8 Yinggang Road, Bayu Quan, Yingkou City, Liaoning Province Postal Code: 115007	0417-8208939 0417-8208989
Subsidiaries and Overseas Representative Offices								
China	Hong Kong	CIFH	2	Address: Room 2701-9, 27/F, CITIC Tower 1 Tim Mei Avenue, Central, Hong Kong	+852-36073000 +852-25253303	CNCBI	Address: 61-65 Des Voeux Road Central Hong Kong	+852 3603 6633 +852 3603 4000
						CIAM	Address: 23/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	+852 28430290 +852 25253688
		CNCB Investment	3	Address: Room 2106, 21/F, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	+852-25212353 +852-28017399	CNCB (Hong Kong) Capital Limited	Address: Room 2801, 28/F, Tower 2, Lippo Centre, No. 89, Queensway, Hong Kong	+852-25212353 +852-28017399
						CIF Investment Fund Management (Beijing) Co., Ltd.	Address: 18/F, Tower C, Fuhua Mansion, No.8 Chaoyangmen Beidajie, Dongcheng District, Beijing	010-65558028 010-65550809
						CIF Investment Fund Management (Shenzhen) Co., Ltd.	Address: 20/F, North Tower, Excellence Time Square Phase II, No.8 Central 3 Road, Futian District, Shenzhen, Guangdong Province	0755-82774986 0755-83204967
China	Zhejiang	Lin'an CITIC Rural Bank	2	Address: No. 777, Shijing Street, Jincheng Road, Lin'an, Zhejiang Province Postal Code: 311300	0571-61109006 0571-61106889	Gaohong Sub-branch of Zhejiang Lin'an CITIC Rural Bank	Address: Building 2-3, Xuexiyuan, Industrial Function Area, Gaohong Town, Lin'an City, Zhejiang Province Postal Code: 311300	0571-61130886 0571-61130886
China	Tianjin	CITIC Financial Leasing Co., Ltd.	—	Address: 2-310 Kuangshi Guoji Dasha, CBD, Binhai New Area, Tianjin Postal Code: 300450	4006800000 010-85230072		—	
Europe	UK	London Representative Office	1	Second Floor, 34 Threadneedle Street, London, EC2R 8AY	+44-28-3824 9269		—	
Australia	Australia	Sydney Representative Office	1	Level 49, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000, Australia	+61-2-8298 6200			

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