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

2017 INTERIM REPORT

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank guarantee that the information contained in the Bank's 2017 Interim Report 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 2017 Interim Report on 24 August 2017. 11 out of the 11 eligible directors attended the meeting, with 8 of them attending the meeting onsite, and Directors Mr. Chang Zhenming and Mr. Sun Deshun entrusting Chairperson Ms. Li Qingping, and Mr. Qian Jun entrusting Director Ms. Wu Xiaoqing to attend and vote on their behalf as proxies. The supervisors and senior management members of the Bank attended the meeting as non-voting delegates.

The Bank will neither distribute profits nor transfer capital reserve to share capital for the first half of 2017.

The 2017 Interim Financial Reports that the Bank prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were reviewed respectively by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the relevant PRC and Hong Kong review standards.

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 of the Bank, hereby guarantee the truthfulness, accuracy and completeness of the financial report contained in the Bank's 2017 Interim Report.

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 its investors. Investors and relevant persons are kindly reminded to maintain adequate risk awareness of such statements and understand the differences between plans, forecasts 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 strategies and business targets. The Bank has detailed in this report the major risks that it was and may be exposed to in its operation and management and its countermeasures thereof. Please refer to "Risk Management" and "Outlook" in "Report of Board of Directors" of the report for relevant details thereof.

For the purpose of this report, numbers are expressed in Renminbi (RMB) unless otherwise specially stated.

This report is prepared in both Chinese and English. Should there be discrepancy between the two versions, the Chinese version shall prevail.

Contents

Chapter 1 Definitions

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Auditors	PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers
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 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 Securities	China Securities Co., Ltd.
China Tobacco	China Tobacco Corporation
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CITIC aiBank	CITIC aiBank Corporation Limited (「中信百信銀行股份有限公司」，the original name is CITIC Baixin Bank Corporation 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 Limited	CITIC Limited (formerly known as CITIC Pacific Limited prior to renaming in August 2014)
CITIC Medical	CITIC Medical & Health Group Co., Ltd.
CITIC Metals	CITIC Metals Co., Ltd.
CITIC Pacific	CITIC Pacific Limited
CITIC Press	CITIC Press Group Limited
CITIC Securities	CITIC Securities Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
CNCBI	CITIC Bank International Limited (formerly CITIC Ka Wah Bank Limited)
CNCB Investment	CNCB (Hong Kong) Investment Co., Ltd. (formerly China Investment and Finance Limited)
CSRC	China Securities Regulatory Commission
Group	China CITIC Bank Corporation Limited and its subsidiaries
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

PRC Accounting Standards	PRC Accounting Standards for Enterprises
PricewaterhouseCoopers/PWC	PricewaterhouseCoopers
PricewaterhouseCoopers ZT	PricewaterhouseCoopers Zhong Tian LLP
SEHK	The Stock Exchange of Hong Kong Limited
SHCPE	Shanghai Commercial Paper Exchange
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China
The reporting period	From 1 January 2017 to 30 June 2017
Xinhu Zhong Bao	Xinhu Zhong Bao Co., Ltd.
4 municipalities and 11 provinces	Refer to the 4 municipalities directly under the Central Government, i.e., Beijing, Shanghai, Tianjin and Chongqing, and the 11 provinces of Guangdong, Jiangsu, Zhejiang, Fujian, Shandong, Henan, Hunan, Hebei, Hubei, Shaanxi and Sichuan that benefit from coastal development, industrial transfer and key national strategies

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, the subsidiary;

"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 and Jinan; and CITIC Financial Leasing, 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.


砥砺三十
以信致远
我们的使命
助推客户成长，铸就员工幸福
提升股东价值，担当企业公民
我们的愿景
最佳综合融资服务银行
我们的核心价值观
诚信、创新、协作、卓越
我们的经营管理理念
合规、智慧、团队、高效
2018 2019

2.1 Corporate Information

Registered Name in Chinese:	中信銀行股份有限公司(Short name as「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
Investor Hotline/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 interim report: www.sse.com.cn Website designated by the SEHK to publish H-share interim report: www.hkexnews.hk
Place Where Interim Report is Kept:	Board Office of CITIC Bank, No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
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)
Overseas Auditor:	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
A-Share Registrar:	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 3th 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, Wan Chai, Hong Kong
Listing Venue, Stock Name and Stock Code:	A-share: Shanghai Stock Exchange CNCB 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 Financial Highlights

2.3.1 Operating Performance

Unit: RMB million

Item	**Jan-Jun 2017**	Jan-Jun 2016	Growth rate (%)	Jan-Jun 2015
Operating income	**76,709**	78,382	(2.13)	69,957
Profit before tax	**31,116**	31,281	(0.53)	30,120
Profit attributable to equity holders of the Bank	**24,011**	23,600	1.74	22,586
Net cash flow from/(used in) operating activities	**(87,514)**	49,632	–	38,180
Per share				
Basic earnings per share (RMB)	**0.49**	0.48	2.08	0.48
Diluted earnings per share (RMB)	**0.49**	0.48	2.08	0.48
Net cash flow from/(used in) operating activities per share (RMB)	**(1.79)**	1.01	–	0.82

2.3.2 Profitability Indicators

Item	**Jan-Jun 2017**	Jan-Jun 2016	Increase/ (decrease)	Jan-Jun 2015
Return on average assets (ROAA)(1)	**0.84%**	0.89%	(0.05)	1.06%
Return on average equity (ROAE, excluding minority interest)(2)	**13.90%**	14.66%	(0.76)	16.79%
Cost-to-income ratio (excluding tax and surcharges)(3)	**26.52%**	24.86%	1.66	26.05%
Credit cost(4)	**1.46%**	1.48%	(0.02)	1.39%
Net interest spread(5)	**1.62%**	1.93%	(0.31)	2.14%
Net interest margin(6)	**1.77%**	2.05%	(0.28)	2.32%

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

2.3.3 Scale Indicators

Unit: RMB million

Item	30 June 2017	31 December 2016	Growth rate (%)	31 December 2015
Total assets	**5,651,216**	5,931,050	(4.72)	5,122,292
Total loans and advances to customers	**3,091,095**	2,877,927	7.41	2,528,780
– Corporate loans	**1,855,818**	1,846,274	0.52	1,767,422
– Discounted bills	**102,980**	75,047	37.22	92,745
– Personal loans	**1,132,297**	956,606	18.37	668,613
Allowance for impairment losses on loans and advances to customers	**78,199**	75,543	3.52	60,497
Total liabilities	**5,258,518**	5,546,554	(5.19)	4,802,606
Total deposits from customers	**3,453,476**	3,639,290	(5.11)	3,182,775
– Corporate demand deposits	**1,613,858**	1,691,065	(4.57)	1,194,486
– Corporate time deposits	**1,271,211**	1,390,212	(8.56)	1,446,939
– Personal demand deposits	**251,530**	232,960	7.97	178,917
– Personal time deposits	**316,877**	325,053	(2.52)	362,433
Deposits from banks and non-bank financial institutions	**877,373**	981,446	(10.60)	1,068,544
Placements from banks and non-bank financial institutions	**67,719**	83,723	(19.12)	49,248
Total equity attributable to the equity holders of the Bank	**387,425**	379,224	2.16	317,740
Net asset per share attributable to the equity holders of the Bank (RMB)	**7.92**	7.75	2.16	6.49
Net asset per share attributable to the ordinary shareholders of the Bank (RMB)	**7.20**	7.04	2.27	6.49

2.3.4 Asset Quality Indicators

Item	30 June 2017	31 December 2016	Increase/ (decrease)	31 December 2015
NPL ratio(1)	**1.65%**	1.69%	(0.04)	1.43%
Allowance coverage ratio(2)	**152.97%**	155.50%	(2.53)	167.81%
The ratio of allowance for impairment of loans to total loans(3)	**2.53%**	2.62%	(0.09)	2.39%

Notes: (1) Balance of NPLs divided by total loans and advances to customers.
(2) Balance of allowance for impairment of loans divided by balance of NPLs.
(3) Balance of allowance for impairment of loans divided by total loans and advances to customers.

2.3.5 Other Main Regulatory Indicators

Item(1)	Regulatory value	30 June 2017	31 December 2016	Increase/ (decrease)	31 December 2015
Capital adequacy profile					
Core Tier-One capital adequacy ratio	≥7.50%	**8.61%**	8.64%	(0.03)	9.12%
Tier-One capital adequacy ratio	≥8.50%	**9.60%**	9.65%	(0.05)	9.17%
Capital adequacy ratio	≥10.50%	**11.76%**	11.98%	(0.22)	11.87%
Leverage profile					
Leverage ratio	≥4%	**5.92%**	5.47%	0.45	5.26%
Liquidity risk profile					
Liquidity coverage ratio(2)	≥100%	**84.00%**	91.12%	(7.12)	87.78%
Liquidity ratio					
Including: Renminbi	≥25%	**36.74%**	40.98%	(4.24)	42.48%
Foreign currencies	≥25%	**45.60%**	63.37%	(17.77)	89.27%

Notes: (1) The figures were calculated in accordance with the regulatory standards of the Chinese banking industry. Except for the liquidity ratio which was Bank data, 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.

2.3.6 Differences between IFRS and PRC Accounting Standards

There is no difference between the end of June 2017 net assets and the net profit for the reporting period calculated by the Group according to the PRC Accounting Standards and those calculated by the Group as per the International Financial Reporting Standards.

Li Qingping
Chairperson
Executive Director

Chapter 3 *Chairperson's* Letter to Shareholders

Dear Shareholders,

The interim report is an important channel for a listed company to communicate with its shareholders. This year CITIC Bank has its Chairperson and President write to our shareholders in the interim report. With this new approach, we hope to give you a timely briefing on the Bank's operating results for the first half of the year and share with you some of our ideas and priorities.

As we judged at the beginning of the year, the external environment of the banking sector was characterized by the overlapping of "new normal-s"—economic, financial, regulatory and technological. This placed the banking sector at a critical stage of reform and transformation. The recently convened National Financial Work Conference pin-pointed the directions for the financial sector, i.e., serve the real economy, prevent and control financial risks and deepen financial reform. It will therefore profoundly shape the future of financial work in China and push forward China's social and economic development.

In the face of the changing economic and financial landscapes, we remain sober-minded, keep our focus on the big picture and ride on the trends. We set clear targets, walk with solid steps, and always regard acceleration of business transformation as our top priority. On the top of our agenda are value creation and light-style development. The Bank's performance for the first half of the year proves that our efforts have paid off. In particular, our business transformation exhibited a sound momentum of making progress amid stability.

At this point, I would like to report to our shareholders that for the first half of the year CITIC Bank realized a net profit of RMB24.011 billion attributable to the shareholders of the Bank, an increase of 1.74% year on year. The Bank took the initiative to reduce its asset scale, slow down its capital consumption, and enhance return for shareholders. As a result, our ROE and ROA rallied to 13.90% and 0.84%, up by 1.32 percentage points and 0.08 percentage point from last year, respectively. The Bank has thus effectively improved its capital efficiency.

Acceleration of Business Transformation

In my previous letter, I mentioned that the "capital-high asset-heavy" development pattern was ill suited to the requirements of financial reform and difficult to be accepted by the market. This is a consensus between the board of directors and the senior management. In this year, the Bank quickened its pace to transform towards the "capital-light, asset-light and cost-light" business model, so that it will change its profit model from "speed-orientation" to "quality-orientation". At the beginning of the year, we proposed to "slow down growth, expedite turnover, and adjust structure" for long-term development of the Bank. In the first quarter of 2017, CITIC Bank became the first commercial bank in China to proactively "shrink the balance sheet". Because of this practice, the Bank effectively controlled the scales of both total assets and risk-weighted assets.

In the first half of the year, we actively guided the whole bank to shift habitual mindsets and energized everyone to propel the transformation. To get the Bank better aligned to the profound adjustment of industrial structure, demand structure, and regional structure under the "new normal", we vigorously improved the traditional business models and enhanced value creation by restructuring assets and liabilities. To get the Bank better aligned to the gear switch under the "new normal", we focused on fine-tuning the Bank's loan structure. The Bank sped up its lending arrangements for "Made in China 2025" and other strategic emerging industries, became more selective in serving corporate customers that were leaders of traditional industries, and made step-by-step exit from overcapacity industries. Such continuous efforts enabled the Bank a more optimal income structure and more stable operating income. In the first half of 2017, despite the general narrowing of interest margins in the banking sector, non-interest net income of the Bank recorded a 9% increase year on year, and the proportion of non-interest income also rose by 4 percentage points from last year.

While pushing forward business transformation, the board, as always, attaches great importance to risk prevention and control. Our goal is to build a "century-old shop" that enjoys sustainable development. In the course of this marathon, all that matters is lasting endurance and it all boils down to sound risk control and management. This has been proven time and again by the ups and downs of the global banking industry. This is also our solid commitment to our shareholders that allows no room for slacking or complacency. Indeed, proactive risk prevention and mitigation was and remains at the top of our mind. While enhancing management of traditional risks such as credit risk and liquidity risk, we have also paid special attention to new risks such as cross-financial risks, in order to guard against both "dark swan" and "grey rhino" incidents. In this regard, we cannot afford to take any chances. Instead we always strive for early identification, early warning, early detection and early disposal.

As at the end of June, the Bank's NPL ratio and NPL balance remained virtually stable in comparison with those at the end of the previous year. We maintained relatively high provisions and write-offs to cement the foundation for sound and healthy development. We managed non-performing assets more proactively and effectively with the use of innovative collection and disposal approaches, to safeguard the interest of our shareholders.

Thirty years have gone by. Thanks to several generations' unremitting efforts, the Bank has become a comprehensive financial group with strong competitive edges and extensive brand influence. We are immensely proud of this. Nevertheless, under the new context the Bank is in need of further improvement to its profitability and still subject to pressure on its asset quality. We are soberly aware of this. It is also clear to us that the transformation is our historical responsibility for the long run. It is a progressive process that allows no hesitation or slacking; neither should we be eager to score a quick success. In this regard, we expect continuing care and support from our shareholders.

A Firm Practitioner of National Strategies

The real economy is the root and foundation of finance. Its quality and performance is intricately related to the banking sector. Major strategic initiatives such as the supply side structural reform and the Belt and Road Initiative will boost the health and vitality of the real economy and unlock great potentials for sound and sustainable development of the banking sector. In the face of such dynamics and opportunities, it is imperative to actively engage in transformation and alignment. Otherwise a company's market space in the future would be squeezed. We have been thinking and working relentlessly about how to better implement the national strategies, better serve the real economy, and better capture the opportunities for transformation and development.

We made hard efforts to gain insights on the implications of the supply side structural reform. In our view, it is a key to understanding China's economic future and a driver for the Bank to transform its business model and serve the real economy. When serving the real economy, we pay attention to the overall picture of "cutting overcapacity and excess inventory, deleveraging, reducing costs and strengthening areas of weakness" and the correlation in between. We also orient our efforts towards trouble shooting. Our focus is placed on expanding effective financial supply. As a first step, we optimized resource allocation. Among others, we made credit lending more optimal to avoid or minimize mismatches of demand and supply, and at the same time integrated traditional lending and innovative financing service models. These enabled the Bank to transform from "financing" to "financing + smart financing" and render better support to development of the real economy. This is also where our competitive edge lies.

We are fully aware that to provide competitive and effective financial supply, commercial banks must not wait passively for customers to approach us; instead, we should actively engage in the economic and industrial operations and reforms. In the first half of the year, we joined hands with relevant state agencies and enterprises for comprehensive planning of in-depth collaboration. Our partnerships covered comprehensive financing for new-type industrialization and emerging industries, combination of industries and financing services, and military-civilian integration programs. In this process, we contributed CITIC Bank wisdom, successfully implemented a group of key projects and held some others in the pipeline. We continued to cut back financing for "heavy-pollution high-energy-consumption and overcapacity" industries, supported traditional manufacturing industries in their transformation and upgrading, facilitated growth of the high-end equipment manufacturing sector, and paced up our penetration into green businesses such as clean energy, energy conservation and environmental protection. All of these efforts paid off. Such practices also boosted our confidence in serving the real economy and pushing forward transform for better development.

The vision of the Belt and Road Initiative is turning into a reality. We have endeavored to be in sync with the national strategy by tapping the needs for financial services inherent in the initiative. The initiative encompasses multiple fronts, including infrastructure, industrial cooperation, investment and financing, etc. CITIC Group, the controlling shareholder of CITIC Bank, is the largest business conglomerate in China. It places financial and non-financial businesses on an equal footing and enjoys a wealth of "Going Global" experiences. For us, this constitutes our unique advantage in our attempt to become a firm forerunner in supporting the Belt and Road Initiative. The initiative itself is a long-term systemic project. In our practice, we are not hampered by short-sightedness; neither do we see only the trees but not the forest. On the contrary, we hold a long-term view and embrace a systemic mindset. In particular, we actively integrated the competitive industrial resources of CITIC Group and worked out coordinated plans on loan grant, outlet layout, industrial funds, investment banking and cross-border businesses. Hitherto our efforts have been very rewarding.

With enthusiasm we contribute CITIC Bank solutions to the construction of a sustainable, reciprocal and win-win investment and financing system for the Belt and Road Initiative. In the first half of the year, the Bank recorded an inception scale of more than RMB100 billion for its onshore "Belt and Road Initiative" parent fund, of which, over RMB40 billion was put on the market. Its offshore "Belt and Road Initiative" main fund also made breakthroughs, with about 50 key projects already in the pipeline. In addition, the Bank rendered active support to cooperation projects in countries along the "Belt and Road" in fields such as infrastructure, resources/energy and transport. These efforts were very fruitful. Furthermore, we explored new models for financial cooperation. Shortly after the Belt and Road Forum for International Cooperation held in May 2017, we officially signed the agreement to acquire equity in Kazakhstan's Altyn Bank. The follow-ups of the acquisition are smoothly underway. We will leverage the project as an opportunity to effectively boost financial and capital cooperation under the Belt and Road Initiative. Going forward, we will continue with our new explorations. Our aim is to become a pillar bank supporting the Belt and Road Initiative and at the same time expand our own business potentials.

A Path of Distinctive Differentiated Business Development

In my previous letter, I mentioned that, our strategic vision, i.e., to become the bank offering the best comprehensive financing services, is consistent with our comparative advantages. In another word, we will take the path of distinctive differentiated business development. We are pleased to note that, following years of cumulative efforts, the Bank is well positioned to unlock and meet customer demands for diversified structured financial services. Right in the midst of the 4th Industrial Revolution and in face with growing attention to cross-sector synergies, we will go beyond financing. Our competitive edge lies in our ability to create greater value for our customers by offering comprehensive products and services.

We are very strong in resource integration. On this basis, we have explored and developed numerous new models. To name a few, we have the "commercial banking + investment banking" model for comprehensive service provision, the "commercial banking + investment banking + custody" model for big asset management, the industrial chain synergy model and the model for synergy of "Going Global" businesses. Furthermore, we have continuously enhanced synergy with our strategic partners. All these enabled us to coordinate resource allocation at a higher level, constantly extend the value chain, meet in-depth customer needs, and win customer recognition. As some customers pointed out, the more complex the projects, the more marked exhibition of CITIC synergistic competitiveness. Our unremitting explorations and practices have given rise to a group of replicable successful case studies. In the first half of the year, we systematically went through all the cases and promoted them across the Bank. Thus, the Bank guided business development by example and promoted best practices based on pilot efforts. Our distinctive differentiated business development gained an enhanced momentum.

In the course of pursuing distinctive differentiated business development, we always bear in mind that scientific and technological innovation is the new driver for our progress. Financial technology (fin-tech) generates shocking waves to the traditional banking mindsets, and guides the traditional business models to re-invent themselves. We embrace fin-tech with enthusiasm, regarding it as the accelerator for business transformation, and expecting to walk out a new path that integrates finance and technology. We are actively exploring models for smart service provision, smart marketing and smart risk control. We are also strengthening state-of-the-art research and in-depth application of new technologies such as big data and block chain. In the first half of the year, the Bank successfully launched the first block chain-based L/C data transmission system in China, and co-developed smart robots for its outlets in collaboration with Baidu. We closely follow the new economy, new models and new trends that are born out of the internet era. CITIC aiBank, a joint venture between CITIC Bank and Baidu, is in the full swing of preparation. We expect it to combine the financial and technological genes of both shareholders and create a brand new business model. Eventually, we expect CITIC aiBank to capture the commanding height of internet finance and become a new growth point for CITIC Bank.

A Responsible Grateful Corporate Citizen with a Human Touch

The Bank will soon celebrate its 30th anniversary. The past three decades witnesses the evolution of CITIC Bank from its humble beginnings in a small office in Beijing CITIC Building to its glorious fruit-laden prime years. I would like to attribute such remarkable achievements to generations of CITIC Bank people that have been with the Bank through thick and thin in line with the pulse of China's reform and opening up. Every time when I step into the Bank's history exhibition room and look at those valuable historical pictures, documents and relics, I would keenly feel the weight of responsibility on my shoulders. One thing is always on my mind: in this dynamic era, my generation must take the responsibility for the development and future of CITIC Bank, and hold ourselves accountable to our shareholders, customers, staff members and the larger society. This sense of responsibility keeps me alert, and inspires me to forge ahead with courage and confidence.

We are fully aware that, be it in the past, at present, or in the future, the development of the Bank is indispensable from the support from our government, trust from our shareholders and customers, and hard efforts from our staff members. We remain truly grateful to all our stakeholders. We will, as always, closely follow the national strategies, and actively engage in and facilitate reform and development. We will continue to focus on our customers as our top priority, and provide our customers with more professional and "caring" services. We will also continue to be employee-oriented and take our employees as the most valuable asset of the Bank. Unity of knowledge and practice is both our work ethics and philosophy, and shall remain our constant target of pursuit.

Financial services should never be cold and indifferent. Instead, they should be warm and engaging. The Bank has actively explored new models for precision poverty alleviation. In the first half of the year, we collaborated with the National Tourism Administration and devised plans to provide no less than RMB200 billion tourism related investment and financing during the 13th Five-Year-Plan period. This program will render priority support to the preferred tourism projects nationwide, rural tourism-based poverty alleviation pilot projects, and construction of unique tourism towns. The overall purpose is to realize precision poverty alleviation by supporting the development of scenic spots and benefiting nearby villages with spillovers. Since 2011, our Chongqing Branch has regularly organized its staff members to carry out targeted support and assistance at Huangsha Primary School. The school, over 100km away from the city, houses over 200 children. Most of them are left-behind children by their parents working in urban areas. The volunteer teaching staffers brought knowledge and warmth to the children who in return regarded our volunteers as their blood relatives. This program has been going on for 7 years. I am deeply touched by such kindness, and would like to give them a big thumbs-up. I hope such loving care could be passed on for generations to come.

The board would like to thank you all for your interest in the Bank and for choosing us to be your partner. We are committed to excellence in corporate governance and to creating value for both our shareholders and the larger society. Your attention, care and support drive us towards greater progress. Let's take the 30th anniversary of CITIC Bank as a new starting point and join hands to create an even brighter future!

Li Qingping
Chairperson, Executive Director
24 August, 2017

Sun Deshun
Executive Director
President

Chapter 4 *President's* Letter to Shareholders

Dear Shareholders,

I am very glad to report to you our operating results and work concepts for the first half of 2017. At the beginning of the year, we studied and analysed the economic and financial landscapes and made judgements thereon. Afterward, we crafted the guideline of light-style development for profit growth. The first half of this year observed profound changes in the market environment, regulatory policies and customer demands. In response, the management earnestly put into place the decisions and deployments made by the board, leveraged our strength in comprehensive financing services, identified the right break-through points, advanced business transformation on all fronts, and realized pre-set targets.

The Bank improved its operating performance for the reporting period. It realized RMB24.011 billion net profit attributable to shareholders, a year-on-year growth of 1.74%; and recorded RMB76.708 billion operating income, a slight decrease of 2.13% year on year. The Bank further optimized its asset structure. Both deposits and credits registered moderate growth, with total assets amounting to RMB5,651.216 billion. Asset quality was controllable in general, recording a 1.65% NPL ratio, down 0.04 percentage point from the beginning of the year, a 152.97% allowance coverage ratio and a 2.53% ratio of allowance for impairment of loans to total loans.

Slow Down Growth, Expedite Turnover and Adjust Structure for Value Creation

At the moment, the banking sector faces narrowing loan-deposit interest spreads, tightening capital constraints and other issues. To meet these challenges, we put a firm focus on resource allocation efficiency, the nub of the matter in our view. Specifically, we allocate limited resources to regions and businesses with high resource use efficiency and good development potential, endeavour to strike a balance between short-term and long-term growth, and secure maximum input-output efficiency. These efforts hold the key for us to transform the capital-high asset-heavy development pattern and mitigate pressures on such profitability indicators as ROE and ROA. At the beginning of the year, we proposed to "slow down growth, expedite turnover, and adjust structure", so that we can take the path of light-style development and transform towards "quality-oriented profit growth".

By "slow down growth", we hope to address the issue of scale during the critical transformation phase. While "profit, quality and scale" are almost household words, we do not exclusively focus on scale. Instead, we regard profit growth as the top priority, and pursue profitable high-quality scale. In the first half of the year, we proactively slowed down growth of assets both on and off the balance sheet, downsized interbank assets and decreased consolidated total assets. These efforts helped us put the growth rate of risk assets under proper control. As the Bank stepped up control over asset scale and proactively shrank its balance sheet, its capital consumption rate went down remarkably in the first half of the year along with improvement to profitability and asset quality.

By "expedite turnover", we hope to successfully shift from "managing existing assets" to "managing asset flows". In the first half of the year, without undermining the safety of liquidity, we escalated asset turnover. Among others, we successfully launched a credit card instalment asset securitization program, and guided proactive exit of non-performing/low-yield assets by outbound transfer of credit assets and reduction of low-yield foreign currency loans. These enabled us to "vacate the cage to make room for new birds". Going forward, we will continue to adopt multiple measures concurrently to continuously speed up asset turnover and expand sources of income with larger asset flows.

By "adjust structure", we hope to build a new growth engine by making adjustments to the asset and liability mix and improving the income structure. In the first half of the year, the Bank allocated more incremental loan resources to retail banking, followed the asset-light orientation in corporate banking business, and satisfied customer needs mainly with comprehensive financing both on and off the balance sheet. We relied on customers, settlements and cash flows to acquire incremental high-quality core liabilities, and consolidated the Bank's cost advantage in corporate deposit by optimizing the existing liabilities portfolio. When adjusting the income structure, we focused on intermediary business. Bank card, custody and wealth management businesses all recorded positive results. The proportion of income from commission-based business of the Group stood at 35% for the first half of the year, an increase of 3.7 percentage points over the end of the previous year.

Over the half year, our efforts to "slow down growth, expedite turnover, and adjust structure" have paid off. This is evidenced in the rebound of key profitability indicators including ROE and ROA. Compared with the previous year, the first half of this year saw a 1.32 percentage points rise in ROE, a 0.08 percentage point rise in ROA, a slight 0.03 percentage point decrease in core Tier-One capital adequacy ratio, substantial slowdown of the capital consumption rate, and improvement of capital efficiency. For the next step, we will build on these achievements to continuously improve the Bank's capital use efficiency and create greater value for our shareholders.

In addition, the Bank strengthened organic coordination of business operation and management and generated higher profit from refined management. Continuous promotion of "cost-light" transformation led to decline of the cost-to-income ratio. Centralization of operations went on at a faster pace. The policy on allocating expenses as a resource based on their contribution to profit growth became a bank-wide practice. As bank outlets in general are becoming increasingly "asset-light, sales-oriented and smart", we optimized the distribution, floor area and staffing structure of our outlets, and enhanced the application of high-tech solutions at the outlets. All these effectively reduced operating costs. Going forward, we will unswervingly focus on refined management, and continuously build up our cost control capabilities.

Enhance Stratified Customer Management with Comprehensive Consideration

Customers are the very foundation of development for any bank. As long as a bank has customers, it has a captive market. Corporate banking represents a traditional competitive edge of CITIC Bank that we continue to enhance. At the same time, however, we closely follow national strategies such as the supply side structural reform, the Belt and Road Initiative and "Made in China 2025", in order to tap opportunities inherent in the transformation and upgrading of industrial structures. In addition, we optimize resource allocation, including credit resource allocation, to strengthen stratified customer management and boost structural adjustment. We hope that through relentless efforts, the Bank will become a champion in selected market segments.

We attach particular importance to managing our base corporate customer groups. Among others, we enhanced the practice of managing corporate customers by stratum and category. On the one hand, we built deeper and stronger relations with large customers. Instead of depending on existing large customers as a defensive barrier, we focused on nurturing future industry leaders and backbones to become our customers. The Bank developed a business model comprising "core enterprises + upstream and downstream + ecosphere". Under this model, we rely on large industries, large customers and large projects ("Three Large") to expand our customer base of small and medium sized enterprises on the value chains of the "Three Large" customers. In another word, we "have the large enterprises bring along the smaller ones". On the other hand, we grew the number of medium-sized customers with robust services, and developed small and micro customers by providing professional refined services. In the first half of the year, the Bank made solid progress in developing its base corporate customer groups. It recorded a more optimal customer mix, low cost of corporate deposits, steady rise in loan pricing level, and stronger competitive edges.

In China, rapid growth of family wealth has given rise to greater demands for wealth management. Accordingly, we strive to manage our retail customers in more profound ways and improve our family wealth management system. In the first half of the year we established the Private Banking Department to focus on the rapidly growing private banking market. The department provides our high-end customers with comprehensive solutions, including equity investment, carte-blanche management, and family trusts. In addition, we vigorously enhanced active engagement of our base customer groups, and pushed forward long-tail scenario-based customer management. During the reporting period, the numbers of retail VIP customers and private banking customers grew by 11.2% and 15.1% respectively, both recording new breakthroughs; and value contribution by retail banking registered a rapid increase, i.e., contributing over 30% and 60% to operating income and commission-based business income of the Bank, respectively.

With regard to interbank business, we grow our business with traditional interbank customers by effectively addressing their business needs; enhance head-office-to-head-office cooperation with leading non-bank customers; and develop both the width and depth of our cooperation with local commercial banks. In the first half of the year, partnerships between the Head Office of CITIC Bank and headquarters of financial companies continued to expand, which effectively boosted the scale of low-cost liabilities. The Bank also deepened head-office-to-head-office cooperation with insurance companies, harvesting positive results in sales of wealth management products, absorption of liabilities and investment in preference shares. For the next step, we will continue our efforts to develop the right positioning in interbank business. In particular, we will focus on key sectors and key customers, advance the construction of the "CITIC Interbank +" platform, develop important products with extensive customer coverage, and elevate platform-based transaction volumes to a new level.

Good customer experience forms the basis of banking services and embodies the concept of "customer priority". We are profoundly aware of that. Only by studying customers, understanding customers and developing better insights on customer needs and characteristics may we establish heart-to-heart linkage with our customers, and pool resources to provide full-range comprehensive financing services to our customers. In my opinion, this is just like any inter-personal relationship where sincerity and respect is the ultimate supreme realm, which is also the direction and goal that we have been striving for to the best of our capacity.

Distinctive "Important Products" for Differentiated Development

According to American scholar Michael Porter, differentiation is one of the basic strategies for enterprises to stand out in competition, which I fully echo. In order to realize differentiated development, the Bank assigns top priority to the development of "important products", regarding such products as the most striking business card to help it effectively acquire customers. Through explorations and practices, the Bank has developed a group of products with enduring appeal, good reputation, and excellent returns. Some "important products" are part and parcel of the operational and managerial competitive edges accumulated by the Bank over the past three decades. We have reviewed their competitive edges to make sure they fit future trends. Some other "important products" focus on nurturing new competitive edges, or capturing structural opportunities available from the gear switch of economic development to reserve potentials for future development of the Bank.

In line with customer transaction needs, we built the "Transaction+" brand for corporate banking. The brand aims at leveraging our advantage in resource synergy to construct an inter-connected transaction ecosphere and better extend our businesses to the business chains of our customers. In the first half of the year, the Bank launched a cloud-based "eco-financing" platform, through which a group of key transaction banking projects went alive. This enabled the Bank to build closer customer relationship, improve customer acquisition capacity, expand low-cost liabilities, and increase income from capital-light operations. Our efforts centred on the supply side structural reform and the trends of corporate direct financing. For one thing, we vigorously developed investment banking and deep dived for business opportunities available from mergers & acquisitions and loan-investment interaction projects. As opportunities also beckoned to us in cross-border businesses during the first half of the year, we worked hard to boost business innovations such as cross-border financing, cross-border capital pool, cross-border mergers & acquisitions, and cross-border transactions. All these efforts have paid off.

Our products, including Xinjin Bao and going abroad finance, are good examples of harnessing market opportunities arising from the transformation of wealth management. These products are not only well received by the market but also uplift our outlet production capacity. Following years of dedicated efforts, we have built a robust popular brand image of "CITIC Bank, Your Best Choice for Going Abroad". In the first half of the year, we captured the opportunity arising from upgrading of consumer finance by actively promoting our consumer finance products such as pledge of financial assets, credit and effective guarantee. We also vigorously expanded private banking business to grow our market share via the combination of carte blanche and family trusts. In credit card business, we continuously enhanced customer acquisition capacity and deepened business operation to improve value contribution therefrom. Furthermore, we pushed for innovation in payment and settlement businesses and worked hard to develop integrated smart accounts. With these measures, we hope to expand customer base, elevate transaction volume, and drive income growth.

In the first half of the year, the Bank focused on building "CITIC Interbank +", an internet platform for in-depth integration of traditional finance and internet finance. It is a new initiative for us to integrate competitive resources and reshape interbank transactions. Against the new context of regulatory reform on interbank business in the first half of the year, "CITIC Interbank +" platform was able to meet diversified customer demands. It recorded rapid growth in both the number of subscriptions and the accumulative value of transactions, and won recognition from customers. Besides, we sharpened our competitive edges in multiple fields, including custody of publicly offered funds, international balance of payments, and cross-border Renminbi business. Our position as a core interest rate and foreign exchange rate market maker was reinforced. In order to help corporate capital achieve value appreciation, and satisfy retail customer needs for purchasing foreign currencies and accessing foreign currency wealth management services, we made active efforts to interconnect Renminbi and foreign currency markets and promote research and development of retail foreign exchange trading, wealth management and investment products.

Simultaneous Practice of Multiple Initiatives for Effective Control and Management of Risks

The essence of commercial banking lies in risk management. In the face of a grim and complicated external environment, the banking sector is exposed to more diversified and intertwined risks. The National Financial Work Conference put forward clear-cut requirements on prevention and control of financial risks. In driving forward business transformation, the Bank remains risk vigilant at all times. When managing risks, we focus on finding root causes behind surface phenomenon, and never confine ourselves merely to the matters at hand. We highly value drawing inferences from seemingly isolated cases, to avoid treating symptoms instead of addressing the underlying problems. In a nutshell, we strive to transform the process of risk prevention and control into the course of building more robust institutional mechanisms and enhancing operational and managerial levels.

Without a profound cognitive understanding of risk profiles, there would be no effective risk prevention in action. We are very clear of that. Last year, the Bank developed a 3-year plan on the construction of a risk culture. In the first half of this year, we continuously put the plan into practice. On the one hand, we strengthened risk-vigilant training of all staff members, and advocated senior management members of the Head Office and the branches to walk the talk and lead by example. On the other hand, we emphasized standard operation in compliance with established mechanisms and processes. Furthermore, we paid attention to passing on the virtuous values and traditions from seasoned veterans to junior staffers, to entrench risk prevention and control in the minds of all staff members across the Bank.

Based on processes, systems and frameworks, the Bank makes sure that managerial roles and responsibilities are clearly defined, rules and guidelines are effectively implemented, and system controls put in place. We highlight the role played by IT in risk prevention and control. In particular, we accelerated the construction of the new-generation bank-wide credit grant business system, which is a key component of this year's construction of an overarching risk management system. Our efforts also targeted integration of external and internal risk monitoring and control resources to enhance our capability for risk early warning and risk handling. In the first half of the year, the Bank's "one department + eight centres" audit framework went fully operational, and its internal control system enjoyed continuous optimization.

In the first half of the year, the Bank strengthened loan access control and portfolio management, and made continuous optimal adjustments to its loan structure. We upheld the bottom-line mind-set and moved risk control to earlier stages to expand the radius of risk management. Multiple measures were put into practice at the same time to strengthen risk asset collection and disposal and improve proactive management of non-performing assets. In addition, we closely followed situational changes such as fluctuations at stock and debt markets and regulatory requirements on deleveraging. Our forward-looking researches, analysis and judgements regarding the potential impacts thereof on our business operation and management helped us prevent market fluctuations from evolving into credit risk or liquidity risk.

Dear Shareholders,

Business transformation is never an overnight success. Rather, it takes unswerving focus and stamina. The management of the Bank is profoundly grateful to our shareholders and the board for your trust and support and to our staff for your dedication and contribution. In the midst of fierce market competition, we will, as always, work hard, persevere, size up the situation, and create value for all stakeholders.

Sun Deshun
Executive Director, President
24 August, 2017

Chapter 5 *Business* Summary

5.1 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 operation and management concepts of "customer focus" and "compliance, smartness, 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 "Report of Board of Directors" of this report for details.

5.2 Note on Material Changes in the Company's Main Assets

The Group's main assets include loans and advances to customers, as well as deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements and investments classified as receivables. As at the end of the reporting period, these aforementioned assets took up 72.89% of the Group's total assets, a decline of 1.04 percentage points from the end of the previous year. Please refer to "Report of Board of Directors – Analysis of the Consolidated Financial Statements" of this report for information on changes in the Group's main assets.

5.3 Core Competitiveness Analysis

The Bank insisted upon coordinated development of profit, quality and scale, and continuously enhanced its core competitiveness, in a bid to becoming "the bank offering the best comprehensive financing services" that enjoys distinctive business characteristics, outstanding profitability, robust asset quality and leading status in key regions.

Corporate governance and business operation were scientific, efficient and effective. Since its inception, the Bank has always adhered to market-oriented operation, and constantly improved its corporate governance and business operation systems and mechanisms. The result is the formation of an organizational structure characterized by efficient management and professional division of duties. With reference to the theory and practice of modern bank development, the Bank set up a corporate governance framework featuring the Board of Directors, Board of Supervisors and the general meeting of shareholders. According to the principle of separating the front office, the middle office and the back office, the Bank established a matrix management model with the departments of the Head Office as the lines and the branches and sub-branches as the array. The Bank actively adapted itself to the external situation and regulatory requirements by building a refined management platform with strategic planning as the orientation, asset management as the core, and value return as the goal. By means of capital planning, allocation, monitoring and benchmarking, the Bank optimized its business structure and reasonably allocated its resources to upgrade return on capital.

The "One Body Two Wings" structure developed in harmony. Embracing its traditional advantages and DNAs, the Bank developed a business structure with corporate banking as the main body and retail banking and financial markets businesses as the two wings. Supported by the transformation of corporate banking and based on its traditional business advantages, the Bank focused on the construction of product and service systems driven by the twin wheels of "Big Asset Management + Big Transactions" and consequently further consolidated its market position. Leveraging the transformation of retail banking as a breakthrough, the Bank provided comprehensive "Big Retail" services to individual customers in line with their demands for "clothing, food, housing, mobility and entertainment", and enjoyed constant improvement of the capacity for provision of such comprehensive services. The Bank regarded the financial markets as a new growth point, and therefore built the product and service systems that covered the money market, capital market and international financial market. Meanwhile, the Bank enhanced product innovation. As a result, the Bank enjoyed fast growth in both traditional specialty businesses and emerging new businesses.

Synergy exhibited remarkable integrated advantages. Relying on the unique CITIC Group competitive edges in placing financial and non-financial businesses on an equal footing, the Bank accelerated the construction of an integrated platform to provide its customers with a package of comprehensive financial services. On the one hand, the Bank leveraged on CITIC Group advantages in full-license financial services by enhancing mutual sharing of channel and customer resources with the subsidiaries of CITIC Group, and by deepening its cooperation with the latter in areas such as product innovation and comprehensive marketing. On the other hand, the Bank promoted synergy through professional management and consolidated synergy with regulations and processes. In addition, the Bank sped up its efforts to build an integrated business platform, providing comprehensive financial services to customers with full use of CNCBI's domestic and overseas business networks, CNCB Investment's Hong Kong investment banking license and CITIC Financial Leasing's services.

Financial technology facilitated innovation. The Bank paid great attention to the innovation and application of information technology. Guided by the notion of "developing the bank with science and technology", the Bank made enthusiastic exploration and constant innovation in internet finance and digital transformation. It actively applied financial technology to develop inclusive finance, and used financial products based on big data to improve the availability and accessibility of its financial services and enhance the precision of customer service. In addition, the Bank linked itself with internet platforms of non-financial enterprises and carried out system optimization and process renovation, which in turn provided enterprises and their upstream and downstream customers with better experience of traditional banking services and supported the real economy with better services. The Bank actively applied new technologies. Among others, it used technologies such as big data processing and distributed computing to gradually build its software infrastructure platform. CITIC aiBank, an initiative jointly sponsored by the Bank and Baidu, will pilot direct banking as an independent legal entity in China. CITIC aiBank will uphold the principle of strategic symbiosis, ecological integration and win-win cooperation, fully integrate the financial and technological genes of the two shareholders, and build a smart inclusive financial service platform with the twin drivers of technology and data.

Risk prevention and control was effective. The Bank made active efforts to cultivate a scientific risk culture. Among others, it deepened the concepts of "risk management creating value" and compliant business operation, and used risk management and internal control as an important means to safeguard healthy business development and enhance competitiveness. In line with the operation and management characteristics of the banking industry, the Bank built the "three defense lines" for risk management, and set up an independent vertical internal audit structure to realize full coverage of all risks and whole-process risk management. By constructing a comprehensive risk management system, effectively assessing and managing various risks including credit risk, market risk, operational risk, liquidity risk and reputation risk, and at the same time actively promoting the implementation of the New Capital Accord and the application of measurement tools and rating results in business operation and risk management, the Bank kept upgrading refined management of risks.

Brand influence continued to escalate. After three decades of development, the Bank has set up a network of affiliates covering major large and medium-sized cities in mainland China, and established operations in Hong Kong SAR, Macau SAR, New York, Los Angeles and Singapore. With the provision of a full range of financial products and high quality customer service, the Bank enjoyed a high reputation and extensive brand influence at both domestic and foreign markets. The Bank ranked the 22nd among the "Top 500 Global Bank Brands" by the February 2017 issue of The Banker magazine of the United Kingdom and the 78th among the "Top 2,000 Global Enterprises" by the May 2017 issue of the Forbes magazine.

中信银行
CHINA CITIC BANK
私人银行
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中信银行私人银行全权委托资产管理
助您财富不断攀升，人生亦从容向前！
中信银行恒赢系列全权委托资产管理
中信银行面向可投资金融资产人民币三千万元以上（含）超高净值私人银行客户推出专属恒赢系列全权委托资产管理。根据客户不同的风险偏好以及收益性、流动性等方面的综合需求，定制“一对一”专属理财产品，并提供配套“交互式”服务。彰显“全类别资产、全策略投资、全球配置、全新模式、全明星团队”五大特色，承载“中信财富管理”品牌内涵。
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Chapter 6 Report of Board of Directors

6.1 Economic, Financial and Regulatory Environments

In the first half of 2017, the world witnessed uneven economic recovery in different regions but no strong growth anywhere. Many a risk and uncertainty lingered on. The monetary policies of the developed economies continued to divide. The US Fed raised interest rate twice and indicated its plan to start "shrinking the balance sheet". The central banks of the European Union, UK and Japan kept their low interest rates and made no change to their asset purchase plans.

The Chinese economy continued to develop within the reasonable range, exhibiting a more distinguished improvement amid stability. The supply side structural reform was further promoted. There was a sound pattern of steady growth, better employment, stable price, income increase and structure optimization. In the first half of 2017, in year-on-year term, gross domestic product (GDP) grew by 6.9%; consumer price index (CPI) rose by 1.4%; producer price index (PPI) went up by 6.6%; and per capita disposal income increased by a nominal 8.8%. Meanwhile, enterprises had their overcapacity reduced in an orderly manner, raising the industrial capacity use efficiency by 3.4 percentage points year on year. However, the endogenous growth momentum of the Chinese economy still needs to be strengthened; the structural contradictions accumulated in the medium to long term remain prominent; and the foundation of economic stabilization needs to be further consolidated.

The Chinese financial regulators implemented the central government's requirements on "deleveraging, curbing bubbles and preventing risks" and rendered active support to "cutting overcapacity and excess inventory, deleveraging, reducing costs and strengthening areas of weakness". The People's Bank of China (PBOC) implemented a prudent and neutral monetary policy, reasonably combined policy tools, and flexibly supplied liquidity of different maturities. At the same time, the Central Bank further improved the MPA (Macro Prudential Assessment) policy framework, incorporating off-balance sheet wealth management into the broad definition of credit indicators. The China Banking Regulatory Commission (CBRC) issued numerous policies to regulate the banking sector, guide the banks to return to the basics of financial services, and help the banking sector serve the real economy with better quality and greater effectiveness. Under the guidance of the regulatory policies, the growth in domestic money supply slowed down, while credit loans and social financing maintained a reasonable pace of growth. At the end of June 2017, the balance of broad money (M2) stood at RMB163.13 trillion, up 9.4% year on year; the balance of Renminbi loans was RMB114.57 trillion, up 12.9% year on year; and the scale of social financing recorded RMB166.92 trillion, up 12.8% year on year.

6.2 Overview of Business Operation and Management

6.2.1 Financial Performance

The reporting period witnessed grim and complex economic situations both at home and abroad. In response, the Group maintained its strategic focus, centered on profit growth, actively implemented the work arrangements of "adjusting structures, enhancing management, increasing innovation, controlling risks and consolidating the foundation". The result was a relatively good momentum of progress amid stability.

For the reporting period, the Group realized RMB24.011 billion profit attributable to the equity holders of the Bank, a growth of 1.74% year on year; RMB55.530 billion pre-allowance profit, an increase of 0.66% year on year; and operating income of RMB76.709 billion, down 2.13% year on year, of which net non-interest income was RMB27.215 billion, an increase of 9.10% year on year.

As at the end of the reporting period, the Group's total assets recorded RMB5,651.216 billion, a decrease of 4.72% over the end of the previous year; its total loans to customers stood at RMB3,091.095 billion, growing by 7.41% over the end of the previous year; and its total deposits from customers recorded RMB3,453.476 billion, down 5.11% from the end of last year.

As at the end of the reporting period, the Group's balance of non-performing loans (NPLs) recorded RMB51.119 billion, an increase of RMB2.539 billion or 5.23% over the end of the previous year, corresponding to an NPL ratio of 1.65%, a drop of 0.04 percentage point from the end of the previous year. The Group's allowance coverage ratio stood at 152.97%, a drop of 2.53 percentage points from the end of the previous year; and the ratio of allowance for impairment of loans to total loans was 2.53%, a drop of 0.09 percentage point from the end of the previous year.

6.2.2 Progress in Business Transformation

During the reporting period, the Bank made continuous efforts to consolidate its customer base and promote strategic transformation, in line with the trends of the macro economy and financial markets at home and abroad and in combination with its own growth reality, using its development strategy as guidance and centering on its development mindset of "slowing down growth, expediting turnover and adjusting structure". As a result, the Bank effectively improved its operating results.

Business scale grew modestly. The Bank made proactive efforts to adjust its business growth rate, continuously reduced its asset scale and slowed down its capital consumption. As at the end of the reporting period, the Group recorded total assets of RMB5,651.216 billion, a decrease of RMB279.834 billion from the end of the previous year; and risk-weighted assets of RMB4,074.649 billion, representing an increase of RMB110.201 billion over the end of the previous year, albeit RMB115.811 billion less incremental growth year on year. The Group's capital adequacy ratio went down by 0.22 percentage point from the end of the previous year, albeit 0.39 percentage point less reduction year on year, of which Tier-one capital adequacy ratio decreased by 0.05 percentage point from the end of the previous year. In line with the regulatory orientation, the Group rendered active support to the real economy. While ensuring the growth of credit assets, the Group took the initiative to reduce interbank assets and high-capital-commitment off-balance sheet businesses. Its total volume of investments classified as receivables decreased by 18.66% from the end of the previous year and the scale of bank acceptances shrank 22.51% compared with that at the end of last year.

Asset turnover was accelerated. By actively speeding up the turnover of its assets, the Bank expanded its sources of income with larger asset flows and realized the replacement of low-yield assets with high-yield ones through asset circulation. During the reporting period, the Bank successfully sponsored the RMB5.45 billion publically offered ABS asset securitization scheme based on credit card installments, transferred out RMB32.883 billion credit assets, and proactively reduced low-yield foreign currency denominated loans by USD6.08 billion. As such, while making optimal adjustments to its existing asset structure, the Bank broadened the space for development of high-yield businesses.

Optimal adjustments were made to the business structure. The Bank continued to allocate more credit resources to its retail banking segment. During the reporting period, the Group recorded RMB213.168 billion incremental loans, of which 82.42% were personal loans, raising the proportion of personal loan balance further to 36.63%. Meanwhile, the Group made more vigorous structural adjustment of corporate loans. Loans to rental and business services, the cultural, sports and entertainment industries, and other sectors that enjoyed its priority support maintained a high growth rate; loans to overcapacity industries continued to shrink; and incremental loans to the "4 municipalities and 11 provinces" that were its key support targets accounted for 130.5% of the Bank's total incremental corporate loans (excluding subsidiaries).

Management work became more refined. The Bank took the initiative to carry out active management of problem assets, and intensified self-discretionary disposal of non-performing assets by means such as optimizing the collection and evaluation indicators. During the reporting period, the Bank realized cash collection of RMB9.823 billion principal of non-performing loans, including the recovery of RMB650 million cash from written-off assets, which was more than the yearly recovery amount in 2016. The Bank followed the development trends of financial technology and Internet finance. By optimizing its business processes, reducing floor area of business operation and adjusting its personnel structure, the Bank continuously reduced the operating cost of its outlets. During the reporting period, the newly built floor area for comprehensive outlets dropped from 1,000-1,500 square meters before 2014 to 500-800 square meters. With a series of initiatives such as centralization of businesses and supplementary adjustment of outlet services, the Bank saved outlet operational manpower by 1,832 people. In line with the "cost-light" development direction, the Bank persistently focused on profit growth in its allocation of resources and tightened the management and control of unreasonable expenses. As a result, its cost-to-income ratio went down by a further 1.23 percentage points from the last year figure.

6.3 Analysis of the Consolidated Financial Statements

6.3.1 Consolidated Statement of Profit or Loss Analysis

Unit: RMB million

Item	**Jan-Jun 2017**	Jan-Jun 2016	Increase/ (decrease)	Growth rate (%)
Net interest income	**49,494**	53,436	(3,942)	(7.38)
Net non-interest income	**27,215**	24,946	2,269	9.10
Operating income	**76,709**	78,382	(1,673)	(2.13)
Operating expenses	**(21,168)**	(23,174)	(2,006)	(8.66)
Total impairment losses	**(24,414)**	(23,884)	530	2.22
Profit before tax	**31,116**	31,281	(165)	(0.53)
Income tax	**(6,952)**	(7,604)	(652)	(8.57)
Profit for the year	**24,164**	23,677	487	2.06
Including: Profit attributable to the equity holders of the Bank	**24,011**	23,600	411	1.74

6.3.1.1 Operating Income

For the reporting period, the Group realized operating income of RMB76.709 billion, down 2.13% year on year, of which net interest income accounted for 64.5%, a drop of 3.7 percentage points year on year, and net non-interest income accounted for 35.5%, a rise of 3.7 percentage points year on year.

Item	**Jan-Jun 2017 (%)**	Jan-Jun 2016 (%)	Jan-Jun 2015 (%)
Net interest income	**64.5**	68.2	71.1
Net non-interest income	**35.5**	31.8	28.9
Total	**100.0**	100.0	100.0

6.3.1.2 Net Interest Income

For the reporting period, the Group realized net interest income of RMB49.494 billion, a decrease of RMB3.942 billion or 7.38% year on year.

The table below sets out the 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

	Jan-Jun 2017			Jan-Jun 2016		
Item	**Average balance**	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	**2,972,235**	**67,808**	**4.60**	2,686,124	66,300	4.96
Investments classified as receivables	**1,042,636**	**21,324**	**4.12**	1,194,416	24,416	4.11
Interest-earning securities investments[1]	**759,421**	**12,579**	**3.34**	574,499	10,357	3.63
Deposits and placements with central banks	**499,022**	**3,833**	**1.55**	488,942	3,744	1.54
Deposits and placements with banks and non-bank financial institutions	**328,170**	**4,172**	**2.56**	243,836	2,423	2.00
Financial assets held under resale agreements	**37,649**	**536**	**2.87**	38,146	442	2.33
Others	**1,476**	**33**	**4.51**	11,625	3	0.05
Subtotal	**5,640,609**	**110,285**	**3.94**	5,237,588	107,685	4.13
Interest-bearing liabilities						
Deposits from customers	**3,370,012**	**26,175**	**1.57**	3,246,387	28,615	1.77
Deposits and placements from banks and non-bank financial institutions	**1,205,451**	**21,982**	**3.68**	1,235,487	17,519	2.85
Interbank certificates of deposit	**319,135**	**5,569**	**3.52**	242,105	3,702	3.07
Borrowings from central banks	**173,163**	**2,605**	**3.03**	78,629	1,205	3.08
Debt securities payable	**127,752**	**3,198**	**5.05**	109,030	2,796	5.16
Financial assets sold under repurchase agreements	**81,114**	**1,176**	**2.92**	27,181	337	2.49
Debt securities issued	**9,199**	**81**	**1.78**	10,056	72	1.44
Others	**511**	**5**	**1.97**	197	3	3.06
Subtotal	**5,286,337**	**60,791**	**2.32**	4,949,072	54,249	2.20
Net interest income		**49,494**			53,436	
Net interest spread[2]			**1.62**			1.93
Net interest margin[3]			**1.77**			2.05

Notes: (1) Including investment in debt securities (excluding trading 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

	Jan-Jun 2017 vs. Jan-Jun 2016		
Item	**Scale factor**	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	7,057	(5,549)	1,508
Investments classified as receivables	(3,102)	10	(3,092)
Interest-earning securities investment	3,338	(1,116)	2,222
Deposits and placements with central banks	77	12	89
Deposits and placements with banks and non-bank financial institutions	839	910	1,749
Financial assets held under resale agreements	(6)	100	94
Others	(3)	33	30
Changes in interest income	8,200	(5,600)	2,600
Liabilities			
Deposits from customers	1,088	(3,528)	(2,440)
Deposits and placements from banks and non-bank financial institutions	(426)	4,889	4,463
Interbank certificates of deposit	1,176	691	1,867
Borrowings from central banks	1,448	(48)	1,400
Debt securities payable	480	(78)	402
Financial assets sold under repurchase agreements	668	171	839
Debt securities issued	(6)	15	9
Others	5	(3)	2
Changes in interest expense	4,433	2,109	6,542
Changes in net interest income	3,767	(7,709)	(3,942)

Net Interest Margin and Net Interest Spread

During the reporting period, the Group's net interest margin and net interest spread registered 1.77% and 1.62%, a drop of 0.28 and 0.31 percentage point year on 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 recorded 3.94%, a drop of 0.19 percentage point year on year; and its cost rate of interest-bearing liabilities recorded 2.32%, rising by 0.12 percentage point year on year.

6.3.1.3 Interest Income

For the reporting period, the Group realized an interest income of RMB110.285 billion, an increase of RMB2.6 billion or 2.41% year on year. Interest income increased primarily because of the growth in interest-earning assets. Interest income from loans and advances to customers was the main component of interest income.

Interest Income from Loans and Advances to Customers

The Group recorded RMB67.808 billion interest income from loans and advances to customers for the reporting period, a growth of RMB1.508 billion or 2.27% year on year, primarily because of the RMB286.111 billion increase in the average balance of loans and advances to customers.

Classification by Maturity Structure

Unit: RMB million

	Jan-Jun 2017			Jan-Jun 2016		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Short-term loans	**1,145,100**	**23,833**	**4.20**	1,285,635	29,721	4.65
Medium to long-term loans	**1,827,135**	**43,975**	**4.85**	1,400,489	36,579	5.25
Total	**2,972,235**	**67,808**	**4.60**	2,686,124	66,300	4.96

Classification by Business

Unit: RMB million

	Jan-Jun 2017			Jan-Jun 2016		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**1,852,839**	**43,841**	**4.77**	1,867,374	47,547	5.12
Discounted bills	**81,647**	**1,509**	**3.73**	95,673	1,580	3.32
Personal loans	**1,037,749**	**22,458**	**4.36**	723,077	17,173	4.78
Total	**2,972,235**	**67,808**	**4.60**	2,686,124	66,300	4.96

Interest Income from Investments Classified as Receivables

For the reporting period, the Group's interest income from investments classified as receivables stood at RMB21.324 billion, a decrease of RMB3.092 billion or 12.66% year on year, mainly because the Group shrank the scale of its investments classified as receivables, which led to RMB151.780 billion decrease of the average balance thereof.

Interest Income from Investments

The Group recorded RMB12.579 billion interest income from investments for the reporting period, a growth of RMB2.222 billion or 21.45% year on year, mainly because the average balance of investments went up by RMB184.922 billion or 32.19%.

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 RMB3.833 billion, an increase of RMB89 million or 2.38% year on year.

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

The Group registered RMB4.172 billion interest income from deposits and placements with banks and non-bank financial institutions for the reporting period, an increase of RMB1.749 billion or 72.18% year on year, mainly because the average yield on such deposits and placements went up by 0.56 percentage point and the average balance of such deposits and placements increased by RMB84.334 billion.

Interest Income from Financial Assets held under Resale Agreements

The Group recorded RMB536 million interest income from financial assets held under resale agreements for the reporting period, a year-on-year increase of RMB94 million or 21.27%, primarily due to a 0.54 percentage point rise in the average yield on such financial assets.

6.3.1.4 Interest Expense

The Group's interest expense for the reporting period was RMB60.791 billion, an increase of RMB6.542 billion or 12.06% year on year. Interest expense on deposits from customers was the 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 RMB26.175 billion, a decrease of RMB2.440 billion or 8.53% year on year, primarily because the average cost rate of customer deposits went down by 0.20 percentage point due to re-pricing after interest rate cut and a higher proportion of low-cost demand deposits.

Unit: RMB million

	Jan-Jun 2017			Jan-Jun 2016		
Item	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time and call deposits	**1,357,721**	**16,750**	**2.49**	1,514,836	20,073	2.66
Demand deposits	**1,468,690**	**5,483**	**0.75**	1,193,102	3,982	0.67
Subtotal	**2,826,411**	**22,233**	**1.59**	2,707,938	24,055	1.79
Personal deposits						
Time and call deposits	**319,113**	**3,638**	**2.30**	354,777	4,305	2.44
Demand deposits	**224,488**	**304**	**0.27**	183,672	255	0.28
Subtotal	**543,601**	**3,942**	**1.46**	538,449	4,560	1.70
Total	**3,370,012**	**26,175**	**1.57**	3,246,387	28,615	1.77

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 RMB21.982 billion, an increase of RMB4.463 billion or 25.48% year on year, primarily because ascending market interest rates led to a 0.83 percentage point rise in the average cost rate of such deposits and placements.

Interest Expense on Interbank Certificates of Deposit

For the reporting period, the Group's interest expense on interbank certificates of deposit recorded RMB5.569 billion, an increase of RMB1.867 billion or 50.43% year on year, mainly because the average cost of interbank certificates of deposit went up by 0.45 percentage point and the balance thereof increased by RMB77.030 billion year on year.

Interest Expense on Borrowings from Central Banks

For the reporting period, the Group's interest expense on borrowings from central banks was RMB2.605 billion, an increase of RMB1.4 billion or 116.18% year on year, mainly due to the RMB94.534 billion increase in the average balance of such borrowings.

Interest Expense on Debt Securities Payable

For the reporting period, the Group's interest expense on debt securities payable recorded RMB3.198 billion, an increase of RMB402 million or 14.38% year on year, mainly because of the RMB18.722 billion increase in the average balance of debt securities payable.

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 RMB1.176 billion, an increase of RMB839 million or 248.96% year on year, primarily due to the 0.43 percentage point rise in the average cost rate of financial assets sold under repurchase agreements and the RMB53.933 billion increase in the average balance of such financial assets.

Interest Expense on Debt Securities Issued

For the reporting period, the Group's interest expense on debt securities issued stood at RMB81 million, an increase of RMB9 million or 12.50% year on year, primarily because of the 0.34 percentage point rise in the average cost rate of the debt securities issued.

6.3.1.5 Net Non-Interest Income

For the reporting period, the Group realized net non-interest income of RMB27.215 billion, a growth of RMB2.269 billion or 9.10% year on year.

Unit: RMB million

Item	Jan-Jun 2017	Jan-Jun 2016	Increase/ (decrease)	Growth Rate (%)
Net fee and commission income	**22,761**	21,296	1,465	6.88
Net trading gain	**3,454**	2,252	1,202	53.37
Net gain from investment securities	**743**	1,202	(459)	(38.19)
Net hedging gain	–	(1)	1	(100.00)
Other net operating income	**257**	197	60	30.46
Total net non-interest income	**27,215**	24,946	2,269	9.10

6.3.1.6 Net Fee and Commission Income

During the reporting period, the Group realized a net fee and commission income of RMB22.761 billion, an increase of RMB1.465 billion or 6.88% year on year. Bank card fees recorded a growth of RMB5.207 billion or 62.60% year on year, mainly due to the increase in credit card fees and income from acquiring business. Commission for wealth management services declined by RMB667 million or 20.45% year on year, mainly because of the decrease in sales and service commission of wealth management products. Consultancy and advisory fees went down by RMB583 million or 18.40% year on year, mainly because of the decrease in asset management fees. Agency fees and commission recorded a decrease of RMB1.303 billion or 33.66% year on year, primarily because of the reduction in income from agency insurance, fund, trust and precious metals businesses.

Unit: RMB million

Item	Jan-Jun 2017	Jan-Jun 2016	Increase/ (decrease)	Growth Rate (%)
Bank card fees	**13,525**	8,318	5,207	62.60
Commission for wealth management services	**2,594**	3,261	(667)	(20.45)
Consultancy and advisory fees	**2,586**	3,169	(583)	(18.40)
Agency fees and commission	**2,568**	3,871	(1,303)	(33.66)
Commission for custodian business and other fiduciary	**1,586**	1,387	199	14.35
Guarantee fees	**1,081**	1,260	(179)	(14.21)
Settlement and clearance fees	**644**	743	(99)	(13.32)
Others	**165**	344	(179)	(52.03)
Subtotal	**24,749**	22,353	2,396	10.72
Fee and commission expense	**(1,988)**	(1,057)	(931)	88.08
Net fee and commission income	**22,761**	21,296	1,465	6.88

6.3.1.7 Net Trading Gain

For the reporting period, the Group registered RMB3.454 billion net trading gain, an increase of RMB1.202 billion year on year, mainly due to the higher yield on derivative financial instruments.

Unit: RMB million

Item	Jan-Jun 2017	Jan-Jun 2016	Increase/ (decrease)	Growth Rate (%)
Derivatives and related exposure	**2,098**	727	1,371	188.58
Debt securities and interbank certificates of deposit	**1,173**	521	652	125.14
Foreign currencies	**105**	871	(766)	(87.94)
Financial instruments designated at fair value through profit or loss	**78**	133	(55)	(41.35)
Net trading gain	**3,454**	2,252	1,202	53.37

6.3.1.8 Operating Expenses

For the reporting period, the Group incurred RMB21.168 billion operating expenses, a decrease of RMB2.006 billion or 8.66% year on year; and recorded a cost-to-income ratio of 27.60%, a drop of 1.97 percentage points year on year.

Unit: RMB million

Item	Jan-Jun 2017	Jan-Jun 2016	Increase/ (decrease)	Growth Rate (%)
Staff costs	**11,855**	11,632	223	1.92
Property and equipment expenses and amortization	**4,169**	4,092	77	1.88
Other general operating and administrative expenses	**4,316**	3,762	554	14.73
Subtotal	**20,340**	19,486	854	4.38
Tax and surcharges	**828**	3,688	(2,860)	(77.55)
Total operating expenses	**21,168**	23,174	(2,006)	(8.66)
Cost-to-income ratio	**27.60%**	29.57%	Down 1.97 percentage points	
Cost-to-income ratio (excluding business tax and surcharges)	**26.52%**	24.86%	Up 1.66 percentage points	

6.3.1.9 Impairment Losses on Asset

The Group's asset impairment losses for the reporting period stood at RMB24.414 billion, increasing by RMB530 million or 2.22% year on year. This amount included RMB21.474 billion impairment losses on loans and advances to customers, an increase of RMB1.678 billion or 8.48% year on year.

Unit: RMB million

Item	Jan-Jun 2017	Jan-Jun 2016	Increase/ (decrease)	Growth Rate (%)
Loans and advances to customers	**21,474**	19,796	1,678	8.48
Interest receivables	**2,324**	2,556	(232)	(9.08)
Investments classified as receivables	**780**	1,348	(568)	(42.14)
Others (Note)	**(164)**	184	(348)	–
Total loss on asset impairment	**24,414**	23,884	530	2.22

Note: Including the impairment losses on 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.

6.3.1.10 Income Tax

The Group's income tax expense for the reporting period recorded RMB6.952 billion, a decrease of RMB652 million or 8.57% year on year, and its effective tax rate stood at 22.34%, a drop of 1.97 percentage points year on year.

6.3.2 Consolidated Statement of Financial Position Analysis

6.3.2.1 Assets

The Group managed its assets and liabilities according to its strategic plan and its business action plan set at the beginning of the year and in line with the deployment to "slow down growth, expedite turnover and adjust structure". Its asset growth rate and asset structural arrangements were both consistent with the year-beginning plan. As at the end of the reporting period, the Group recorded total assets of RMB5,651.216 billion, a decrease of 4.72% from the end of the previous year. Due to regulatory and market impacts, there was a marked reduction in the Group's investments classified as receivables, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements.

Unit: RMB million

	30 June 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**3,091,095**	**54.7**	2,877,927	48.5
Allowance for impairment losses on loans and advances to customers	**(78,199)**	**(1.4)**	(75,543)	(1.3)
Net loans and advances to customers	**3,012,896**	**53.3**	2,802,384	47.2
Investments classified as receivables	**843,895**	**14.9**	1,037,484	17.5
Allowance for impairment losses on investments classified as receivables	**(2,536)**	**0.0**	(1,756)	0.0
Net investments classified as receivables	**841,359**	**14.9**	1,035,728	17.5
Investment in debt securities and equity instruments(1)	**851,000**	**15.1**	818,217	13.8
Allowance for impairment losses on debt securities and equity instruments	**(55)**	**–**	(164)	–
Net debt securities and equity instruments	**850,945**	**15.1**	818,053	13.8
Cash and deposits with central banks	**519,590**	**9.2**	553,328	9.3
Deposits and placements with banks and non-bank financial institutions	**245,577**	**4.3**	375,849	6.3
Financial assets held under resale agreements	**19,443**	**0.3**	170,804	2.9
Others(2)	**161,406**	**2.9**	174,904	3.0
Total assets	**5,651,216**	**100.0**	5,931,050	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 metals, derivative financial assets, interest receivables, fixed assets, intangible assets, investment properties, goodwill, deferred income tax assets and other assets.

Loans and Advances to Customers

During the reporting period, the Group continued to deepen the adjustment of its loan structure. Among others, the Group achieved preliminary results in attaining the goal of slowing down corporate loan growth. Meanwhile, with more loan resources going to the retail banking segment, personal loans registered more rapid growth. As at the end of the reporting period, the Group recorded RMB3,091.095 billion total loans and advances to customers, up 7.41% over the end of the previous year. Net loans and advances to customers accounted for 53.3% of total assets, a growth of 6.1 percentage points over the end of the previous year. The Group's balance of corporate loans (excluding discounted bills) stood at RMB1,855.818 billion, growing by RMB9.544 billion or 0.52% over the end of the previous year; and its balance of personal loans recorded RMB1,132.297 billion, a growth of RMB175.691 billion or 18.37% over the end of the previous year. The balance of personal loans took up 36.6% of the Group total, a rise of 3.4 percentage points from the end of the previous year.

Unit: RMB million

	30 June 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**1,855,818**	**60.0**	1,846,274	64.2
Discounted bills	**102,980**	**3.4**	75,047	2.6
Personal loans	**1,132,297**	**36.6**	956,606	33.2
Total loans and advances to customers	**3,091,095**	**100.0**	2,877,927	100.0

Please refer to "Report of Board of Directors – Risk Management" for detailed analysis of loan business.

Investments Classified as Receivables

During the reporting period, the Group took the initiative to reduce the scale of investments classified as receivables and consequently further optimized the structure of such investments. As at the end of the reporting period, the Group's investments classified as receivables recorded RMB843.895 billion, a decrease of RMB193.589 billion or 18.66% from the end of the previous year. Of this amount, investments classified as low-yield rediscounted bills went down by RMB130.707 billion or 53.03%. The table below sets out the classification of Group's investments classified as receivables by underlying asset.

Unit: RMB million

	30 June 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Interbank assets and wealth management products issued by other banks	**425,296**	**50.4**	480,630	46.3
Credit assets	**302,813**	**35.9**	310,361	29.9
Rediscounted bills	**115,786**	**13.7**	246,493	23.8
Total	**843,895**	**100.0**	1,037,484	100.0

Investment in Debt Securities and Equity Instruments

As at the end of the reporting period, the Group had RMB851.00 billion investment in debt securities and equity instruments in total, an increase of RMB32.783 billion or 4.01% over the end of the previous 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

	30 June 2017		31 December 2016	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
Financial assets at fair value through profit or loss	**64,121**	**7.5**	64,911	8.0
Available-for-sale financial assets	**556,340**	**65.4**	534,695	65.3
Held-to-maturity investment	**229,483**	**27.0**	217,500	26.6
Investments in associates	**1,056**	**0.1**	1,111	0.1
Net investment in debt securities and equity instruments	**851,000**	**100.0**	818,217	100.0

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

Unit: RMB million

	30 June 2017		31 December 2016	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
Investment in debt securities	**644,291**	**75.8**	628,389	76.8
Certificates of deposit	**129,467**	**15.2**	166,749	20.4
Investment funds	**75,110**	**8.8**	20,767	2.5
Equity instruments	**2,058**	**0.2**	2,290	0.3
Wealth management products	**74**	**–**	22	–
Total	**851,000**	**100.0**	818,217	100.0

Investment in Debt Securities

As at the end of the reporting period, the Group had RMB644.291 billion investment in debt securities, an increase of RMB15.902 billion or 2.53% over the end of the previous year, primarily because the Group made optimal adjustments to the structure of asset allocation in line with market changes and in comprehensive consideration of the liquidity management requirements and growth profiles of other financial institutions.

Classification of Debt Securities Investment by Issuing Institution

Unit: RMB million

	30 June 2017		31 December 2016	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
Banks and non-bank financial institutions	**145,603**	**22.6**	132,073	21.0
Government	**253,540**	**39.4**	230,511	36.7
Policy banks	**137,930**	**21.4**	164,608	26.2
Public entities	**3**	**–**	3	–
Others[Note]	**107,215**	**16.6**	101,194	16.1
Total debt securities	**644,291**	**100.0**	628,389	100.0

Note: Mainly corporate bonds.

Domestic and Overseas Debt Securities Investment

Unit: RMB million

	30 June 2017		31 December 2016	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
In mainland China	**609,540**	**94.6**	593,257	94.4
Outside mainland China	**34,751**	**5.4**	35,132	5.6
Total debt securities	**644,291**	**100.0**	628,389	100.0

Holding of Foreign Currency Denominated Debt Securities

As at the end of the reporting period, the Group held a total of USD7.053 billion foreign currency denominated debt securities (equivalent to RMB47.822 billion), of which the Bank held USD1.755 billion, accounting for 25.01% of the Group total. The Group's allowance for impairment losses on foreign currency denominated debt securities investment was USD4 million (equivalent to RMB26 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 30 June 2017.

Unit: RMB million

Name of Debt Securities	Book value	Maturity Date (DD/MM/YY)	Annual interest rate (%)	Impairment allowance
Debt Securities 1	4,955	18/02/2021	2.96%	–
Debt Securities 2	4,155	04/03/2019	2.72%	–
Debt Securities 3	4,000	18/08/2029	5.98%	–
Debt Securities 4	3,497	28/04/2020	4.20%	–
Debt Securities 5	3,295	27/02/2023	3.24%	–
Debt Securities 6	2,998	08/03/2021	3.25%	–
Debt Securities 7	2,855	27/07/2021	2.96%	–
Debt Securities 8	2,758	07/01/2019	2.77%	–
Debt Securities 9	2,635	25/08/2026	3.05%	–
Debt Securities 10	2,498	22/11/2021	3.25%	–
Total debt securities	33,646			

Investments in associates

Unit: RMB million

Item	30 June 2017	31 December 2016
Investments in associates	**1,056**	1,111

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 subsidiaries	Cash purchase
2	CNCB Investment	100.00	1,578,732	–	1,578,732	–	Investment in subsidiaries	Cash purchase
3	Lin'an CITIC Rural Bank	51.00	102,000	5,100	102,000	–	Investment in subsidiaries	Sponsorship
4	CITIC Financial Leasing	100.00	4,000,000	–	4,000,000	–	Investment in subsidiaries	Sponsorship
5	CIAM	40.00	954,206	(27,141)	1,010,424	–	Investment in associate	Equity investment
6	BFAE	20.00	100,000	–	100,000	–	Investment in associate	Equity investment
7	Others(Note)	–	2,004	–	104	–	Investment in associate	Equity investment
Total			23,306,168	(22,041)	23,360,486			

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 holdings 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	–	4,031	–	3,237	794	Available-for-sale financial assets	Cash purchase
2	V	Visa Inc.	7,510	–	129,596	173	110,348	19,248	Available-for-sale financial assets	Gift/Bonus share
3	MA	Mastercard International	202	–	6,243	16	5,438	805	Available-for-sale financial assets	Bonus share
4	03996	CEEC (HK)	324,699	0.82%	338,737	–	301,388	37,349	Available-for-sale financial assets	Cash purchase
Total			**339,431**		**478,607**	**189**	**420,411**	**58,196**		

As at the end of the reporting period, the Group's holdings 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	–	–	Available-for-sale financial assets	Cash purchase
2	SWIFT	161	35	–	459	–	40	Available-for-sale financial assets	Bonus share
3	Joint Electronic Teller Services	4,535	16 (Class B)	–	4,474	–	–	Available-for-sale financial assets	Bonus share
4	Electronic Payment Services Company (HK) Ltd.	14,264	2	–	14,072	–	–	Available-for-sale financial assets	Bonus share
5	Halti S.A.	347,450	50,000	1.56%	339,013	–	–	Available-for-sale financial assets	Cash purchase
6	Shanghai Commercial Paper Exchange Corp Ltd	50,000	50,000,000	2.71%	50,000	–	–	Available-for-sale financial assets	Cash purchase
7	CITIC Medical & Health Equity Investment Fund Management (Shanghai) Co., Ltd.	1,000	1,000	15.38%	1,000	–	–	Available-for-sale financial assets	Cash purchase
8	Others[(1)]	774	–	–	774	–	–	Available-for-sale financial assets	Cash purchase
Total		**531,934**			**523,542**		**40**		

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

(2) Apart from the equity investments set out in the table above, CNCB Investment, a subsidiary of the Bank, also held a private equity fund with net value of RMB797 million as at the end of the reporting period.

Derivatives

Unit: RMB million

	30 June 2017			31 December 2016		
	Nominal	**Fair value**		Nominal	Fair value	
Item	**principal**	**Assets**	**Liabilities**	principal	Assets	Liabilities
Interest rate derivatives	**1,065,827**	**2,790**	**2,437**	856,455	3,365	2,813
Currency derivatives	**3,343,503**	**22,087**	**20,649**	2,612,557	42,232	40,045
Other derivatives	**90,370**	**1,231**	**637**	77,385	1,769	2,201
Total	**4,499,700**	**26,108**	**23,723**	3,546,397	47,366	45,059

On-Balance Sheet Interest Receivables

Unit: RMB million

Item	31 December 2016	Increase during the current period	Decrease during the current period	**30 June 2017**
Interest receivable for loans and advances to customers	14,482	67,808	(67,606)	**14,684**
Interest receivable for debt securities	9,608	12,579	(13,813)	**8,374**
Interest on investments classified as receivables	10,951	21,324	(19,654)	**12,621**
Other interest receivables	1,787	8,574	(8,624)	**1,737**
Total	36,828	110,285	(109,697)	**37,416**

Repossessed Assets

Unit: RMB million

Item	**30 June 2017**	31 December 2016
Original value of repossessed assets		
– Land, premises and buildings	**1,788**	1,691
– Others	**161**	123
Total book value of repossessed assets	**1,949**	1,814

6.3.2.2 Liabilities

As at the end of the reporting period, the Group recorded total liabilities of RMB5,258.518 billion, down 5.19% from the end of last year, primarily due to the decrease in deposits from customers and the reduction in deposits and placements from banks and non-bank financial institutions.

Unit: RMB million

	30 June 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Deposits from customers	**3,453,476**	**65.7**	3,639,290	65.6
Deposits and placements from banks and non-bank financial institutions	**945,092**	**18.0**	1,065,169	19.2
Financial assets sold under repurchase agreements	**66,906**	**1.3**	120,342	2.2
Debt securities issued	**472,227**	**9.0**	386,946	7.0
Others[(1)]	**320,817**	**6.0**	334,807	6.0
Total liabilities	**5,258,518**	**100.0**	5,546,554	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 RMB3,453.476 billion, a decrease of RMB185.814 billion or 5.11% over the end of the previous year; customer deposits accounted for 65.7% of total liabilities, a rise of 0.1 percentage point from the end of the previous year. The Group's balance of corporate deposits was RMB2,885.069 billion, a decline of RMB196.208 billion or 6.37% over the end of the previous year; and that of personal deposits stood at RMB568.407 billion, an increase of RMB10.394 billion or 1.86% over the end of the previous year. The proportion of the Group's demand deposits was 54.0%, a rise of 1.1 percentage points from the end of the previous year.

Unit: RMB million

	30 June 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**1,613,858**	**46.7**	1,691,065	46.5
Time and call deposits	**1,271,211**	**36.8**	1,390,212	38.2
Including: negotiated deposits	**33,092**	**1.0**	69,012	1.9
Subtotal	**2,885,069**	**83.5**	3,081,277	84.7
Personal deposits				
Demand deposits	**251,530**	**7.3**	232,960	6.4
Time and call deposits	**316,877**	**9.2**	325,053	8.9
Subtotal	**568,407**	**16.5**	558,013	15.3
Total deposits from customers	**3,453,476**	**100.0**	3,639,290	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	30 June 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Renminbi	**3,126,131**	**90.5**	3,304,504	90.8
Foreign currencies	**327,345**	**9.5**	334,786	9.2
Total	**3,453,476**	**100.0**	3,639,290	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

	30 June 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Head Office	**16,508**	**0.5**	26,999	0.7
Bohai Rim	**809,269**	**23.5**	889,591	24.4
Yangtze River Delta	**808,187**	**23.4**	828,014	22.8
Pearl River Delta and West Strait	**632,448**	**18.3**	653,838	18.0
Central	**495,038**	**14.3**	528,599	14.5
Western	**407,925**	**11.8**	434,248	11.9
Northeastern	**65,097**	**1.9**	68,361	1.9
Overseas	**219,004**	**6.3**	209,640	5.8
Total deposits from customers	**3,453,476**	**100.0**	3,639,290	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	1,678,347	48.6	523,499	15.1	479,553	13.9	203,237	5.9	433	–	2,885,069	83.5
Personal deposits	315,956	9.1	131,988	3.9	78,497	2.3	41,966	1.2	–	–	568,407	16.5
Total	1,994,303	57.7	655,487	19.0	558,050	16.2	245,203	7.1	433	–	3,453,476	100.0

6.3.3 Shareholders' Equity

As at the end of the reporting period, shareholders' equity in the Group was RMB392.698 billion, up 2.13% over the end of the previous year. Equity attributable to the shareholders of the Bank was RMB387.425 billion, an increase of 2.16% over the end of the previous year. The table below sets out the changes in shareholders' equity in the Group during the reporting period.

Unit: RMB million

	30 June 2017								
	Equity attributable to the shareholders of the Bank						Non-controlling interest		
Item	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve and general reserve	Retained earnings	Ordinary shareholders	Holders of other equity instruments	Total equity
1 January 2017	48,935	34,955	58,636	(1,142)	101,174	136,666	123	5,149	384,496
1. Profit for the year	–	–	–	–	–	24,011	6	147	24,164
2. Other comprehensive income/(loss)	–	–	–	(5,289)	–	–	–	–	(5,289)
3. Profit appropriation	–	–	–	–	–	(10,521)	(5)	(147)	(10,673)
30 June 2017	**48,935**	**34,955**	**58,636**	**(6,431)**	**101,174**	**150,156**	**124**	**5,149**	**392,698**

6.3.4 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	**30 June 2017**	31 December 2016
Credit commitments		
– Acceptances	**414,806**	535,313
– Guarantees	**200,051**	163,157
– Letters of credit	**87,482**	86,499
– Irrevocable loan commitments	**67,592**	74,936
– Credit card commitments	**281,075**	215,845
Subtotal	**1,051,006**	1,075,750
Operating leasing commitments	**13,047**	13,348
Capital commitments	**9,312**	10,045
Pledged assets	**365,920**	353,567
Total	**1,439,285**	1,452,710

6.3.5 Cash Flow Statement Analysis

Net Cash Flows from Operating Activities

Net cash outflow from operating activities registered RMB87.514 billion, primarily because the cash inflows due to the decrease in investments classified as receivables and decrease in interbank business were inadequate to fully offset the cash outflows resulting from the increase in loans and advances to customers and the decrease in deposits from customers.

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities recorded RMB50.776 billion, a decrease of RMB20.981 billion year on year, mainly due to the year-on-year decrease in cash flows used in debt securities investment.

Net Cash Flows Generated from Financing Activities

Net cash inflow generated from financing activities registered RMB77.467 billion, a decrease of RMB35.243 billion year on year, primarily because the cash inflow in the form of proceeds from issuance of interbank deposit certificates and debt securities declined year on year.

Unit: RMB million

Item		Jan-Jun 2017	Year-on-year increase (%)	Main reason
Operating Cash Flow		**(87,514)**	–	
Including:	Cash inflow due to decrease in investments classified as receivables	**193,589**	–	Decrease in investment management products managed by securities companies
	Net cash inflow due to decrease in interbank business(Note)	**53,391**	(24.97)	Decrease in deposits from banks and non-bank financial institutions
	Cash outflow due to increase in loans and advances to customers	**(236,929)**	0.18	Increase in various loans
	Cash outflow due to decrease in deposits from customers	**(179,114)**	–	Decrease in corporate deposits
Cash Flow Used in Investing Activities		**(50,776)**	(29.24)	
Including:	Proceeds from redemption of investments	**596,428**	130.27	Increase in disposal and repayment of debt securities
	Payments on acquisition of investments	**(644,339)**	96.90	Increase in debt securities investments
Cash Flow Generated from Financing Activities		**77,467**	(31.27)	
Including:	Proceeds from issuance of debt certificates	**400,677**	18.90	Issuance of inter-bank deposit certificates and debt securities
	Principal repayment for issued debt certificates	**(315,334)**	44.42	Repayment of matured inter-bank deposit certificates and debt securities

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.

6.3.6 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 for 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, available-for-sale financial assets and held-to-maturity investments, impairment of available-for-sale equity investments, fair value of financial instruments, classification of held-to-maturity investments, income tax, retirement benefit liabilities, and judgments on the extent of control over investment targets.

6.3.7 Items Measured at Fair value

Unit: RMB million

Item	30 June 2017	31 December 2016	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	**64,121**	64,911	233	–
Derivative financial assets [Note]	**26,108**	47,366	1,380	–
Available-for-sale financial assets	**555,762**	534,122	–	(5,781)
Investment properties	**293**	305	16	–
Total financial assets measured at fair value	**646,284**	646,704	1,629	(5,781)
Derivative financial liabilities	**23,723**	45,059	–	–
Total financial liabilities measured at fair value	**23,723**	45,059	–	–

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.

6.3.8 Major Consolidated Financial Statement Items with More than 30% Changes

Unit: RMB million

Item	End of June/ First-Half 2017	Increase over previous year-end/Same period of last year (%)	Main Reason
Deposits with banks and non-bank financial institutions	**86,685**	(58.45)	Decrease in deposits with other domestic banks
Derivative financial assets	**26,108**	(44.88)	Decrease in currency derivatives financial instruments reevaluation
Financial assets held under resale agreements	**19,443**	(88.62)	Decrease in interbank debt securities held under resale agreements
Derivative financial liabilities	**23,723**	(47.35)	Decrease in currency derivative financial instruments reevaluation
Financial assets sold under repurchase agreements	**66,906**	(44.40)	Decrease in central bank and interbank debt securities sold under repurchase agreements
Other comprehensive income/(loss)	**(6,431)**	463.13	Decrease in investment revaluation reserve for available-for-sale financial assets
Net trading gain	**3,454**	53.37	Increase in yield on derivative financial instruments
Net gain from investment securities	**743**	(38.19)	Decrease in net revaluation gains from disposing available-for-sale financial assets

6.3.9 Segment Report

6.3.9.1 Business Segments

Major business segments of the Group cover corporate banking, retail banking and financial markets business.

Unit: RMB million

Business Segment	Jan-Jun 2017 Segment Operating Income	Jan-Jun 2017 Proportion (%)	Jan-Jun 2017 Segment Profit before tax	Jan-Jun 2017 Proportion (%)	Jan-Jun 2016 Segment Operating Income	Jan-Jun 2016 Proportion (%)	Jan-Jun 2016 Segment Profit before tax	Jan-Jun 2016 Proportion (%)
Corporate banking	41,492	54.1	14,355	46.2	44,478	56.7	14,636	46.8
Retail banking	23,820	31.1	10,085	32.4	19,578	25.0	5,139	16.4
Financial markets business	3,708	4.8	2,650	8.5	8,672	11.1	7,244	23.2
Other and unallocated	7,689	10.0	4,026	12.9	5,654	7.2	4,262	13.6
Total	76,709	100.0	31,116	100.0	78,382	100.0	31,281	100.0

6.3.9.2 Geographical Segments

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

Unit: RMB million

Geographical Segments	30 June 2017 Total assets[1] Amount	30 June 2017 Total assets[1] Proportion (%)	30 June 2017 Total liabilities[2] Amount	30 June 2017 Total liabilities[2] Proportion (%)	Jan-Jun 2017 Profit before tax Amount	Jan-Jun 2017 Profit before tax Proportion (%)
Head Office	1,020,881	18.1	716,882	13.6	14,997	48.2
Yangtze River Delta	1,112,441	19.8	1,107,082	21.1	3,105	10.0
Pearl River Delta and West Strait	809,798	14.4	805,614	15.3	1,541	5.0
Bohai Rim	1,174,121	20.8	1,161,172	22.1	6,248	20.1
Central	596,893	10.6	594,256	11.3	2,390	7.7
Western	520,614	9.2	518,204	9.9	1,781	5.7
Northeastern	89,906	1.6	89,845	1.7	(550)	(1.8)
Overseas	311,139	5.5	265,448	5.0	1,604	5.1
Total	5,635,793	100.0	5,258,503	100.0	31,116	100.0

Notes: (1) Excluding deferred tax assets.
(2) Excluding deferred tax liabilities.

Unit: RMB million

	31 December 2016				Jan-Jun 2016	
	Total assets[1]		Total liabilities[2]		Profit before tax	
Geographical Segments	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Head Office	1,010,909	17.1	723,128	13.0	8,384	26.8
Yangtze River Delta	1,143,563	19.3	1,134,943	20.5	6,271	20.0
Pearl River Delta and West Strait	887,856	15.0	883,235	15.9	2,994	9.6
Bohai Rim	1,273,550	21.5	1,258,132	22.7	4,897	15.7
Central	657,675	11.1	656,226	11.8	1,440	4.6
Western	573,399	9.7	568,835	10.3	5,038	16.1
Northeaster	85,967	1.5	85,161	1.5	856	2.7
Overseas	285,434	4.8	236,883	4.3	1,401	4.5
Total	5,918,353	100.0	5,546,543	100.0	31,281	100.0

Notes: (1) Excluding deferred tax assets.
(2) Excluding deferred tax liabilities.

6.4 Business Overview

6.4.1 Corporate Banking Business

The Bank further improved its corporate banking product and service systems. The Bank set up and promoted the parallel operation system for corporate banking, i.e., established the "four in one" pre-lending parallel operation mechanism comprising the customer manager, the product manager, the risk manager and the legal affairs manager at the branch level. With this parallel operation system, the Bank attained the dual objectives of marketing among customers and segregating risks, thus effectively strengthening risk management and control. In addition, the Bank made every effort to improve the system of stratified and categorized marketing among its corporate customers, further clarifying the ways to separate corporate customers into different strata and categories, the management responsibilities of the Head Office and the branches, the patterns of organization and promotion, and the mechanisms for performance evaluation and resource protection. As a result, the Bank enjoyment continuing improvement in refined management.

In face with the complicated and grim external business environment, the Bank realized RMB38.955 billion net operating income from corporate banking business for the reporting period, a decline of 8.09% year on year, accounting for 53.86% of its total operating income. This amount included RMB7.349 billion net non-interest income from corporate banking, taking up 28.86% of the Bank's total net non-interest income.

6.4.1.1 Corporate Customer Management

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 the "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. Thus, the Bank constructed an SME customer management model that ran through the entire industrial chain and thereby promoted SME business by leveraging its service provision for large companies. As at the end of the reporting period, the Bank recorded 573,000 corporate customers, including 14,000 customers that newly opened accounts with the Bank during the reporting period.

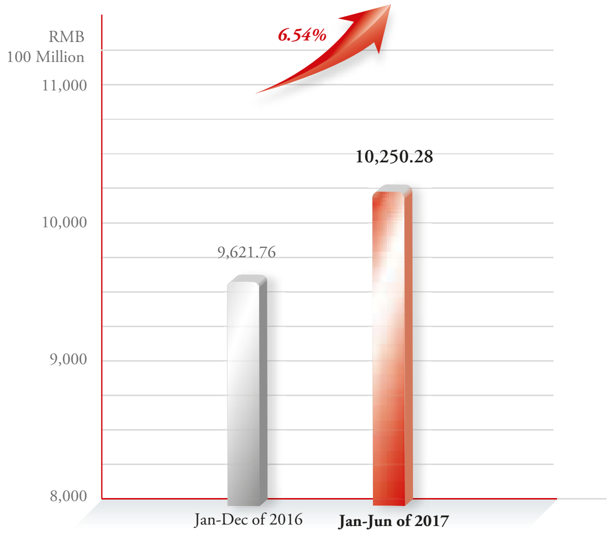
Management of Strategic Customers

In response to market demands, the Bank created the "5 head-office to head-office" operation model for management of strategic customers, i.e., "head-office to head-office overall negotiation, head-office to head-office project acquisition, head-office to head-office parallel operation, head-office to head-office resource allocation, and head-office to head-office risk management and control". To provide one-stop comprehensive financing solutions to its strategic customers, the Bank had its strategic customer departments lead customer marketing, its product departments provide follow-up support, its front/middle/back offices carry out parallel operation, and its Head Office work in coordination with its branches and sub-branches. Such practices greatly deepened and broadened the partnership between the Bank and its strategic customers. During the reporting period, daily average balance of deposits from strategic customers stood at RMB864.095 billion, an increase of 16.77% from the previous year[1]. Net operating income from the management of strategic customers for the reporting period reached RMB15.457 billion, an increase of 5.83% year on year. The risk-adjusted return on capital thereof was higher than the Bank's average. The Bank underwrote RMB68.6 billion debt financing instruments for its strategic customers, taking up 62.84% of the Bank's total. As at the end of the reporting period, the NPL ratios of the strategic customers were markedly lower than the average level of the Bank's corporate customers.

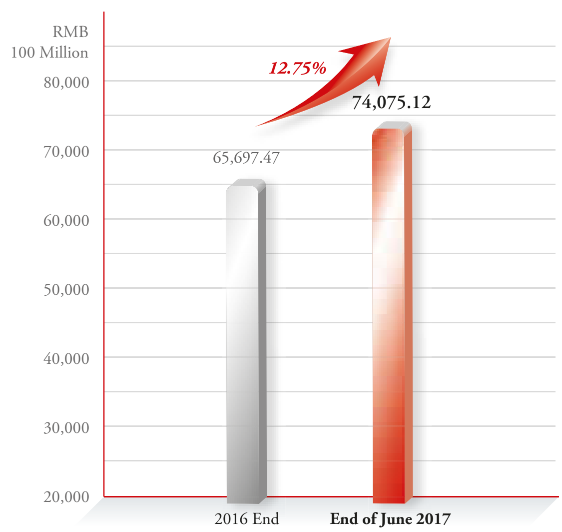
Management of Institutional Customers

The Bank attached great importance to service provision for its institutional customers. It made use of the unique competitiveness of its institutional banking business and enhanced its model for professional smart management of institutional customers to promote the development of a new-style bank-government partnership characterized by "fund arrangement, capital operation, resource integration and asset management". During the reporting period, the Bank continued to deepen partnership with its institutional customers in the government sector. It signed strategic cooperation agreements with the State Tourism Administration, and jointly issued the Notification on Promoting Strategic Cooperation for Development of Transport in the 13th Five-Year Plan Period in conjunction with the Ministry of Transport. In addition, the Bank entered into strategic cooperation agreements with local governments including Inner Mongolia Autonomous Regional People's Government and Ningbo Municipal People's Government. The Bank made every effort to further innovate and upgrade its products and services, and effectively promoted growth of settlement funds and batch acquisition of customers. Across the country, the Bank relied on public resources trading platforms to drive forward its land auction security deposit business, bringing along cumulative deposits of more than RMB300 billion.

Daily Average Deposit Balance of Institutional Customers



Scale of Custody Assets



1 Deposits of strategic customer were aggregated according to the list of strategic customers identified at the beginning of the year. In order to improve data comparability, the relevant growth rate was adjusted according to changes of the list.

As at the end of the reporting period, the Bank recorded 29,600 accounts of institutional customers in total, and RMB317.019 billion balance of on-balance sheet loans for these customers, an increase of 5.05% 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 0.07%, much lower than the average level of its corporate customers. For the reporting period, these institutional customers registered RMB1,025.028 billion average daily balance of deposits, an increase of 6.54% over last year, taking up 37.98% of the Bank's average daily balance of corporate deposits, a rise of 1.77 percentage points from last year. Of this amount, average daily balance of demand corporate deposits registered RMB463.264 billion, a growth of RMB36.309 billion in balance and a rise of 0.71 percentage point in proportion from last year.

Management of Small Business Customers

During the reporting period, the Bank completed the early stage of constructing a special operation system for small enterprises by defining the "6 special" operation model, i.e., "special operation units, special processes, special teams, special products, special systems, and special resources", and actively promoted corresponding special institutional development. During the reporting period, the Bank designated 28 sub-branches to be specialized in the management of small business customers. These sub-branches made proactive efforts to achieve differentiated operation and business development in connection with their own characteristics, focusing on the Bank's main business targets including "real estate companies, supply chains of large enterprises, government platforms and innovation platforms".

As at the end of the reporting period, the Bank registered 57,339 accounts of small and micro enterprise customers[1], an increase of 6,293 accounts year on year; its balance of loans to small and micro enterprises was RMB469 billion, an increase of 9.8% year on year; and the approval rate of loan applications submitted by small and micro enterprise customers stood at 78.14%, a growth of 0.70 percentage point year on year.

6.4.1.2 Corporate Deposit and Loan Business

Corporate Deposit Business

During the reporting period, the Bank enjoyed a sound momentum in the development of its corporate deposit business. While leading all joint-stock banks in total corporate deposits, the Bank kept optimizing the structure of corporate deposits. As at the end of the reporting period, the Bank's average daily balance of RMB corporate deposits recorded RMB2,417 billion (excluding structured deposits), which included RMB1,376 billion daily average balance of corporate settlement deposits, taking up 50.99% of the Bank's total, an increase of 3.67 percentage points over the end of the previous year. The Bank recorded a 1.61% cost rate of corporate deposits, a drop of 0.11 percentage point from the end of the previous year.

Along with relatively fast growth in corporate deposits, the Bank achieved leap-forward growth in corporate wealth management business. For the reporting period, the Bank's average daily balance of corporate non-risk-bearing wealth management products was RMB106.6 billion, up 63.5% over the previous year; the sales revenue of corporate wealth management products stood at RMB170 million, 2.5 times that of the same period of last year; and the number of customers buying such products recorded 7,340 accounts, an increase of 73.0% over the end of the previous year.

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

Corporate Loan Business

The Bank continued to optimize the industrial structure of its corporate loans. In credit extension, the Bank favored the "3 big, 3 high and 3 new" industries, namely, "big health, big culture and big environmental protection", "high technology, high-end manufacturing, high quality services and consumption" and "new materials, new energy and new business models". As at the end of the reporting period, the Bank's balance of corporate loans (excluding discounted loans) recorded RMB1,656.074 billion, a decline of 0.23% from the end of the previous year. In addition, the Bank further optimized the regional and industrial structures of its corporate loans. Regionally, the Bank achieved "priority investment in priority regions". During the reporting period, the key regions that comprised "4 municipalities and 11 provinces" recorded RMB29.6 billion incremental corporate loans, taking up 130.5% of the Bank's total increment. With regard to industrial structure, loans to the "3 big, 3 high and 3 new" industries kept growing, while loans to overcapacity industries were reduced significantly. As at the end of the reporting period, the balance of loans to the top 10 "3 big, 3 high and 3 new" industries including infrastructure construction, the modern service sector and strategic emerging industries collectively took up nearly 40% of the Bank's total, and incremental loans to these industries registered RMB16 billion, 70% of the Bank's total incremental corporate loans. In contrast, loans to the six industries suffering severe overcapacity[1] went down by 8.37% from the end of the previous year, of which loans to coal, iron & steel, cement and electrolytic aluminum industries declined by 7.03%, 6.14%, 20.06%, and 21.59%, respectively. The industrial structure of the Bank's credit loans became more optimal.

6.4.1.3 Key Corporate Businesses

Transaction Banking Business

The Bank was the first bank in China to launch an exclusive brand for transaction banking: "Transaction +". It aims at providing enterprise transaction actions and the entire transaction chain with whole-process, multi-channel, one-stop and smart transaction banking services.

During the reporting period, the Bank launched its "eco-finance" cloud platform to provide customers with stratified comprehensive professional services with the use of new technologies such as cloud computing, and thus enhancing its financial service functionality. Phase I of the transaction banking system version 2.0 went online, enabling whole-process customer service for all products available from the transaction banking channel. As at the end of the reporting period, the Bank recorded 353,500 accounts of contractual customers of transaction banking, a growth of 4.80% over the end of the previous year. For the reporting period, transaction banking business realized 32.2086 million transactions and total transaction value of RMB34.57 trillion, an increase of 35.66% and 14.66% year on year, respectively. The transaction substitution rate[2] stood at 66.69%, a drop of 1.71 percentage points from last year.

Investment Banking Business

With regard to investment banking, the Bank continued to consolidate its market competitiveness in debt financing, keenly captured opportunities available from capital market growth, and vigorously promoted the implementation of key business projects and products in areas such as debt underwriting, structured finance, fund business, M&A lending and syndication as the lead bank. These plus a focus on profit growth and constant improvements to product innovation enabled the Bank to achieve fast development of investment banking. For the reporting period, the Bank realized RMB4.737 billion revenue from investment banking[3], a year-on-year growth of 22.37%; underwrote RMB109.164 billion debt financing tools, ranking the 4th on the Chinese debt finance market[4], 2 notches up from the same period of the previous year; and cumulatively underwrote RMB6.65 billion Panda bonds, topping all joint-stock banks[5]. In face with fluctuations of the bond market, the Bank maintained relatively high benchmark for rating gravity, with nearly 61% of the bonds underwritten being bonds of AAA grade.

1 Including iron & steel, coal, cement, shipbuilding, electrolytic aluminum and flat glass industries.

2 Transaction substitution rate = Number of e-channel transactions/number of all-channel transactions.

3 The statistical definition of income from investment banking business was adjusted according to management requirements, with the effects of replacing business tax with Value Added Tax (VAT) excluded from year-on-year increase data.

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

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

The Bank successfully captured the business opportunities available from infrastructure construction along the "One Belt and One Road". The "Belt and Road Initiative" fund founded by the Bank exceeded RMB100 billion at its inception. The fund had RMB41.214 billion put on domestic market, supporting over 30 key "Belt and Road" initiative projects in areas such as rail transport, organic urban regeneration and shanty town renovation. Overseas, the fund realized its first equity project investment, and had over 50 key projects in the pipeline. The Bank actively promoted securitization of assets to accelerate asset turnover. During the reporting period, the Bank sponsored RMB5.45 billion installment asset securitization business at the interbank market based on normal credit card installment assets.

International Business

In the face of the complex and volatile external market situation, the Bank took the initiative to optimize the structure and profit model of its international business, outperforming the market in business development. Specifically, the Bank worked harder to grow export credit, cross-border mergers and acquisitions and other higher-yield asset businesses. In particular, the Bank recorded a 3.01% weighted average interest rate on incremental USD denominated corporate loans, up 1.66 percentage points over the previous year. The Bank increased the use of off-balance sheet international business products, registering RMB197.81 billion balance of off-balance sheet financing in international business, up 14.4% over the end of the previous year. During the reporting period, the Bank's forex purchase and sale was 3.9% of the market total[1], up 0.4 percentage point from the end of last year, securing the top ranking among all joint-stock banks in terms of market share in international balance of payments.

In its international business, the Bank enthusiastically embraced the policy guidance of the Chinese government's "Belt and Road" initiative and insisted on serving the real economy. In traditional business areas, the business scale and profit level of forex purchase and sale continued to grow, with income from forex spread in spot forex purchase and sale going up by 53% year on year. The Bank actively supported the financing arrangements for key overseas M&A projects, achieving a 35% year-on-year income growth in foreign-related letters of guarantee business. In terms of business innovation, the Bank actively promoted the onshore guarantees for offshore borrowings business[2] under regulatory policy guidance, which, via effective combination with fund products, successfully expanded its sources of business income. In addition, the Bank successfully operated its foreign trade integrated services cross-border e-commerce platform, rendering systematic support to batch acquisition of and service provision for small and medium-sized foreign trade enterprises. Further, the Bank actively pushed forward financial technology innovation. It launched the domestic L/C information transmission system online, pioneering the use of block-chain technology in L/C settlement. This changed the traditional L/C business model for the banking sector, in that it used the block-chain technology to improve business safety while improving L/C business processing efficiency.

1 According to the statistics at the end of June 2017 of the International Statistical Monthly compiled by the International Balance of Payments Department of China State Administration of Foreign Exchange.

2 "Onshore guarantees for offshore borrowings business" refers to the business where the onshore guarantor (e.g., the Bank) provides guarantee (e.g., financing L/G, standby L/C) to an offshore lender (e.g., a correspondent bank of the Bank) as requested in the application submitted by the onshore borrower for such guarantee, and the offshore lender provides financing to the onshore borrower based on the Bank's guarantee.

Asset Custody Business

The Bank continued to advance the business model of "commercial banking + investment banking + custody" and made continuous improvement to its custody business system. By promoting business growth via key branches and key projects, it built a unique path of custody business development. As at the end of the reporting period, assets under the Bank's custody recorded RMB7,407.512 billion, an increase of 12.75% over the end of the previous year; and income from custody business for the reporting period stood at RMB1.648 billion[1], a growth of 20.82% year on year (excluding the effect of replacing business tax with VAT).

The Bank kept its leading position in custody products such as publicly offered funds. As at the end of the reporting period, its custody of publicly offered funds recorded RMB1.81 trillion, an increase of 66.06% over the end of the previous year, jumping up to the first place in the Chinese banking industry[2] in the ranking of such custody scales. In addition, the Bank made vigorous efforts to develop "important products" in custody business. The four categories of custody products, i.e., publicly offered funds, asset management for securities companies, bank wealth management, and third-party supervision, recorded more than RMB1 trillion each. In tune with the direction of pension reform, the Bank made arrangements for the custody of enterprise annuity and occupation pension. As at the end of the reporting period, the Bank had RMB56.032 billion enterprise annuity under its custody, an increase of 9.18% over the end of last year; and recorded 332,200 personal pension accounts, an increase of 14.24% over the end of last year. The Bank attached great importance to the innovation and development of its custody business. During the reporting period, there were more than 600 new projects placed under the Bank's custody, consisting mainly of private equity funds. Their total value under custody recorded RMB431.7 billion, representing an increase of 33% over the end of the previous year, of which about RMB15 billion was for the size of large government-led fund projects.

PPP Business

The PPP model is a long-term partnership between government and social capital in infrastructure and public services and an internationally recognized effective way for market participation in the allocation of public resources. Relying on CITIC Group's integrated advantages, the Bank has always taken the forefront of PPP business development. It has formed a relatively complete business process and relatively strong trouble-shooting capabilities in this regard.

During the reporting period, the Bank reached the intention of cooperation with more than 40 PPP financing projects at a combined amount of nearly RMB80 billion. These projects used multiple financing models such as equity finance, debt finance and "equity + debt" finance. Their financing programs emphasized the use of asset-light and capital-light products and would mainly invest in the areas of toll roads, municipal infrastructure, water, and environmental protection. The target investment areas included the developed areas along the southeast coast and the central, and western regions with strong support from central transfer payments.

6.4.2 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 promoted the second transformation of retail banking. Its efforts were focused on unique products such as Xinjin Bao, going abroad finance, loans backed with home mortgage, mobile banking and credit card. With innovations made to customer acquisition models both via physical channels and on internet platforms, the Bank secured relatively fast growth of retail banking business while constantly escalating service quality and customer satisfaction.

During the reporting period, the Bank realized RMB22.808 billion operating income from retail banking, an increase of 22.41% year on year, accounting for 31.53% of its total operating income, a rise of 6.75 percentage points over last year. Of this amount, RMB15.362 billion was net non-interest income, up 35.65% year on year, taking up 60.33% of the Bank's total, an increase of 12.66 percentage points. Credit card contributed RMB11.84 billion and retail agency business RMB1.95 billion to total net non-interest income from retail banking, accounting for 77.07% and 12.7% of the total, respectively.

1 Including commission income from agency sales of corporate insurance.

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

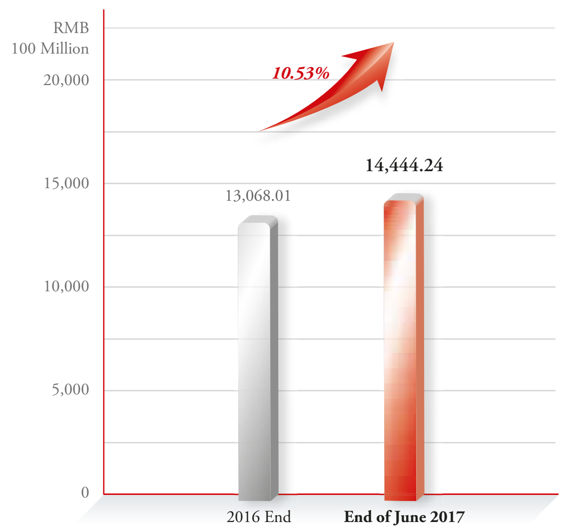
6.4.2.1 Retail Customer Management

The Bank reinforced stratified group-specific management of retail customers via precision marketing, carried out platform-based management of general customers, and built the unique "CITIC Red" brand for protection of customer rights. These efforts led to relatively high growth in the number of retail customers. As at the end of the reporting period, the Bank recorded 72.5724 million accounts of retail customers, a growth of 7.6% over the end of the previous year; 537,100 accounts of retail VIP customers[1], a growth of 11.19% over the end of the previous year; and 24,800 accounts of private banking customers[2], an increase of 15.13% over the end of the previous year.

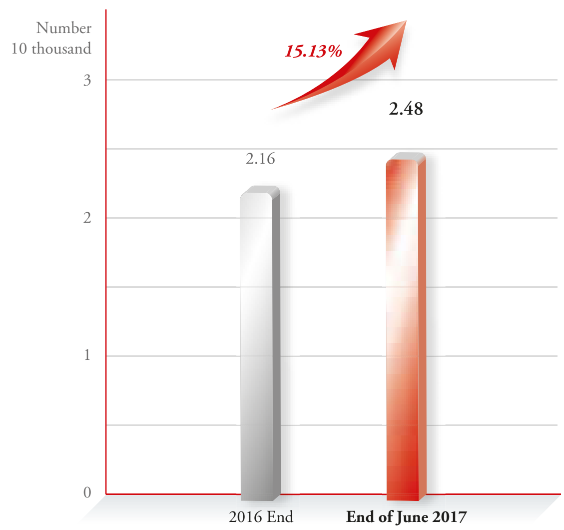
The Bank seized the opportunities available from the rapid development of technology such as big data and mobile payment, the rapid prevalence of Internet finance and the introduction of the "New Deal" regulatory requirements on bank accounts. It conducted "head office to head office" cooperation to expand the channels for batch acquisition of premium retail customers and build innovative efficient models for acquisition of and marking among retail customers. As at the end of the reporting period, the Bank had built partnership with well-known Internet platforms such as Baidu, ofo (bike sharing), Xiaohongshu, Taobao, Dianping and Tuniu. Ways of cooperation included issuance of co-branded bank cards and use of cooperation scenarios to carry out in-depth customer service and management. The Bank's Xinjin Bao products, launched with an Internet mindset, maintained high capacity of customer acquisition. At the end of the reporting period, the number of contractual customers stood at 3.7068 million accounts, an increase of 32.03% over the end of the previous year, of which 74.48% were new customers, leading to incremental AUM balance of RMB169.072 billion.

In addition, the Bank made keen efforts to develop agency payment of salaries by means of expanding national partners, organizing theme marketing events, and developing innovative marketing mechanisms. As at the end of the reporting period, the Bank made agency salary payment for 37,000 enterprises, and had 4.3416 million accounts of retail customers that received agency salary payments. The agency salary payment business created 841,900 accounts of incremental retail customers. As at the end of the reporting period, the Bank registered RMB170.522 billion AUM for its retail customers receiving agency salary payments, a growth of 16.34% over the end of the previous year; and RMB68.813 billion balance of deposits from these customers, up 9.09% over the end of the previous year.

Assets under Management of Individual Customers



Number of Private Banking Customers



1 Refer to customers with RMB500,000 (inclusive) to RMB6 million daily and monthly average AUM at the Bank.

2 Refer to customers with more than RMB6 million (inclusive) daily and monthly average AUM at the Bank.

6.4.2.2 Personal deposit and Loan Business

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 source channels of settlement deposits, and enhanced joint marketing for corporate and retail banking businesses to bring along growth in both the number of retail customers and their deposits with the Bank. Meanwhile, the Bank optimized its deposit structure to reduce the cost of deposits. As at the end of the reporting period, the Bank recorded RMB473.341 billion balance of personal deposits, an increase of RMB7.848 billion over the end of the previous year, of which personal demand deposits took up 47.64%, a growth of 2.62 percentage points over the end of the previous year.

Personal Loan Business

In active response to the policy requirements of the government on vigorously developing inclusive finance, the Bank sped up the research and development of personal loan products, strengthened process management and control, and took the initiative to adjust the structure of personal loan products. While constantly optimizing the pricing levels of its personal loan products and quickly expanding the asset scales of such products, the Bank kept the asset quality thereof basically stable. As at the end of the reporting period, the Bank's balance of personal loans was RMB808.178 billion (excluding credit card), representing an increase of 15.80% over the end of the previous year. During the reporting period, the weighted average interest rate of newly granted loans recorded 5.66%, a rise of 0.40 percentage points from last year.

The Bank made proactive innovations to its personal loan products. Focus was placed on developing four major categories of products, i.e., loans backed by mortgage of properties, unsecured loans, loans backed by pledge of financial assets and personal supply chain financial products. The Bank actively facilitated the construction of its credit factory. After making all products and processes of the credit factory electronic, the Bank sped up centralized and automated operation thereof. During the reporting period, the Bank complied with the government requirements on property regulation and control at all levels and proactively met reasonable housing demands of individual customers through the formulation of regional differentiated mortgage policies. As at the end of the reporting period, the Bank recorded RMB482.551 billion balance of home mortgage loans, a growth of 14.72% over the end of the previous year; incremental mortgage loans accounted for 56.14% of total incremental personal loans (credit card excluded), down by 16.60 percentage points from last year; and the weighted average interest rate of newly granted home mortgage loans stood at 4.55%, a rise of 0.09 percentage point from last year. The balance of the important product "Home for Loan integrated credit lending"[1] backed by the mortgage of properties amounted to RMB349.422 billion, up 21.49% over the end of the previous year; incremental "Home for Loans" took up 56.07% of total incremental personal loans (credit card excluded); the NPL ratio of "Home for Loan" stood at 0.44%, remaining relatively low; and on average newly granted "Home for Loans" were priced at 24.45% above the baseline interest rate, up 13.21 percentage points from last year.

6.4.2.3 Key Businesses of Retail Banking

Wealth Management

During the reporting period, the Bank actively responded to market changes, closely followed customer needs, enhanced innovation, and carried out series of product upgrades and structural transformation. These efforts contributed to relatively rapid growth of its wealth management business. In terms of customer wealth management, the Bank acquired new customers in batches through the launch of "wealth management products dedicated to new customers", and met customer demand for liquidity management by establishing the "platform for transfer of personal wealth management products ". In terms of agency fund sales, the Bank availed itself of the market window of higher fund yield at the money market during the reporting period to promote business development of Xinjin Bao focusing on investment in money market funds, the product scale of which exceeded RMB60 billion. In terms of agency sale of insurance, the Bank actively responded to changes in the market environment, and boosted the development of agency sales of installment insurance products. As a result, the sales volume of such insurance products grew 230% year on year.

As at the end of the reporting period, retail customers of the Bank recorded total AUM balance of RMB1,444.424 billion and daily average AUM balance of RMB1,399.082 billion at the Bank, an increase of 10.53% and 16.40% over the previous year, respectively. VIP retail customers had an AUM balance of RMB659.594 billion at the Bank, up 11.32% over the end of the previous year.

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

Private Banking Business

The Bank's private banking business aims at providing comprehensive, professional and exclusive financial and non-financial services for individuals, families and businesses that are its private banking customers. As at the end of the reporting period, the Bank recorded RMB369.159 billion AUM for its private banking customers, up 14.93% over the end of the previous year; AUM of private banking customers took up 25.68% of the Bank's total retail AUM, a growth of 0.97 percentage points over the end of the previous year; and the number of private banking customers stood at 24,800 accounts, an increase of 15.13% over the end of the previous year.

During the reporting period, the Bank set up the Private Banking Department as a Tier-One managerial function, established 11 private banking centers at various branches, and increased the number of professional wealth advisors to 160 people. The Bank actively explored inter-generation wealth inheritance of private banking customers. Its private banking family trust business won extensive market recognition. The Bank strived to help customers balance risk and return. By launching the carte blanche asset management business, it provided customers with a brand new service model of asset management characterized by coverage of all asset categories, full strategic investment and global allocation of assets.

Credit Card Business

The Bank continued to promote the cross-sector integrated operation strategy for its credit card business. Mega partnership with enterprises in relevant areas enabled the Bank to jointly construct a borderless financial ecosphere that covered all consumption scenarios of the users, covering daily life, entertainment, sports, health and culture, etc., and deepened stratified management of customer groups with support from service systems and payment technologies.

For customers with the need for frequent business travels and other high-end customers, the Bank focused on improving the service system for business travels. Among others, the Bank introduced the "CITIC Fly Punctual" co-branded card, online operated the mobile self-service claims platform for flight delays, and upgraded the provisions on insured rights of platinum card holders in case of flight delays. These further consolidated the Bank's leading edge in the breakdown market segment of business travels. For car owners, the Bank released the "CITIC Car Owner" credit card to provide customers with all-round car services. For customers who loved sports and entertainment, the Bank leveraged the opportunity available from the World Cup by jointly debuting the FIFA2018 World Cup theme credit card in the Asia-Pacific region in cooperation with Visa, along with the launch of a series of special promotional events including game tickets, game watching and sightseeing tours. These enriched the system of credit card sports service platforms. In addition, the Bank made proactive efforts to capture the life-style and consumption characteristics of young customer groups, and subsequently launched the CITIC "Color Cards" that included different versions in different colors to meet the various visual and aesthetic needs of customers. All these were well received by the market.

As at the end of the reporting period, the Bank recorded RMB302.156 billion balance of credit card loans, a growth of 27.33% over the end of the previous year; and issued a cumulative number of 41.6069 million credit cards, an increase of 23.49% year on year. For the reporting period, the Bank realized credit card transaction volume of RMB659.741 billion, up 35.95% year on year, and RMB16.599 billion income from credit card business, a growth of 49.75% year on year (excluding the effect of replacing business tax with VAT; the same thereafter in this paragraph), of which interest income and non-interest income registered RMB4.009 billion and RMB12.590 billion, a year-on-year growth of 13.79% and 66.71%, respectively.

The Bank continued to promote the upgrading of credit card consumer finance products, including the launch of a series of innovative products, e.g., short-term installment products that could be borrowed and repaid at any time to improve capital turnover, and installment products and loan products dedicated to new customers. For young customers, the Bank made use of the online express application process and big data integrated credit extension models such as the PBOC credit reference system, to achieve rapid review and approval of applications and immediate loan disbursement upon approval. During the reporting period, the Bank's credit card installment business achieved a 139.39% year-on-year growth in transaction volume.

Going Abroad Financial Services

Going-abroad financial services constitute an important product of the Bank's retail banking business. The Bank was the exclusive Chinese partner financial institution authorized by 9 embassies to China (US, UK, Australia, Brazil, Israel, Singapore, South Africa, Italy, and New Zealand) to provide services that included agency payment of visa fees, agency delivery of visas and opening special remittance accounts for overseas studies. Building on this, the Bank introduced the "CITIC Global Visas" program in conjunction with carefully chosen premium third-party partners. The program provides customers with agency visa services that cover a total of 70 countries. Going-abroad financial services of the Bank have become a system of products in five major categories, i.e., visa, credit certification, going-abroad loans, forex settlement, and global asset allocation. The Bank provided one-stop services for its customers at its outlets and carried out in-depth cooperation with WeChat to satisfy financial service needs of customers before, during and after their overseas trips for various purposes including but not limited to tourism, studies, and business travels.

For the reporting period, the Bank's going-abroad financial services recorded 1.02 million person-times customer service and brought about 140,000 accounts of new retail customers and RMB7.798 billion incremental retail AUM.

6.4.2.4 Consumer Rights Protection and Service Quality Management

The Bank made positive efforts to improve its consumer protection system. Improvements were made to its long-term mechanism on safeguarding service quality and protection of customer rights. Among others, it set up the Consumer Rights Protection Committee under the Board of Directors, and the Consumer Rights Protection Office as a Tier-One managerial function. The Bank continued to carry out relevant regular work such as access review of new products and new services from the perspective of consumer protection, and special audit of consumer protection work. In addition, the Bank diversified service monitoring approaches to upgrade customer experience in a continuing manner. To boost dissemination of financial knowledge, the Bank organized publicity events such as "15 March International Consumer Rights Day", "10,000-Mile Journey for Dissemination of Financial Knowledge" and "Protect Your Pocket". These efforts were very rewarding.

6.4.3 Financial Markets Business

In financial markets business, the Bank upheld its profit focus and light-style development. Among others, it quickened the trading and circulation of assets, optimized the structure of existing assets, and constructed and constantly improved relevant platforms and channels, in a bid to promoting the transformation of its business model towards the "capital-light, asset-light and cost-light" direction.

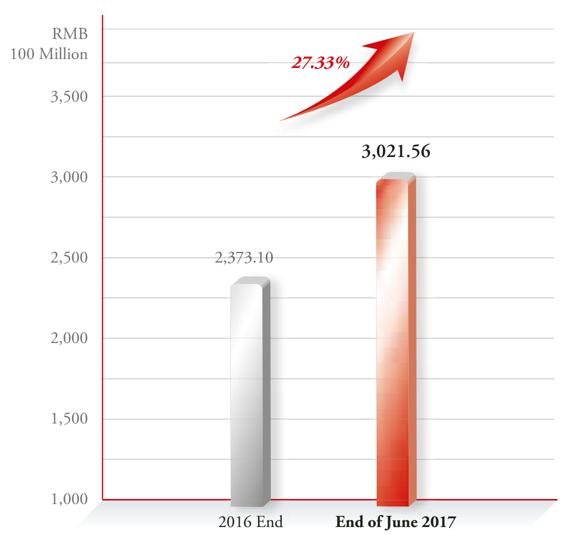
During the reporting period, due to the impact of the market environment, the Bank made proactive adjustments to its business scale and structure. Its financial markets business segment recorded an operating income of RMB2.984 billion, a drop of 65.13% year on year. Of this income figure, net non-interest income from financial markets business recorded RMB1.775 billion, a decrease of 50.94% year on year, accounting for 6.97% of the Bank's total net non-interest income.

6.4.3.1 Interbank Business

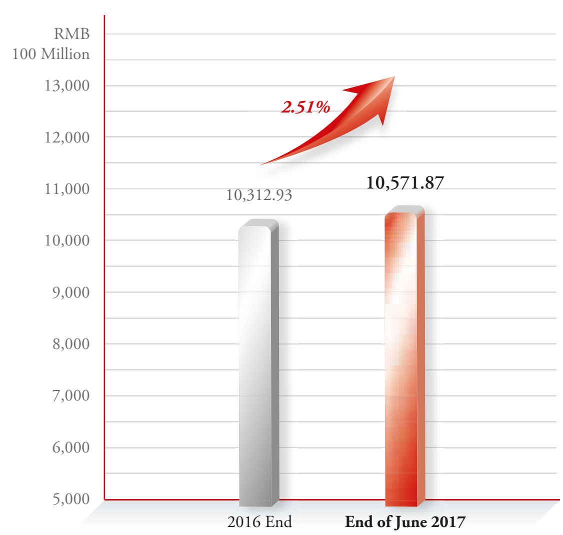
During the reporting period, due to the rapidly rising capital cost at the open market and the impact of changes in the regulatory environment, the Bank took the initiative to slow down the growth of its interbank business and accelerate the transformation from "product management" to "customer management". Among others, the Bank adapted and reshaped the operation and service concepts, the service and marketing systems and the operation model of interbank business. It further clarified the development direction of the four major categories of interbank business, i.e., asset business, liability business, trading business and agency business, that is, to direct asset business towards richer varieties and a more optimal asset structure, to regard expansion and diversification of liability channels and higher proportion of demand deposits as the priorities for development of liability business, to orient trading business towards larger trading turnover and better operations tailored to different market phases, and to focus agency business on increase of sales volume and expansion of agency products.

The Bank prioritized the promotion of the "CITIC Interbank +" platform. The platform mainly serves small and medium-sized financial institutions such as urban commercial banks, rural commercial banks and rural credit cooperatives, and at the same time covers other financial institutions including joint-stock banks as well as securities, fund, trust, insurance, futures, financial leasing and finance companies. During the reporting period, the platform achieved rapid growth, recording 452 accounts of contractual customers and RMB384.2 billion transaction volume. Of these contractual customers, 85% were local commercial banks that mainly comprised local rural commercial banks, urban commercial banks and rural credit cooperatives; and 15% were non-bank customers that mainly included securities, fund and trust companies.

Loan Balance of Credit Cards



Scale of Wealth Management Products



During the reporting period, the Bank made full use of its advantages in bill business to help SMEs address their financing difficulties, rendering effective support to the real economy with its financial services. It took the initiative to assist financial companies under large enterprise groups in their efforts to promote the use of electronic bills within their group enterprises and among the upstream and downstream enterprises along the industrial chains. This not only addressed financing needs in areas such as inter-firm liquidation within the groups and upstream and downstream procurement payments, but also helped the finance companies better serve the group members. The Bank continued to promote the electronic bill business, realizing electronic trading of all business items relating to hard-copy commercial papers through the Shanghai Commercial Paper Exchange system, with bill business at 38 branches or a total of 226 outlets going electronic.

As at the end of the reporting period, the Bank recorded 1,882 accounts of interbank customers, an increase of 2.73% over the end of the previous year; its balance of interbank assets (including deposits and placements with banks and non-bank financial institutions) was RMB202.996 billion, a decrease of 41.97% from the end of the previous year; and its balance of interbank liabilities (including deposits and placements from banks and non-bank financial institutions) registered RMB900.265 billion, an increase of 12.71% over the end of the previous year.

6.4.3.2 Financial Markets Business

The Bank actively conducted money market transactions such as Renminbi interbank lending/borrowings and bond repos. While meeting its needs for liquidity, the Bank improved the operating return on short-term capital. As at the end of the reporting period, the Bank recorded a total volume of RMB7.40 trillion money market transactions, a year-on-year growth of 14.07%. With its innovative portfolio products including forex trading, spot and forward forex purchase and sale, swaps, options and relevant exchange rate products, the Bank offered pertinent multi-layer exchange rate risk management solutions to its customers and helped enterprises with value preservation and appreciation of their forex assets. During the reporting period, the Bank achieved a forex market making trading volume exceeding RMB7 trillion, a growth of 26% year on year. Among more than 600 members at the interbank forex market, the Bank ranked 1st in terms of spot market making, further consolidating its status as a mainstream market maker.

With flexible use of multiple trading strategies, the Bank was able to improve the return on short-term bond trading. In addition, the Bank further optimized the credit extension process for debenture investment and made appropriate adjustments to asset durations, which effectively balanced asset safety, liquidity and yield. During the reporting period, the Bank's trading volume of debt securities and interest rate derivatives recorded RMB1.2 trillion, a growth of 88.5% year on year. The Bank's debt securities assets as a whole enjoyed high quality, with all debt securities held by the Bank being free of any repayment failure or default.

The Bank continued to promote the development of precious metals leasing and proprietary trading business in a prudent manner, harvesting leading rankings in interbank gold price inquiry market making and gold import business. In addition, the Bank further improved its precious metals business system. It actively carried out innovative businesses such as precious metals leasing of London precious metals markets and silver futures. Relevant precious metals retail products such as "CITIC Ji Cun Jin", "CITIC Collection" and "CITIC Investment" enjoyed a sound momentum of development. As at the end the reporting period, the Bank's outbound precious metals leasing stood at RMB17.588 billion; and its gold import recorded 12 tons, an increase of 33.33% year on year.

6.4.3.3 Asset Management

The Bank registered steady growth in its asset management business. As at the end of the reporting period, the scale of all wealth management products of the Bank was in the amount of RMB1,057.187 billion, an increase of 2.51% over the end of the previous year, of which non-risk-bearing products, open-ended products and net-worth products took up 79.65%, 55.73% and 2.98% of the total respectively, indicating a prudent and healthy product style in the overall sense. For the reporting period, the Bank realized RMB2.605 billion income from its wealth management business; and all of the 1,008 matured bank wealth management products were repaid on time, creating RMB19.919 billion yield for its customers.

During the reporting period, the Bank accelerated asset-side restructuring in connection with investment in wealth management products by significantly reducing low-yield money market assets and interest rate liabilities. In the allocation of bank wealth management assets, the Bank reduced interbank certificates of deposit by a net amount of RMB12.32 billion or 9.22% and interest rate liabilities by RMB7.092 billion or 3.49%. At the same time, the Bank allocated more amounts to high-yield debentures and equity assets. Thanks to such asset-side structural optimization, the average yield of wealth management products went up by about 0.1 percentage point, which to some extent alleviated the pressure of rapidly rising cost on the liability side.

The Bank accelerated the innovation of wealth management products and achieved breakthroughs in the product variety and asset size of cross-border asset management business. It issued the first ever free trade area (FT) wealth management product, restarted QDII wealth management products, and issued innovative structured products linked to the US stock market indices and the dollar index. As a result, the Bank became an industry leader in terms of product diversity. By developing multi-channel cross-border businesses such as third-party QDII, TRS and mutual fund recognition, the Bank achieved a 360% growth of asset scale in cross-border asset management business over the end of the previous year.

6.4.4 Integrated Financial Services

CITIC Group, the de facto controller of the Bank, is an integrated conglomerate that attaches equal importance to financial and non-financial businesses and does business in dozens of industries and areas, enjoying strong comprehensive advantages and unique overall competitiveness. Likewise, business synergy with CITIC Group makes the Bank outstanding among its peers with distinctive competitive edges.

The financial subsidiaries of CITIC Group, including CITIC Securities, China Securities, CITIC Trust and others, are industry leaders that are mutually complementary with the Bank in terms of customers, products and outlets, and together with the Bank provide customers with full-range in-depth comprehensive financial services that span multiple areas such as banking, securities, trust, insurance, fund and asset management. CITIC Group actively integrated its businesses in energy and resources, equipment manufacturing, energy conservation and environmental protection, culture and publishing, etc. Among others, CITIC Group acquired majority stakes in McDonald's China and Hong Kong, and made equity investment in Digital Kingdom and Capital Agribusiness Group. These initiatives, while further optimizing the business layout of CITIC Group and enabled it to get better involved in the field of mass consumption, also opened up a broader space for development of the Bank.

During the reporting period, the Bank continued its close partnership with financial and non-financial subsidiaries of CITIC Group. Together they provided enterprises with comprehensive financing of RMB351.844 billion, a year-on-year growth of 48.90%, and made cumulative agency salary payment of RMB3.834 billion, a year-on-year growth of 20.11%. As at the end of the reporting period, the subsidiaries of CITIC Group had RMB78.9 billion deposit balance at the Bank and RMB979.075 billion assets under the Bank's custody, an increase of 3.94% and 115.13% year on year, respectively. The Bank regarded cross-border synergy as a focus of its synergy efforts. Among others, the Bank continuously promoted business interaction with overseas subsidiaries to enhance sharing of customer resources. During the reporting period, domestic branches of the Bank entered into 56 cooperation projects with CNCBI and CNCB Investment, with aggregate cooperation scale reaching RMB198.005 billion. In addition, the Bank actively promoted cooperation with CITIC Group's strategic customers, shareholders and industrial subsidiaries. Its financial services fully covered the 32 strategic corporate customers of CITIC Group. In particular, the Bank successfully carried out business exchanges with CITIC Limited shareholders such as Chia Tai and ITOCHU, and business cooperation with non-financial subsidiaries of CITIC Group such as CITIC Pacific, CITIC Metals, CITIC Press, CITIC Environment and CITIC Medical.

6.4.5 Internet Finance

During the reporting period, the Bank promoted its Internet finance strategy at a quicker pace. With the use of Internet technology and thinking, it constantly deepened the integration of channels and online operation, grew its e-commerce payment and settlement business, and kept optimizing the online risk prevention and control system, so as to enhance its market competitiveness in the Internet era.

The Bank used big data technology to do data mining and analysis based on the characteristics of online customers and carry out refined customer management based on customer portraits. These provided important support to optimal product design and to customer engagement and marketing. During the reporting period, through big-data precision marketing, the Bank acquired 235,700 accounts of retail customers, brought along 956,200 accounts of active customers, and increased customer AUM by RMB12.340 billion. The Bank was committed to establishing a robust real-time risk control system for e-banking to intensify real-time monitoring and concurrent precise handling of customer transaction risks in personal online banking and mobile banking. These efforts ensured better customer experience and safety of transaction funds.

In terms of Internet channel construction, the Bank consistently regarded mobile banking as the core. Its continuous efforts in iterating and upgrading online platforms rapidly enhanced customer experience and service capacity of products. During the reporting period, the Bank launched the online platform for transfer of wealth management products, realizing online listing, quotation and transfer of wealth management products. Thus, the Bank further satisfied the needs of wealth management customers for liquidity management. Upon its 3-month online operation, the platform completed 7,300 transfers at a combined turnover of RMB1.68 billion. The Bank launched the CITIC-Hong Kong Connect service to enable inter-operability and inter-verification of accounts with CNCBI, rendering a further boost to its cross-border service level.

In terms of online payment and settlement, the Bank quickened the pace to optimize its online payment products. Its three key billing products, i.e., “Payment All In One”, “Cross Border E-Commence Payment” and “CITIC Bank e-Pay”, achieved rapid growth. The Bank thus further consolidated its competitive edges at the online payment and settlement market. During the reporting period, “Payment All In One” realized RMB132.052 billion transaction volume of integrated payment and recorded 1.90 million partner suppliers, a 5-time growth over the end of the previous year. The Bank also introduced its self-built platform for “Payment All In One” integrated payment and was among the first to get connected into the PBOC’s Nets Union Clearing Corporation (NUCC) for non-bank online payment institutions. For “Cross Border E-Commence Payment”, the Bank launched the cross-border e-commerce forex payment system version 4.0 and cross-border e-commerce foreign trade comprehensive service platform. For the reporting period, “Cross Border E-Commence Payment” realized transaction volume of RMB13.127 billion and recorded 49 partner suppliers, a growth of 17.11% over the end of the previous year. For “CITIC Bank e-Pay”, the Bank completed the relevant information system and bank-wide data migration. “CITIC Bank e-Pay” realized a transaction volume of RMB7.823 billion, with peak daily transaction volume exceeding RMB100 million, and recorded 1,829 partner suppliers, an increase of 93.01% over the end of the previous year. Online payment and settlement business realized combined income of RMB440 million, an increase of 85.04% year on year.

In terms of Internet cross-sector cooperation, the Bank promoted the “Internet financial ecosphere” that features joint channel construction, sharing of benefits, interoperability, and win-win cooperation. It deepened cooperation with Internet platforms on all fronts, and improved the multi-layer multi-dimensional credit card product system, including the launch of the co-branded card version of CF games in cooperation with game.qq.com, the CNCB-Taobao co-branded Taoqi Card as a result of escalated partnership with Taobao members, and the co-branded card in cooperation with Xiaohongshu. The Bank further improved the layout of its credit card mobile payment products. Among others, it introduced the UnionPay QuickPass QR code mobile payment product, becoming one of the first domestic banks to support this innovative payment technology.

6.4.6 Information Technology

The Bank attached great importance to the development of information technology (IT). To lay out the direction of IT development and application in the context of "Internet +" and the economic New Normal, the Bank formulated its 13th Five-Year Information Science and Technology Plan. Based on its development vision and its strategy on further growth with the use of science and technology, and in response to the trends of providing financial services in mobile, smart and express ways, the Bank put forward the mindset of improving IT governance and reinforcing IT basic management, and made proactive efforts to transform itself towards the "traditional + Internet" hybrid structure.

During the reporting period, the Bank launched, as planned, key strategic projects in risk control, construction of business platforms, data application, infrastructure development and other relevant areas, and put into operation projects such as the new generation asset management business system, intelligent billing platform, and retail customer bonus point accumulation. In addition, the Bank completed the development of core business systems for its overseas branches, and successfully upgraded its core networks. The Bank enthusiastically embraced the development of financial technology, accelerated the research, development and application of new technologies such as cloud computing, block chain, machine learning and big data analysis, and continuously pushed forward the research and development of distributed database. Thus, the Bank constantly improved customer experience of its financial services by leveraging financial technology and innovation.

6.4.7 Distribution Channels

6.4.7.1 Physical Outlets

As at the end of the reporting period, the Bank had 1,444 outlets in 140 large and medium-sized cities in China, including 38 tier-one branches (directly managed by the Head Office), 109 tier-two branches, and 1,297 sub-branches (including 87 community/small and micro sub-branches), plus 2,920 self-service banks, 9,716 self-service terminals, and 3,757 smart teller machines. As such, the Bank had developed a diversified outlet pattern that consisted of smart (flagship) outlets, comprehensive outlets, boutique outlets, community/small and micro outlets, and off-outlet self-service terminals.

With its outlets basically covering all large and medium-sized cities in China, the Bank gradually shifted its focus of domestic outlet construction from expansion of service coverage to layout adjustment and profit improvement. Allocation of outlet construction resources favored areas with higher outlet profitability and more developed regional economy such as Beijing, Shanghai, Guangzhou and Shenzhen. At present, the Bank's outlet distribution is fairly reasonable. More than 70% of the outlets are concentrated in the eastern and central developed regions and under branches with leading rankings in terms of average outlet production capacity. Less than 10% of the outlets are in areas with low average outlet profit and weak risk control capacity.

In terms of the distribution of overseas outlets, CITIC Bank International (CNCBI), an affiliate of the Bank, had 40 outlets in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and mainland China. In line with its 2017-2020 Plan for Overseas Development, the Bank made active efforts to promote the construction and development of overseas outlets. Its London Branch and Sydney Branch preparation teams continued to push forward their applications for the branch licenses and advance their efforts to establish the branches. Preparation for establishment of its Hong Kong Branch was also in orderly progress. During the reporting period, the Bank and China Shuangwei Investment Corporation (a wholly owned subsidiary of China Tobacco Corporation) formed a partnership to acquire a 60% stake in JSC Altyn Bank, a bank owned by JSC Halyk Bank of Kazakhstan (the acquisition is still subject to relevant regulatory approval). With this deal, the Bank is expected to become the first Chinese joint-stock bank to acquire a bank in Kazakhstan.

6.4.7.2 Online Outlets

The Bank kept optimizing its online channels and reinforced integration of the channels. As a result, its online financial service capability enhanced rapidly.

The Bank's mobile banking maintained rapid growth. As at the end of the reporting period, the Bank recorded 22.9944 million mobile banking customers including 4.4014 million active mobile banking customers[1], an increase of 43.51% and 38.96% year on year, respectively; the volume and value of mobile banking transactions stood at 57.6413 million and RMB1,851.781 billion, up 39.49% and 58.25% year on year, respectively. Personal online banking continued to develop steadily. As at the end of the reporting period, personal online banking recorded 25.4006 million users, an increase of 23.90% year on year; 624 million transactions, an increase of 144.97% year on year; and RMB6,582.860 billion transaction value, up 23.00% year on year.

During the reporting period, the hotline of the Bank's Credit Card Customer Service Center received 43.3507 million incoming calls, achieving a customer satisfaction rate of 98.46% in general and a customer satisfaction rate of 96.88% 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 117,200 person-times in total. The hotline of the Bank's Debit Card Customer Service Center received 26.5198 million incoming calls, achieving a customer satisfaction rate of 98.38% in general and a customer satisfaction rate of 98.43% 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 203,000 person-times in total.

6.4.8 Subsidiary Business

6.4.8.1 CIFH

CIFH is the main platform for the Bank to conduct its overseas businesses. 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 HKD326.086 billion, an increase of 7.94% over the end of the previous year, and a total number of 2,028 employees. For the reporting period, CIFH realized net profit of HKD1.371 billion, a growth of 21.24% year on year.

CNCBI: As at the end of the reporting period, CNCBI recorded total assets of HKD323.808 billion, a growth of 8.01% over the end of the previous year. For the reporting period, CNCBI realized operating income of HKD3.979 billion, an increase of 39.31% year on year, and net profit of HKD1.388 billion, a growth of 16.74% year on year.

During the reporting period, CNCBI rapidly developed its cross-border business by fully grasping the opportunities arising from "the Belt and Road" initiative and the "Going Global" of domestic enterprises and through increasingly closer interaction with the Bank. It realized RMB48.235 billion cross-border Renminbi trade settlement in total. With the rapid growth of overseas borrowings and cross-border M&A made by mainland Chinese enterprises, CNCBI actively assisted Chinese enterprises in their issuance of overseas USD bonds and broadened their financing channels. During the report period, CNCBI realized HKD216 million commission income from the debt capital market and recorded a marked year-on-year growth in cross-border business income relating to personal and commercial banking.

CIAM: CIAM is a PE investment company with private equity investment as its core business and relatively unique fund management and consulting services as a supplement. During the reporting period, CIAM insisted upon its "shareholder extension" positioning to tap business synergy and innovation with its shareholders. Its affiliate CITIC Carbon Assets Management Limited assisted Special Steel Group of CITIC Pacific to provide carbon asset management while extending the cooperation in carbon assets and carbon trading to other subsidiaries of CITIC Group. Its CITIC YBN Agricultural Fund developed steadily. The fund actively promoted the establishment of Shandong and Jilin agricultural funds on the basis of continuously developing the existing Chongqing Modern Agricultural Fund.

1 Refer to mobile banking customers that made account transactions during the current year.

6.4.8.2 CNCB Investment

CNCB Investment is an overseas controlling 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.

In line with its positioning of developing itself into an overseas boutique investment bank, CNCB Investment leverages its unique advantages that lie in the combination of debt financing and equity investment. Backed by the Bank and supported by the domestic branches, CNCB Investment actively promotes licensed investment banking businesses in Hong Kong, such as securities underwriting, securities consulting, corporate financing advisory services and asset management, and vigorously conducts private equity investment fund management business in mainland China. During the reporting period, CNCBI steadily developed its licensed investment banking businesses and key cross-border investment and financing businesses, made proactive explorations into active asset management business, and enhanced the mobilization of existing assets. All these effectively improved its profit level.

During the reporting period, CNCB Investment realized net profit equivalent to RMB195 million, up 110.82% year on year. As at the end of the reporting period, it had total assets were equivalent to RMB15.317 billion, down 9.44% from the end of the previous year, and its consolidated AUM reached RMB111.158 billion.

6.4.8.3 CITIC Financial Leasing

Wholly owned by the Bank, CITIC Financial Leasing 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.

During the reporting period, CITIC Financial Leasing cumulatively implemented 35 projects with lease grant amounting to RMB13.788 billion, including RMB5.227 billion cumulative green lease grant (mainly relating to clean energy and energy conservation and environmental protection); and realized net profit of RMB206 million, a year-on-year decline of 7.74%. Thanks to effective risk management and control, CITIC Financial Leasing had zero non-performing assets as at the end of the reporting period.

6.4.8.4 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 the rest 49%. Lin’an CITIC Rural Bank is mainly engaged in general commercial banking business.

Lin’an CITIC Rural Bank realized RMB12 million net profit for the reporting period, a year-on-year growth of 22.66%. As at the end of the reporting period, Lin’an CITIC Rural Bank recorded RMB1.177 billion total assets, up 12.62% over the end of the previous year, and RMB802 million balance of customer deposits, a growth of 11.03% year on year. Its capital adequacy ratio stood at 29.21%, allowance coverage ratio 230.62%, and the ratio of allowance for impairment of loans to total loans 4.2%.

6.4.8.5 CITIC aiBank

On 17 November 2015, the Bank convened a meeting of the Board of Directors and adopted the Resolution on the Establishment of the Direct Bank, with relevant matters to be implemented after regulatory approval. On 5 January 2017, the Bank received the Approval of CBRC regarding CITIC Bank’s Application for Preparing the Establishment of CITIC aiBank Corporation Limited, obtaining CBRC approval for setting up CITIC aiBank in Beijing. The Bank and Fujian Baidu Bo Rui Netcom Science and Technology Co., Ltd. subscribed for 1.4 billion and 600 million ordinary shares in CITIC aiBank, taking up 70% and 30% of the forthcoming bank’s total share capital, respectively. On 21 August 2017, the preparation team of CITIC aiBank received the Approval in relation to the Commencement of Business of CITIC aiBank Corporation Limited by CBRC. All relevant formalities prior to commencement of business will be completed in due course in accordance with the concerned requirements. CITIC aiBank will start business operation within 6 months after receiving its business license.

6.5 Risk Management

During the reporting period, the Bank persisted in its prudent overall risk preference, realized the capital constraint function, used quantitative risk measurement technique as a support, and struck an appropriate qualitative and quantitative balance between profit and risk by means of more intensive economic capital management and internal fund transfer pricing. Based on the above-mentioned risk preference, the Bank developed its risk tolerance indicator system, including indicators in the three categories of profitability, capital and risk, and covering the seven major categories of risk, i.e., credit risk, market risk, operational risk, IT risk, liquidity risk, interest rate risk of bank accounts and country risk. Further, the Bank put forward the risk tolerance indicator values for areas eligible for quantitative management. All these efforts further enhanced its quantitative risk management.

6.5.1 Credit Risk Management

6.5.1.1 Credit Risk Management in Corporate Business

During the reporting period, the Bank proactively responded to changes in the external environment, improved the total risk management system and made faster optimal adjustments to its loan structure. Persistent in its customer positioning of “large industries, large customers, large projects and high-end customers” and for the purpose of building capacity for sustainable development, the Bank guided investment towards “high technology, high-end manufacturing, high quality services and consumption", “big health, big culture, big environmental protection", and “new materials, new energy and new business models". It strictly implemented its bank-wide credit policy and various regulations, adhered to its sector, customer and regional positioning, made optimal selection of industries and customers, implemented strict criteria on credit access, tightened post-lending management, and stringently controlled risk exposures of incremental credit business.

The Bank put the total amount of local government financing vehicle (LGFV) loans under strict control, followed the principle of “orderly development, structural optimization and categorized management” to carry out government financing business, rendered priority support to implementation of major national strategies and key construction projects, and actively satisfied the financing needs of projects relating to government procurement of services and PPP projects that were had secure sources for loan repayment. The Bank actively executed relevant requirements of the Chinese government and regulators. It strictly distinguished government debts from non-government debts. For local government debts, PPP projects and government investment fund projects, the Bank sought to take into comprehensive consideration the credit levels of the local governments and the project owners based on prudent assessment of the project risks, corresponding fiscal capacity and project income sources. As at the end of the reporting period, the Bank’s balance of LGFV loans was RMB123.207 billion, down 11.4% from the end of last year; and the non-performing loans thereof continued to be zero.

With regard to real estate financing, the Bank implemented the Central Government principle that “houses are built to be inhabited, not for speculation”. It continued to abide by the credit extension principle of controlling the total amount of real estate financing, optimizing loan investment and enhancing loan management. In terms of regional layout, the Bank strengthened trend analysis of the national and regional market risks, practiced differentiated policies in the grant of property loans according to the characteristics of different regions, and actively implemented the government policy on reducing property inventory under the premise of effective risk control. In terms of customer selection, the Bank strictly practiced management of property development loans by name list, whereby the cream of the best customers was chosen to tighten access control. The Bank preferred partnership with industry leaders that enjoyed strong group competitiveness, rich development experience, influential brands and healthy/stable financial indicators. In terms of project distribution, the Bank rendered active support to commercial housing projects targeting rigid housing needs and needs for better housing, and favored shanty town renovation projects and projects for renovation of urban-rural transition areas that enjoyed resourceful shareholders and superior locations. Strict control was placed on development financing for office building projects. As at the end of the reporting period, the Group recorded RMB318.015 billion balance of property loans, a growth of 8.38% over the end of the previous year; and NPL ratio thereof stood at 0.07%, a rise of 0.02 percentage point from the end of the previous year.

With regard to financing for industries suffering severe overcapacity, the Bank undertook proactive efforts to implement the general spirit of the government policy on supply-side reform and cutting overcapacity. According to the principle of "strict total quantity control, differentiated treatment, optimal solution to existing capacity and risk control", the Bank actively supported overcapacity industries such as coal and nonferrous metals in their efforts to cut overcapacity and shed difficulties for development. The Bank's credit policy called for the discontinuation of financial support for zombie enterprises and enterprises with backward capacities, for proper and orderly dissolution of inventory risk, and for quicker elimination of and exit from backward capacity enterprises that failed to comply with national industrial policies and/or environmental protection and safety standards. For industries suffering severe overcapacity, such as iron/steel, cement, ship building, plate glass and electrolytic aluminum, the Bank practiced differentiated authorization management. The branches reviewed and approved the loan applications of customers that were on the name list verified by the Head Office. For those customers beyond the name list, the Head Office directly took charge of the review and approval process. As at the end of the reporting period, the Bank's balance of loans to the overcapacity industries was RMB35.761 billion, down 1.30% from the end of the previous year; and the NPL ratio of these loans stood at 4.52%, up 1.14 percentage points from the end of the previous year.

With regard to loans to small and micro enterprises, the Bank followed the guidance of the government's industry policy, its own strategic plan and the overall development direction of its corporate banking business. Relying on the "three-large and one-high" customers and based on the industrial chains of large customers, the Bank selected high-quality small and micro enterprises that were willing and able to repay loans, robust in operation, promising in growth, stable in cash flow and sustainable in business model to carry out "batch development" and "professional management" of such customers. It also used big data and industry analysis to reinforce risk assessment and monitoring of small and micro enterprises that were recipients of its loans and thereby balanced business development and risk control of such loans. As at the end of the reporting period, the Bank recorded RMB13.329 billion balance of NPLs to small and micro enterprises, a drop of 4.08% from the end of the previous year, corresponding to an NPL ratio of 2.84%, up 0.06 percentage point from the end of the previous year.

6.5.1.2 Risk Management of Personal Loans

In response to changes in the macro economic situation and regulatory requirements, the Bank strictly implemented the government policy on macro regulation and control to ensure compliant operation and risk controllability of its personal loan business. The Bank implemented the requirements of total risk management by moving risk management to earlier stages. With risk prevention and control elements fully embedded in the course of product creation and process design, and by standardization and rule-based development of product plus centralization and automation of processes, the Bank put credit risk and operational risk under strict control, and sought to prevent risk from the root causes. In addition, the Bank attached great importance to the construction of a personal credit risk measurement system. Among others, it actively promoted scorecard development and used the scorecard on some of its personal loan products, thus constantly enhancing automation of the review and approval process. At the same time, the Bank reinforced its monitoring and control of non-performing personal loans by means such as constructing the platform for management of problem assets and strengthening business re-examination. Because of these endeavors, the quality of its personal loan assets remained stable.

As at the end of the reporting period, the Bank recorded RMB8.613 billion balance of non-performing personal loans (excluding credit card loans), corresponding to an NPL ratio of 1.07%, a rise of 0.06 percentage point over the end of the previous year.

6.5.1.3 Risk Management of Credit Card Business

The Bank managed the risk of credit card business according to the principle of "structural adjustment, risk control and higher profit", deepened the "all-round total-process" reform of its risk policy system, constructed a robust "multi-dimensional full-cycle" measurement and management platform, and stringently guarded its risk bottom line. During the reporting period, the Bank followed the trend of the big data era. Among others, it continuously deepened the application of credit card risk measurement tools, enriched the early warning and monitoring system on all fronts, strengthened the monitoring and research of demographic groups with unexposed risks, monitored and analyzed risk trends of different regions, and released risk reminders in a timely manner. The Bank dynamically adjusted the direction of credit card loan grant, and carried out holistic assessment of credit risk based on comprehensive risk assessment of all relevant factors. These helped the Bank to make dynamic and scientific allocation of resources and promoted continuous optimization of its asset structure. The Bank deployed innovative means to dispose assets. With the use of new approaches such as non-performing asset conversion and credit insurance compensation, the Bank constantly diversified the ways to resolve non-performing assets.

As at the end of the reporting period, the Bank recorded RMB3.913 billion non-performing credit card loans, corresponding to an NPL ratio of 1.30%, down 0.18 percentage point from the end of the previous year.

6.5.1.4 Risk Management in Asset Management Business

As asset management business was exposed to changes in the external situation, the Bank promoted the reform of the risk management system for its wealth management business and achieved initial results. Its Asset Management Business Center further clarified the management and control mechanism and the total-process management model, and comprehensively combed the processes for various businesses such as bond, debt and equity. By establishing a professional review and approval mechanism and deepening the construction of a total risk management system for its asset management business, the Bank was able to employ risk management and internal control as an important means for safeguarding healthy business development and enhancing competitiveness.

During the reporting period, the Bank maintained stable risk management in its asset management business in the overall sense, with no default or inadequate repayment of any matured wealth management product.

6.5.1.5 Credit Risk Management of Financial Markets Business

The Bank prudently conducted its negotiable securities investment business, regarding premium enterprises in relevant sectors as key targets of Renminbi debt securities investment, and debt securities issued overseas by premium Chinese issuers as key targets of foreign currency denominated debt securities investment, ensuring overall risk controllability of its debt securities investment.

6.5.2 Loan Monitoring and Post-Lending Management

During the reporting period, the Chinese macro economy was still caught in the “overlap of three stages”; and domestic and international economic and financial environments were complicated and intertwined, exposing the banking industry to challenges that might affect the quality of its credit assets. In response, the Bank focused on fulfillment of credit asset quality indicators to ensure stability of asset quality bank-wide on the one hand, and emphasized the development of systems, frameworks and platforms to promote implementation of its program on reforming the risk management system on the other.

During the reporting period, the Bank prioritized its efforts to enhance the following aspects:

The Bank promoted the implementation of the new post-lending regulations and processes. By embedding business lines and front offices into these regulations and processes, the Bank was able to implement the reform of its risk management system (the “three defense lines”) in post-lending risk control. Meanwhile, the innovative online post-lending model “Credit Management APP” was extensively used among corporate customer managers throughout the Bank, further enhancing the quality and efficiency of post-lending inspection.

The Bank restructured its loan disbursement review system. In 2016, review mandates of loan disbursement centers at tier-two branches were fully taken back by tier-one branches. During the reporting period, the Bank built on this basis to practice the mechanism of designating dedicated personnel to review loan disbursements, making the loan disbursement review system even more professional, centralized and standard, and thereby effectively preventing operational risk in loan disbursement review. Moreover, the Bank started to train its own collateral assessors for the purpose of developing a professional centralized team of internal collateral assessors, thus effectively enhancing its capability of monitoring the value of loan collaterals.

The Bank optimized its loan structure, managed proactive exit with greater vigor and supported execution of its credit policy. Among others, the Bank formulated its 2017 Guidance on Proactive Exit from Corporate Loan Customers. This document not only upgraded the guidance of such proactive exist for risk dissolution, but also further facilitated the implementation of the reform of its risk management system, i.e., embedding business operation units and management units as “a defense line” into the whole process of risk management.

The Bank completed the project for construction of big data analysis models. Under this project, the Bank developed five models, namely, the loan guarantee community identification model, the group characterization model of the guarantee community, the customer default model, the most sought after customer group analysis model and the hidden group identification model. In addition, the Bank made innovations to the artificial intelligence (AI) customer risk identification and risk early warning means and approaches based on big data mining. These rendered strong support to refined management of risk monitoring and control and to effective customer development.

In accordance with the guidelines of “building systems, frameworks and platforms", the Bank pushed forward five key projects, namely, construction of the new post-lending process, on-line operation of the new-generation credit business system, extensive inspection of credit loans and rectification of problems found therein, collateral management, and development of a loan disbursement review mechanism. Grid management was practiced in five major areas in connection with the geographical locations of the relevant branches so that the branches in these areas would get the vim and vigor to enhance process-specific management. As a result, the Bank successfully attained its goal of asset quality control, and enjoyed further improvement in basic management across the board.

6.5.2.1 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 RMB3,091.095 billion, an increase of RMB213.168 billion or 7.41% 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 ranked the top three, recording RMB914.124 billion, RMB667.518 billion and RMB477.682 billion, and accounting for 29.57%, 21.59% and 15.45% of the Group total, respectively. In terms of growth rate, the Bohai Rim, the Central region and the Yangtze River Delta recorded the highest numbers, reaching 18.50%, 8.73% and 5.13%, respectively.

The Group

Unit: RMB million

	30 June 2017		31 December 2016	
	Balance	Proportion (%)	Balance	Proportion (%)
Bohai Rim[1]	914,124	29.57	771,415	26.79
Yangtze River Delta	667,518	21.59	634,919	22.06
Pearl River Delta and West Strait	477,682	15.45	477,683	16.60
Western	380,209	12.30	379,192	13.18
Central	407,031	13.17	374,358	13.01
Northeastern	73,017	2.36	70,967	2.47
Overseas	171,514	5.56	169,393	5.89
Total Loans	**3,091,095**	**100.00**	2,877,927	100.00

Note: (1) Including the Head Office.

The Bank

Unit: RMB million

	30 June 2017		31 December 2016	
	Balance	Proportion(%)	Balance	Proportion (%)
Bohai Rim[1]	867,677	30.26	734,300	27.54
Yangtze River Delta	664,505	23.18	632,071	23.70
Pearl River Delta and West Strait	474,410	16.55	475,680	17.84
Western	380,209	13.26	379,192	14.22
Central	407,031	14.20	374,358	14.04
Northeastern	73,017	2.55	70,967	2.66
Total Loans	**2,866,849**	**100.00**	2,666,568	100.00

Note: (1) Including the Head Office.

Concentration of Loans by Product

As at the end of the reporting period, the Group's balance of corporate loans (excluding discounted bills) recorded RMB1,855.818 billion, an increase of RMB9.544 billion or 0.52% over the end of the previous year; and its balance of personal loans reached RMB1,132.297 billion, an increase of RMB175.691 billion or 18.37% over the end of the previous year. Personal loans grew faster than corporate loans, with their balance proportion further going up to 36.63%. Balance of discounted bills increased by RMB27.933 billion over the end of the previous year.

The Group

Unit: RMB million

	30 June 2017		31 December 2016	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,855,818	60.04	1,846,274	64.15
Personal loans	1,132,297	36.63	956,606	33.24
Discounted bills	102,980	3.33	75,047	2.61
Total loans	**3,091,095**	**100.00**	2,877,927	100.00

The Bank

Unit: RMB million

	30 June 2017		31 December 2016	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	1,656,074	57.77	1,659,817	62.25
Personal loans	1,110,334	38.73	935,198	35.07
Discounted bills	100,441	3.50	71,553	2.68
Total loans	**2,866,849**	**100.00**	2,666,568	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 RMB343.451 billion and RMB318.015 billion, respectively, collectively taking up 35.65% of the Group's total corporate loans, down 1.14% from the end of the previous year. In terms of growth rate, loans to the three sectors, namely, production and supply of electric power, gas and water, rental and business services, and water, environment and public utilities management grew faster, up 16.52%, 16.25% and 14.51% over the end of the previous year, respectively, all being higher than the Company's average growth rate of corporate loans.

The Group

Unit: RMB million

	30 June 2017		31 December 2016	
	Balance	Proportion (%)	Balance	Proportion (%)
Manufacturing	343,451	18.51	385,822	20.90
Real estate	318,015	17.14	293,429	15.89
Wholesale and retail	204,130	11.00	238,545	12.92
Transportation, storage and postal service	153,358	8.26	161,976	8.77
Water, environment and public utilities management	170,016	9.16	148,476	8.04
Construction	84,412	4.55	90,666	4.91
Rental and business services	209,390	11.28	180,124	9.76
Production and supply of electric power, gas and water	69,967	3.77	60,046	3.25
Public management and social organizations	22,041	1.19	19,846	1.07
Others	281,038	15.14	267,344	14.49
Total corporate loans	**1,855,818**	**100.00**	1,846,274	100.00

The Bank

Unit: RMB million

	30 June 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**326,159**	**19.69**	372,152	22.42
Real estate	**277,511**	**16.76**	251,564	15.16
Wholesale and retail	**189,956**	**11.47**	223,118	13.44
Transportation, storage and postal service	**147,209**	**8.89**	157,666	9.50
Water, environment and public utilities management	**159,192**	**9.61**	137,365	8.28
Construction	**82,492**	**4.98**	88,556	5.34
Rental and business services	**206,146**	**12.45**	177,807	10.71
Production and supply of electric power, gas and water	**45,034**	**2.72**	44,743	2.70
Public management and social organizations	**21,599**	**1.30**	19,412	1.17
Others	**200,776**	**12.13**	187,434	11.28
Total corporate loans	**1,656,074**	**100.00**	1,659,817	100.00

Breakdown of Loans by Type of Guarantee

As at the end of the reporting period, the Group's loan guarantee structure became more optimal. The balance of loans secured by collateral and pledge loans stood at RMB1,858.862 billion, an increase of RMB110.641 billion over the end of the previous year, and took up a proportion of 60.14%, 0.60 percentage point lower than the end of the previous year. The balance of unsecured and guaranteed loans recorded RMB1,129.253 billion, a growth of RMB74.594 billion over the end of the previous year, accounting for 36.53% of the total, a drop of 0.12 percentage point from the end of the previous year.

The Group

Unit: RMB million

	30 June 2017		31 December 2016	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**620,138**	**20.06**	548,123	19.05
Guaranteed loans	**509,115**	**16.47**	506,536	17.60
Loans secured by collateral	**1,537,110**	**49.73**	1,417,736	49.26
Pledge loans	**321,752**	**10.41**	330,485	11.48
Subtotal	**2,988,115**	**96.67**	2,802,880	97.39
Discounted bills	**102,980**	**3.33**	75,047	2.61
Total loans	**3,091,095**	**100.00**	2,877,927	100.00

The Bank

Unit: RMB million

	30 June 2017		31 December 2016	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**579,278**	**20.21**	515,020	19.31
Guaranteed loans	**438,101**	**15.28**	432,700	16.23
Loans secured by collateral	**1,445,400**	**50.42**	1,337,396	50.16
Pledge loans	**303,629**	**10.59**	309,899	11.62
Subtotal	**2,766,408**	**96.50**	2,595,015	97.32
Discounted bills	**100,441**	**3.50**	71,553	2.68
Total loans	**2,866,849**	**100.00**	2,666,568	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 specific legal entity, one borrower can be the related party of another borrower.

The Group

Major regulatory indicator	**Regulatory Standard**	**30 June 2017**	31 December 2016	31 December 2015
Percentage of loans to the largest single customer (%)[1]	**≤10**	**3.00**	2.71	2.48
Percentage of loans to the top 10 customers (%)[2]	**≤50**	**17.66**	16.40	14.60

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

		30 June 2017		
	Sector	**Amount**	**Percentage in total loans (%)**	**Percentage in net capital (%)**
Borrower A	Real estate	**14,368**	**0.46**	**3.00**
Borrower B	Agriculture, forestry, animal husbandry and fishery	**13,002**	**0.42**	**2.71**
Borrower C	Public management, social security and social organizations	**11,325**	**0.37**	**2.36**
Borrower D	Rental and business services	**7,520**	**0.24**	**1.57**
Borrower E	Hotel and catering	**7,483**	**0.24**	**1.56**
Borrower F	Rental and business services	**6,888**	**0.22**	**1.44**
Borrower G	Transportation, storage and postal service	**6,655**	**0.22**	**1.39**
Borrower H	Rental and business services	**6,034**	**0.20**	**1.26**
Borrower I	Rental and business services	**5,701**	**0.19**	**1.20**
Borrower J	Real estate	**5,590**	**0.18**	**1.17**
Total loans		**84,566**	**2.74**	**17.66**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB84.566 billion, accounting for 2.74% of its total loans and 17.66% of its net capital.

6.5.2.2 Loan Quality Analysis

Five-Class Loan Classification

The Group measures and manages the quality of its credit assets pursuant to the CBRC Guidelines on the Classification of Loan Risks. 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 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 handled different classes of loans with different risk management measures, taking into full consideration various factors that may impact the quality of credit assets.

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

The Group

Unit: RMB million

	30 June 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Pass	**2,968,950**	**96.05**	2,753,128	95.66
Special mention	**71,026**	**2.30**	76,219	2.65
Substandard	**28,348**	**0.92**	20,267	0.70
Doubtful	**18,314**	**0.59**	18,021	0.63
Loss	**4,457**	**0.14**	10,292	0.36
Total Loans	**3,091,095**	**100.00**	2,877,927	100.00
Performing loans	**3,039,976**	**98.35**	2,829,347	98.31
Non-performing loans	**51,119**	**1.65**	48,580	1.69

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

	30 June 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Pass	**2,748,365**	**95.87**	2,545,184	95.45
Special mention	**69,756**	**2.43**	74,399	2.79
Substandard	**27,220**	**0.95**	19,979	0.75
Doubtful	**17,076**	**0.60**	16,735	0.63
Loss	**4,432**	**0.15**	10,271	0.38
Total Loans	**2,866,849**	**100.00**	2,666,568	100.00
Performing loans	**2,818,121**	**98.30**	2,619,583	98.24
Non-performing loans	**48,728**	**1.70**	46,985	1.76

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 RMB215.822 billion over the end of the previous year, and accounted for 96.05% of its total loan balance, representing a growth of 0.39 percentage point over the end of the previous year; and the balance of special mention loans declined by RMB5.193 billion, accounting for 2.30% of its total loan balance, a drop of 0.35 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 positive 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 RMB51.119 billion, representing an increase of RMB2.539 billion over the end of the previous year; and its NPL ratio recorded 1.65%, down 0.04 percentage point from the end of the previous year. The NPL growth rate was lower than that of the same period of the previous year.

During the reporting period, the Group experienced "a rise in NPL balance and a drop in NPL ratio". The balance of NPLs went up mainly because (1) slowdown of economic growth exposed enterprises in general to considerable business pressure, led to the spread of risks to multiple sectors and areas, and resulted in the continuation of credit risk; and (2) the economic restructuring policy accelerated the exposure of overcapacity industries to credit risk and resulted in more NPLs.

At the beginning of 2017, 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 the disposal of NPLs, disposing RMB28.906 billion NPL principals by means of collection and write-off.

Migration of Loans

The table below sets out the migration of the Bank's loans across the five classes during the reporting period.

	30 June 2017	31 December 2016	31 December 2015
Migration ratio of pass loans (%)	**1.12**	2.09	2.67
Migration ratio of special mention loans (%)	**25.24**	28.94	31.77
Migration ratio of substandard loans (%)	**27.81**	55.37	59.66
Migration ratio of doubtful loans (%)	**18.56**	43.67	41.39
Ratio of migration from performing to non-performing loans (%)	**0.77**	1.58	1.48

As at the end of the reporting period, the Bank's ratio of migration from performing to non-performing loans was 0.77%, a drop of 0.37 percentage point from the same period of the previous year, mainly because the Group reinforced its write-off of NPLs. For the same reason, the migration ratios of substandard and doubtful loans were also lower than those of the same period of the previous year.

Loans Overdue

The Group

Unit: RMB million

	30 June 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**2,994,486**	**96.87**	2,784,174	96.74
Loans overdue[1]:				
1-90 days	**31,397**	**1.02**	36,042	1.25
91-180 days	**12,411**	**0.40**	10,806	0.38
181 days or above	**52,801**	**1.71**	46,905	1.63
Subtotal	**96,609**	**3.13**	93,753	3.26
Total loans	**3,091,095**	**100.00**	2,877,927	100.00
Loans overdue for 91 days and above	**65,212**	**2.11**	57,711	2.01
Restructured loans[2]	**19,352**	**0.63**	17,234	0.60

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 maturity) have been rearranged.

The Bank

Unit: RMB million

	30 June 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**2,772,760**	**96.72**	2,577,425	96.66
Loans overdue[1]:				
1-90 days	**30,132**	**1.05**	32,661	1.22
91-180 days	**12,399**	**0.43**	10,628	0.40
181 days or above	**51,558**	**1.80**	45,854	1.72
Subtotal	**94,089**	**3.28**	89,143	3.34
Total loans	**2,866,849**	**100.00**	2,666,568	100.00
Loans overdue for 91 days and above	**63,957**	**2.23**	56,482	2.12
Restructured loans[2]	**19,347**	**0.67**	17,231	0.65

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 maturity) have been rearranged.

During the reporting period, the Group's overdue loans increased due to the impacts of the external economic environment. As at the end of the reporting period, the Group's balance of loans overdue recorded RMB96.609 billion, an increase of RMB2.856 billion over the end of the previous year, and the proportion of loans overdue in total loans went down by 0.13 percentage point over the end of the previous year. Of these loans overdue, 32.50% were short-term temporary loans with a maturity of less than 3 months. Overdue loans increased mainly because borrowers suffered tight fund chains or even break of fund chains as a result of longer cycles of payback 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 RMB19.352 billion loans, a growth of RMB2.118 billion in amount and a rise of 0.03 percentage point in proportion from the end of the previous year.

Breakdown of NPLs by Product

The Group

Unit: RMB million

	30 June 2017			31 December 2016		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**38,516**	**75.34**	**2.08**	37,926	78.07	2.05
Personal loans	**12,574**	**24.60**	**1.11**	10,621	21.86	1.11
Discounted bills	**29**	**0.06**	**0.03**	33	0.07	0.04
Total	**51,119**	**100.00**	**1.65**	48,580	100.00	1.69

The Bank

Unit: RMB million

	30 June 2017			31 December 2016		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**36,173**	**74.23**	**2.18**	36,380	77.43	2.19
Personal loans	**12,526**	**25.71**	**1.13**	10,572	22.50	1.13
Discounted bills	**29**	**0.06**	**0.03**	33	0.07	0.05
Total	**48,728**	**100.00**	**1.70**	46,985	100.00	1.76

As at the end of the reporting period, the Group's balance and ratio of corporate NPLs increased by RMB590 million and 0.03 percentage point over the end of the previous year, respectively; its balance of personal NPLs grew by RMB1.953 billion and the corresponding NPL ratio remained the same as that at 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

	30 June 2017			31 December 2016		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim[1]	**11,935**	**23.35**	**1.31**	13,321	27.42	1.73
Yangtze River Delta	**7,275**	**14.23**	**1.09**	8,002	16.47	1.26
Pearl River Delta and West Strait	**7,849**	**15.35**	**1.64**	6,564	13.51	1.37
Western	**7,852**	**15.36**	**2.07**	7,121	14.66	1.88
Central	**11,041**	**21.60**	**2.71**	10,312	21.23	2.75
Northeastern	**3,085**	**6.03**	**4.23**	1,953	4.02	2.75
Overseas	**2,082**	**4.08**	**1.21**	1,307	2.69	0.77
Total	**51,119**	**100.00**	**1.65**	48,580	100.00	1.69

Note: (1) Including the Head Office.

The Bank

Unit: RMB million

	30 June 2017			31 December 2016		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim[1]	**11,927**	**24.48**	**1.37**	13,315	28.34	1.81
Yangtze River Delta	**7,259**	**14.90**	**1.09**	7,990	17.01	1.26
Pearl River Delta and West Strait	**7,564**	**15.52**	**1.59**	6,294	13.40	1.32
Western	**7,852**	**16.11**	**2.07**	7,121	15.16	1.88
Central	**11,041**	**22.66**	**2.71**	10,312	21.95	2.75
Northeastern	**3,085**	**6.33**	**4.23**	1,953	4.14	2.75
Total	**48,728**	**100.00**	**1.70**	46,985	100.00	1.76

Note: (1) Including the Head Office.

As at the end of the reporting period, the Group's NPLs were mainly concentrated in the Bohai Rim and the Central and Western regions. Their NPL balances summed up to RMB30.828 billion, accounting for a combined 60.31% of the Group total. In terms of incremental NPLs, the Pearl River Delta registered the largest amount of RMB1.285 billion, leading to a 0.27 percentage point rise in its NPL ratio. The following one was the Northeastern region, which recorded RMB1.132 billion incremental NPLs and a 1.48 percentage point rise in its NPL ratio. Incremental NPLs of the two regions took up 95.19% of the total incremental NPLs. 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) credit risk spread from the coastal areas to the Central and Western regions.

Breakdown of Corporate NPLs by Sector

The Group

Unit: RMB million

	30 June 2017			31 December 2016		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	**15,234**	**39.52**	**4.44**	14,506	38.25	3.76
Real estate	**232**	**0.60**	**0.07**	147	0.39	0.05
Wholesale and retail	**11,349**	**29.44**	**5.56**	12,425	32.76	5.21
Transportation, storage and postal service	**167**	**0.43**	**0.11**	809	2.13	0.50
Water, environment and public utilities management	**365**	**0.95**	**0.21**	195	0.51	0.13
Construction	**1,546**	**4.01**	**1.83**	1,610	4.25	1.78
Rental and business services	**782**	**2.03**	**0.37**	226	0.60	0.13
Production and supply of electric power, gas and water	**668**	**1.73**	**0.95**	621	1.64	1.03
Public management and social organizations	**–**	**–**	**–**	–	–	–
Others	**8,202**	**21.29**	**2.92**	7,387	19.47	2.76
Total	**38,545**	**100.00**	**2.08**	37,926	100.00	2.05

The Bank

Unit: RMB million

	30 June 2017			31 December 2016		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	**14,352**	**39.64**	**4.40**	14,323	39.37	3.85
Real estate	**89**	**0.25**	**0.03**	29	0.08	0.01
Wholesale and retail	**11,237**	**31.04**	**5.92**	12,322	33.87	5.52
Transportation, storage and postal service	**167**	**0.46**	**0.11**	809	2.22	0.51
Water, environment and public utilities management	**365**	**1.01**	**0.23**	195	0.54	0.14
Construction	**1,543**	**4.26**	**1.87**	1,610	4.43	1.82
Rental and business services	**782**	**2.16**	**0.38**	226	0.62	0.13
Production and supply of electric power, gas and water	**668**	**1.85**	**1.48**	621	1.71	1.39
Public management and social organizations	**–**	**–**	**–**	–	–	–
Others	**6,999**	**19.33**	**3.49**	6,245	17.16	3.33
Total	**36,202**	**100**	**2.19**	36,380	100	2.19

As at the end of the reporting period, the Group's non-performing corporate loans were mainly concentrated in two sectors, i.e., manufacturing and wholesale & retail. Their NPL balances collectively accounted for 68.96% of the Group total, and respectively increased by RMB728 million and decreased by RMB1.076 billion over the end of the previous year, corresponding to a 0.68 and 0.35 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. In a time of economic downturn, the real economy and the relevant upstream and downstream circulation points were trapped in weak risk resilience, worsening credit risk and growing NPLs. Meanwhile, there were considerable declines in the loan balances of the two sectors and rises in their NPL ratios.

As at the end of the reporting period, the Group's NPL balances in the four sectors, namely, rental and business services, water, environment and public utilities management, real estate, and production and supply of power, gas and water, increased by RMB556 million, RMB170 million, RMB85 million and RMB47 million over the end of the previous year, respectively, and their corresponding NPL ratios went up by 0.24, 0.08 and 0.02 percentage point and went down by 0.08 percentage point, respectively.

6.5.2.3 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

	30 June 2017	31 December 2016
Beginning balance	**75,543**	60,497
Accruals during the period[1]	**21,474**	45,715
Unwinding of discount on allowance[2]	**(335)**	(564)
Transfer in[3]	**(193)**	275
Write-offs	**(18,921)**	(30,952)
Recovery of loans and advances written off in previous years	**631**	572
Ending balance	**78,199**	75,543

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 allowance for loan impairment released due to the conversion of loans to repossessed assets.

The Bank

Unit: RMB million

	30 June 2017	31 December 2016
Beginning balance	**74,016**	59,682
Accruals during the period[1]	**20,522**	44,965
Unwinding of discount on allowance[2]	**(318)**	(539)
Transfer in[3]	**(159)**	227
Write-offs	**(18,724)**	(30,853)
Recovery of loans and advances written off in previous years	**615**	534
Ending balance	**75,952**	74,016

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 allowance for loan impairment released due to the conversion of loans to repossessed assets.

As at the end of the reporting period, the Group's balance of allowance for loan impairment registered RMB78.199 billion, representing an increase of RMB2.656 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 152.97% and 2.53%, respectively. The allowance coverage ratio and the ratio of allowance for impairment of loans to total loans went down by 2.53 and 0.09 percentage points over the end of the previous year, respectively.

During the reporting period, the Group accrued RMB21.474 billion allowance for loan impairment, an increase of RMB1.678 billion year on year. The reasons for increasing the accrual of allowance were: (1) the Group made a proactive response to the risks inherent in the economic downturn by enhancing its risk hedging capacity; and (2) with more vigorous NPL write-offs, the Group increased allowance to the best of its capacity to get well prepared for write-offs.

6.5.3 Market Risk

The main market risk confronting the Bank includes interest rate risk and exchange rate risk. The Bank has established a market risk management system that covers risk identification, measurement, monitoring and control. It manages market risk through product access approval and risk limit management, and thus controls potential losses arising from market risk within the acceptable level and maximizes risk-adjusted returns.

6.5.3.1 Interest Rate Risk

Interest rate risk refers to the risk of bank 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 its prudent risk preference principle and ensuring that adverse impacts of interest rate movements on the Bank's profit and value are controllable.

During the reporting period, global economic recovery remained uncertain; and China's 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, and 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 the capacity of market-oriented, self-discretionary and differentiated 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.

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	281,862	2,380,479	2,173,703	600,925	214,247	5,651,216
Total liabilities	160,880	3,715,401	956,121	368,563	57,553	5,258,518
Interest rate gap	120,982	(1,334,922)	1,217,582	232,362	156,694	392,698

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	285,380	2,123,225	2,141,012	570,381	205,293	5,325,291
Total liabilities	120,586	3,497,425	913,646	359,819	57,542	4,949,018
Interest rate gap	164,794	(1,374,200)	1,227,366	210,562	147,751	376,273

6.5.3.2 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 rates. The Bank manages exchange rate risk by matching foreign currency denominated assets with liabilities denominated in the same currencies and by making appropriate use of derivative financial instruments. For businesses with potential exchange rate risk such as forex 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. During the reporting period, the Renminbi exchange rate against the US dollar went up amid overall stability due to depreciation of the dollar, the PBOC adjustment of the RMB central parity pricing mechanism and other factors. The cumulative appreciation of Renminbi for the reporting period reached 2.44%. Thanks to its close attention to forex market changes, proactive response to market fluctuations, strict control of the forex risk exposures of relevant businesses, and more intensive routine risk monitoring, early warning and reporting, the Bank was able to control its exchange rate risk within the acceptable level.

The Group

Unit: RMB million

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	(25,890)	14,286	1,451	(10,153)
Net off-balance sheet position	(16,035)	22,050	(1,486)	4,529
Total	(41,925)	36,336	(35)	(5,624)

The Bank

Unit: RMB million

Item	USD	HKD	Other currencies	Total
Net on-balance sheet position	(38,051)	18,609	(6,428)	(25,870)
Net off-balance sheet position	(10,885)	(1,831)	6,449	(6,267)
Total	(48,936)	16,778	21	(32,137)

6.5.4 Liquidity Risk

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 governance structure for liquidity risk management, which clearly lays out 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 explicitly 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 prudent 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. All domestic and overseas affiliates of the Group are responsible for developing and implementing their own strategies and procedures for liquidity risk management 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 and neutral monetary policy. Policy measures such as open market and Medium-term Lending Facility (MLF) were applied to lower peaks and raise valleys. As a result, liquidity remained stable in the overall sense. In the first half of the year, as the deleveraging process went further, short-term money market terminal interest rates rose, while long-term money market interest rates in general remained at a high level. Therefore, the Bank continued to reinforce liquidity risk management, enhanced liquidity risk measurement and monitoring, kept practicing liquidity risk limit management, conducted stress test on a regular basis, and organized emergency drills where necessary and appropriate. It also coordinated management of assets and liabilities, issued RMB50 billion financial bonds to replenish medium and long-term capital, and structured assets and liabilities in reasonable ways to ensure a basic match between funding sources and fund uses. Moreover, the Bank reinforced management of active liabilities to ensure smooth financing channels, including borrowings from the central bank, money market, interbank certificates of deposit, and interbank deposits, and diversified the sources of liabilities. The Bank also improved routine liquidity management, reinforced market analysis and pre-judgment and thereby managed liquidity in more forward-looking and proactive ways.

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

Unit: RMB million

	30 June 2017	31 December 2016	Increase/ Decrease	31 December 2015
Liquidity coverage ratio	**84.00%**	91.12%	Down 7.12 percentage points	87.78%
Qualified premium liquid assets	**533,002**	398,555	33.73%	464,437
Net cash outflow in the coming 30 days	**634,526**	437,403	45.07%	529,112

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).

The Group's liquidity gaps as at the end of the reporting period are set out in the table 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**
(2,115,219)	(484,692)	429,154	950,930	990,732	621,793	392,698

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**
(2,063,505)	(406,251)	405,160	849,560	955,580	635,729	376,273

6.5.5 Operational Risk

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 strategic risk and reputation risk.

The Bank continued to strengthen operational risk control and intensified the daily management of operational risk. It organized a re-examination of the key risk index system of operational risk, established a hierarchical index monitoring system, and improved the capability of concurrent monitoring of operational risk. In addition, the Bank continued to strengthen operational risk management and control in key business areas. Among others, it comprehensively promoted the construction of a risk management system and sorted out a standard process for its asset management business. The Bank also carried out risk screening of some of the areas highly prone to operational risk. Moreover, the Bank made further efforts to strengthen risk management of outsourcing business, standardize outsourcing behavior and prevent outsourcing risk. In its attempt to make continuous improvements to business continuity management, the Bank enhanced the relevant systems and started re-inspection of the business continuity management system. Further, the Bank systematically sorted out its mindset for management of information technology risk by researching and formulating strategies and preferences for information technology risk management, and incorporating them into a comprehensive risk identification and assessment framework. During the reporting period, the operational risk management system of the Bank enjoyed stable operation, placing operational risk under control in the overall sense.

6.6 Internal Control

6.6.1 Internal Control System

The Bank has set up a governance and organizational structure for internal control that consists of the Board of Directors, Board of Supervisors, senior management, internal control functions, internal audit departments and business units in accordance with the CBRC Guidelines on Internal Control of Commercial Banks. This structure is characterized by reasonable division of duties, clear responsibilities, and well-defined reporting lines. Internal management functions build the "three defense lines" of internal control management, i.e., business operation units and business management department at all levels constitute the first line of defense; compliance departments and risk management departments the second line of defense; and audit departments and disciplinary inspection departments the third.

The Bank took the initiative to adapt to the adjustments of regulatory policies and actively responded to the major changes in the financial situation and risk management/control. It formulated and implemented key internal control and compliance requirements bank-wide, centering on its strategic transformation and the reform of its business model and management system. It also reinforced the timeliness and pertinence of policy interpretation and communication of new regulations, identified compliance risk against the full range of its business products and institutional processes, assessed compliance risk of new products, new businesses and major projects, and supported value-added innovation within the internal control and compliance framework. The Bank attached great importance to the rectification of problems detected in supervisory inspections and internal and external audits. Regarding the rectification exercise as an important means of strengthening internal control, the Bank gradually standardized and normalized its rectification work. In addition, the Bank availed itself of the opportunity arising from rectification in the aftermath of inspections to profoundly analyze the root causes of the problems, look for deficiencies in internal control, and continuously strengthened systematic rectification from the root causes, in a bid to enhancing regulations, strengthening process control, improving systems and mechanisms and optimizing system functions. All these effectively enhanced quality and effectiveness of internal control.

During the reporting period, the Bank improved the "1+4" accountability framework. The framework uses the Basic Rules for Accountability Management as the leading document, and the Administrative Measures on Accountability for Problem Credit Assets, the Administrative Measures on Accountability for Problems Detected in Inspections, the Administrative Measures on Accountability for Violation Cases, and the Measures for Handling Violations Committed by CITIC Bank Employees as supplementary regulations, further improving the accountability management mechanism. The Bank continued to hold a zero tolerance stance against strictly prohibited violations. Whenever a case was detected, the Bank investigated it for relevant punishment and seriously pursued the responsibility of the perpetrator(s) and the concerned leader(s). The purpose of this practice was to force the performance of responsibilities via the accountability mechanism and to develop an accountability culture where "all violations are investigated, all those responsible for the violations are punished and performance of due diligence is the only way towards exemption of liability". This practice had the effect of "punishing one, alerting many".

6.6.2 Compliance Management

The Bank strengthened its interpretation of regulatory policies, improved its capability of compliance review, and improved the level of compliance risk control. During the reporting period, it completed more than 700 compliance review cases, effectively managed and controlled the compliance risk of new products and new businesses, and supported business innovation and development under the premise of lawfulness and compliance. The Bank made further efforts to sort out its Head Office regulations. Through a full-range combing exercise characterized by prudent assessment, comprehensive review and assurance at each and every level, the Bank abolished 861 regulations, amended 88 regulations, and added 97 new regulations. This exercise enabled the Bank to further develop internal rules and regulations and consolidate the foundation for healthy stable development.

6.6.3 Anti-Money Laundering

During the reporting period, the Bank continued to improve its anti-money laundering mechanisms to ensure better effectiveness of its anti-money laundering work. Specifically, the Bank formulated and issued five anti-money laundering regulations/measures, respectively regarding anti-money laundering confidentiality, coordinated investigation, inspection, performance evaluation and monitoring by name list. It further improved the internal control system for anti-money laundering purpose. According to the new PBOC regulatory requirements, the Bank timely formulated the relevant anti-money laundering management requirements and risk reminders to enhance the management of anti-money laundering work. In addition, the Bank successively completed the development of the mechanism for monitoring by name list, the compliance-oriented system renovation, and the research, development and implementation of the models and rules for routine monitoring of suspicious transactions. Pursuant to the PBOC regulatory requirements on the assessment of customer money laundering risk, the Bank completed both the third risk assessment of existing high-risk customers and the due diligence work of all high-risk customers.

6.6.4 Internal Audit

In accordance with its work objective/positioning of "risk whistle blowing, supervisory assessment, and adding value to management", and focusing on the requirements of the Bank's strategic transformation and the "Safe CNCB" campaign, the internal audit function of the Bank continuously promoted transformation work, expanded the depth and width of audit work, and effectively upgraded audit independence and effectiveness.

During the Reporting Period, the Bank reinforced audit supervision of key units, key risk areas, key operation and management components, and personnel at key posts, further expanded audit coverage, and strengthened supervisory assessment regarding the rectification of problems detected in internal control. In addition, the Bank organized special audit of multiple areas including truthfulness of performance, loan business, financial management, abnormal large-amount transactions made by employees, consumer rights protection and information technology, and carried out full audit of some branches and subsidiaries 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. Thus the Bank fully realized the independent supervisory role of internal audit.

6.7 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.

As at the end of the reporting period, the Group recorded a 11.76% capital adequacy ratio, a drop of 0.22 percentage point from the end of the previous year; a 9.60% Tier-One capital adequacy ratio, a drop of 0.05 percentage point from the end of the previous year; and a 8.61% core Tier-One capital adequacy ratio, a drop of 0.03 percentage point from the end of the previous year. The Bank's capital adequacy ratios and the Group's consolidated capital adequacy ratios continued to meet regulatory requirements.

During the reporting period, the Bank continued to reinforce the capital constraint and capital allocation mechanisms for continuing implementation of its capital-light development strategy. In its practice of the economic capital evaluation system with "economic profit" and "risk-adjusted return on capital" at the core, the Bank promoted the application of the internal rating approach in capital evaluation with sure keen steps. It guided the business units to reasonably arrange capital structure under the capital constraint, reduce the capital dependency of business development, and gradually transform towards the development model of a value-oriented bank that features capital saving and output efficiency. The Group increased its investment in low-capital-commitment home mortgage loans. In the report period, the Group recorded RMB62.3 billion incremental home mortgage loans, accounting for 29.23% of total incremental loans. The Group further controlled the growth and capital commitment of off-balance sheet business products such as bank acceptance. Its balance of bank acceptance business decreased by RMB120.5 billion from the end of the previous year, and the corresponding risk-weighted assets declined by 10.44%. As at the end of the reporting period, the Group's risk-weighted assets increased by RMB110.2 billion or 2.78% from the end of the previous year; year-on-year growth thereof, however, declined by RMB115.8 billion.

Capital adequacy ratios

Unit: RMB million

Item	**30 June 2017**	31 December 2016	Increase (%)/ Decrease	31 December 2015
Net core Tier-One capital	**350,859**	342,563	2.42	316,159
Net Tier-One capital	**390,967**	382,670	2.17	317,987
Net capital	**478,989**	475,008	0.84	411,740
Risk-weighted assets	**4,074,649**	3,964,448	2.78	3,468,135
Core Tier-One capital adequacy ratio	**8.61%**	8.64%	Down 0.03 percentage point	9.12%
Tier-One capital adequacy ratio	**9.60%**	9.65%	Down 0.05 percentage point	9.17%
Capital adequacy ratio	**11.76%**	11.98%	Down 0.22 percentage point	11.87%

Leverage ratio

Unit: RMB million

Item	**30 June 2017**	31 December 2016	Increase (%)/ Decrease	31 December 2015
Leverage ratio	**5.92%**	5.47%	Up 0.45 percentage point	5.26%
Net Tier-One capital	**390,967**	382,670	2.17	317,987
Adjusted balance of on-balance sheet and off-balance sheet assets	**6,609,558**	6,994,025	(5.50)	6,044,069

Note: The Group calculated its leverage ratio in accordance with the provisions of the Rules on Leverage Ratios 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/.

6.8 Management of Financial Statements Consolidation

The Bank pushed forward various work relating to the management of financial statements consolidation in an orderly manner. In line with its corporate governance procedures, the Bank managed and supported its subsidiaries in their decision making on various significant events and their day-to-day operation and management, to ensure that the subsidiaries operated in compliance with regulatory requirements and conducted various work in a lawful and compliant manner.

6.9 Material Acquisition and Disposal of Assets and Merger of Enterprises

The Bank did not make any material acquisition or disposal of assets or merger of enterprises during the reporting period; neither did the Bank have any such material acquisition or disposal of assets or merger of enterprises that took place in previous periods but went on to the reporting period.

6.10 Information about Structured Vehicles Controlled by the Bank

Please refer to Note 60 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.

6.11 Outlook

During the reporting period, the Bank registered stable slightly rising net profit, moderate growth of business scale, overall stability of asset quality and continuing optimization of customer and product structures. All indicators and plans were well implemented in general, basically consistent with the year-beginning expectations. In the second half of 2017, the Bank will earnestly implement the requirements of the National Financial Work Conference, and uphold its overall work tone of "making progress amid stability". In its business operation and management, the Bank will focus on the following four aspects:

(1) Maintain the strategic focus and deepen business transformation. The Bank will remain committed to its strategic vision, i.e., "to become the bank offering the best comprehensive financing services", and take the path of developing itself into a "value-oriented bank" and a "light-style bank";

(2) Return to the basics of financial services and serve the real economy. The Bank will focus on transaction demands of its corporate customers. On the one hand, it will develop transaction banking and investment banking businesses with greater vigor. On the other hand, it will speed up the cultivation of brand distinctiveness by expanding businesses such as going abroad finance, wealth management and consumer finance. The Bank will also make a reasonable choice of financing service approaches in line with corporate customer demands, to effectively play the role of a financing bridge and enhance its financing service capacity. In addition, the Bank will carry out reasonable business innovations to improve its service efficiency, help corporate customers reduce financing cost and thereby share a win-win outcome with its corporate customers;

(3) Persevere with distinctive business operation and enhance asset flows. The Bank will further boost its input into capital-light businesses such as asset securitization and expedite asset turnover. Customer financing needs will remain the focus of attention for the Bank. It will enrich products, construct work forces, develop platforms and reinforce synergy and combine the management of asset flows with the management of existing assets, so as to become an effective financing bridge; and

(4) Intensify loan management and control for prevention and dissolution of risks. The Bank will make further efforts to tighten loan access control and portfolio management and continuously optimize the customer, industry and product structures of its credit assets. In addition, it will enhance risk prevention and control in key areas and strive to control the incurrence of incremental NPLs. While applying multiple measures concurrently to reinforce collection and disposal of risk assets, the Bank will also make proactive efforts to prevent market risk from evolving into credit risk or liquidity risk.

By Order of the Board of Directors

Li Qingping
Chairperson, Executive Director

Chapter 7 Significant Events

7.1 Purchase, Sale or Redemption of the Bank's Shares

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

7.2 Profit Distribution

The Bank complied with the provisions of its Articles of Association and requirements of the General Meeting resolutions in the formulation and implementation of its policy on cash dividends distribution. The policy is clear and explicit in the dividend distribution criteria and proportion, and complete and robust in the decision-making procedures and mechanisms. The 2016 annual profit distribution plan was reviewed and agreed upon by the Bank's independent directors and later endorsed at the 2016 Annual General Meeting by more than 99.99% of the shareholders with less than 5% equity in the Bank. As such, the Bank effectively safeguarded the rights and interests of its minority shareholders.

7.2.1 2016 Annual Profit Distribution Plan

As approved by the 2016 Annual General Meeting convened on 26 May 2017, the Bank paid cash dividends to its A-share holders on register by 21 July 2017 and to its H-share holders on register by 7 June 2017 at RMB2.15 (pre-tax) per 10 shares, with the total dividend payment (pre-tax) amounting to approximately RMB10.521 billion. The Bank made detailed explanations about its 2016 Annual Profit Distribution Plan in its 2016 Annual Report, documentation for 2016 Annual General Meeting, H-Share Circular of 2016 Annual General Meeting and Announcement on the Implementation of 2016 A-Share Dividend Distribution. For details thereof, please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKES news (www.hkexnews.hk) and the Bank (www.citicbank.com).

7.2.2 2017 Interim Profit Distribution

No interim plan for either profit distribution or transfer of capital reserve to share capital will be applied for 2017.

7.2.3 Distribution of Dividends on Preference Shares

The Bank approved the 2017 Dividend Distribution Plan of Preference Shares at the Board meeting convened on 24 August, 2017, approving the distribution of preference shares dividends accrued between 26 October 2016 and 25 October 2017, on 26 October 2017. The Bank will distribute dividends on the preference shares to all its shareholders of "CNCB Excellent 1" (code: 360025) registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch after the close of trading at the SSE on 25 October 2017. The Bank will pay a preference dividend of RMB3.80 per share (tax inclusive), calculated according to a nominal dividend rate of 3.80%, with a total dividend payment of RMB1.33 billion (pre-tax).

7.3 Material Contracts and Their Performance

During the reporting period, the Bank did not have any material custody, contracting or leasing of any assets of other companies that took place during the reporting period or that took place in previous periods but went on to the reporting period; neither did other companies hold custody of, contract or lease any material assets of the Bank.

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 guarantee that need to be disclosed except for the financial guarantee that is within its approved business scope.

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

7.4 Use of Funds by the Controlling Shareholder and Its Related Parties

There was no use of the Bank's funds by the controlling shareholder and its related parties during the reporting period.

7.5 Material Related Party Transactions

When engaging in 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 non-related parties for similar transactions. For statistical details of the related party transaction, please refer to Note 59"Related Parties and Related Party Transactions" of the financial statements in this report.

7.5.1 Related Party Transactions Involving Disposal and Acquisition of Assets

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

7.5.2 Credit Extension Continuing Related Party Transactions

In 2014, the Bank entered into framework agreements on credit extension continuing related party transactions with CITIC Group and its associates, and obtained approval for the annual transaction caps for years 2015-2017 in the beginning of 2015. In 2016, 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 "RMB42 billion" on credit extension continuing related party transactions to "no more than 14% of the disclosed net capital of the preceding quarter", for the purpose of ensuring all credit extension continuing related party transactions of the Bank complied with applicable laws and regulations. With the approvals from the Board meetings on 25 August 2016 and 18 January 2017 and in line with the need for business growth, the Bank respectively applied to the SSE for the caps on credit extension continuing related party transactions with China Tobacco and its related parties for 2016-2017, as well as with Xinhu Zhong Bao and its related parties for 2017, at an annual amount of RMB15.8 billion each. Credit extension transactions between the Bank and the above-mentioned 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 amounted to RMB28.636 billion, including RMB26.386 billion to CITIC Group and its associates, RMB2.25 billion to Xinhu Zhong Bao and its related parties, and zero to China Tobacco and its related parties. Such credit extensions to related companies were performing loans of sound quality and will not exert material impacts on the 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 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 on Standardization of External Guarantee Provided by Listed Companies (Zheng Jian Fa [2005] No.120). The related party loans between the Bank and CITIC Group and the latter's associates, between the Bank and Xinhu Zhong Bao and its related parties, and between the Bank and China Tobacco and its related parties had no adverse impact on the operating results or financial position of the Bank.

7.5.3 Non-Credit Extension Continuing Related Party Transactions

In 2014, the Bank entered into framework agreements on seven categories of non-credit extension continuing related party transactions with its de facto controller CITIC Group and its associates, and obtained the approval for the annual caps thereon for 2015-2017 in the beginning of 2015. In 2016, in line with the need for business development, the Bank applied to the SSE and the SEHK for adjustment of the caps on continuing related party transactions in relation to comprehensive services, for the purpose of ensuring that all transactions in this regard would be carried out within their respective annual caps in an orderly manner.

At the moment, the Bank, Xinhu Zhong Bao and its related parties and China Tobacco and its related parties[1] have not applied for caps on non-credit extension continuing related party transactions. During the reporting period, there was no material non-credit extension related party transaction between the Bank and Xinhu Zhong Bao and its related parties or between the Bank and China Tobacco and its related parties.

The Bank carried out non-credit extension 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 as follows:

7.5.3.1 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 reviews. In 2017, the annual cap for the Bank's transactions with CITIC Group and its associates 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 RMB7 million which did not exceed the approved annual cap.

7.5.3.2 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 and the categories of assets or funds under custody, subject to periodic reviews. In 2017, the annual cap for the Bank's transactions with CITIC Group and its associates under the Asset Custody Services Framework Agreement was RMB1 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB194 million, which did not exceed the approved annual cap.

7.5.3.3 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 may be calculated on the basis of the scale, rate and duration of the service, and shall be determined through fair and reciprocal negotiations between the parties and on terms no more favorable than those available to independent third parties. In 2017, the annual cap for the Bank's transactions with CITIC Group and its associates under the Financial Consulting and Asset Management Service Framework Agreement was RMB800 million. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB109 million, which did not exceed the approved annual cap.

1 Xinhu Zhong Bao and its related parties and China Tobacco Corporation and its related parties only constitute related parties of the Bank as per A share regulatory requirements without constituting related parties of the Bank as per requirements of the SEHK.

7.5.3.4 Capital Transactions

According to the Capital Transactions Framework Agreement entered into between the Bank and CITIC Group in December 2014, the Bank and CITIC Group and its associates shall conduct capital 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; and for financial derivatives, transaction prices shall be fixed in accordance with factors, such as the level of market activity of the underlying products, openly available market quotes and the Bank's requirements relating to the management of various risks. In 2017, the annual caps for the Bank's transactions with CITIC Group and its associates under the Capital Transactions Framework Agreement between the Bank and CITIC Group were: RMB3.4 billion for gains and losses of transactions, RMB2.9 billion for fair value of derivative financial instruments recorded as assets, and RMB4.4 billion for fair value of derivative financial instruments recorded as liabilities. As at the end of the reporting period, the corresponding actual transaction amounts incurred under the framework agreement were: RMB77 million for gains and losses, RMB42 million for fair value recorded as assets and, RMB37 million for fair value recorded as liabilities, none of which exceeded the corresponding approved annual caps of the Bank.

7.5.3.5 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 2017, the Bank's annual cap for transactions under the framework agreement was RMB3.0 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB484 million, which did not exceed the approved annual cap.

7.5.3.6 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 prioritize its consideration 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 are no prices available for a particular asset transfer, once statutory government-prescribed prices are available in the future, such asset transfers shall be priced with reference to the government-prescribed prices. In 2017, the Bank's annual cap for transactions under the Asset Transfer Framework Agreement was RMB92.0 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB20.728 billion, which did not exceed the Bank's approved annual cap.

7.5.3.7 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, in line with the categories and scopes of wealth management services, and with real-time adjustments made according to changes in market prices. In 2017, the Bank's annual caps for wealth management and investment services provided in connection with CITIC Group and its associates under the Wealth Management and Investment Service Framework Agreement were: RMB4.8 billion for fees relating to non-principal-protected wealth management and agency services, RMB40 billion for period-end balance of principal in principal-protected wealth management services for customers, RMB1.4 billion for yields on wealth management for customers, RMB68.0 billion for period-end balance of investment funds, and RMB8.6 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: RMB278 million for fees relating to non-principal-protected wealth management and agency services, RMB3.706 billion for period-end balance of principal in principal-protected wealth management services for customers, RMB44 million yields on wealth management for customers, RMB10.149 billion for period-end balance of investment funds, and RMB76 million for the sum of the Bank's return on investment and payment of service fees to intermediaries. None of the actual amounts exceeded the corresponding approved annual caps.

7.5.4 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.

7.5.5 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 59 to the financial statements contained in this report.

7.5.6 Transaction Balances and Risk Exposures of Related Natural Persons

For details of the transaction balances and risk exposures relating to transactions between the Bank and its related natural persons, please refer to Note 59 to the financial statements contained in this report.

7.6 Material Litigations and Arbitrations

The Group has been involved in several litigations and arbitrations in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Group for loan recovery, while there have also been litigations and arbitrations resulting from disputes with customers. During the reporting period, there were 141 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 the defendant/respondent, with an aggregate disputed amount of RMB485 million.

The Bank is of the view that the above-mentioned litigations and arbitrations will not have significant adverse impacts on either its financial position or its operating results.

7.7 Undertakings by the Company and Its Relevant Shareholders

On 8 July 2015, CITIC Group undertook that, due to recent abnormal fluctuations in the domestic stock market, and for the purpose of promoting sustainable, stable and healthy development of the capital market and effectively safeguarding the legitimate rights and interests of all classes of shareholders of listed companies, CITIC Group will not decrease its shareholding in the Bank during abnormal fluctuations in the stock market, and will rather increase its shareholding in the Bank when appropriate.

Based on the above undertakings, 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). As at 21 January 2017, 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. As at the end of the reporting period, CITIC Group has performed the above-mentioned undertakings.

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

As at the end of the reporting period, no directors, supervisors and senior management members of the Bank held any shares, share options, restrictive shares, underlying shares or debentures of the Bank and its associated corporations (its definition refers to the "associated corporations" defined in Part XV of the Hong Kong Securities and Futures Ordinance), or held any interests or short positions as recorded in the register required to be kept pursuant to section 352 of the Hong Kong Securities and Futures Ordinance, or held any interests or short positions that shall be notified to the Bank and the SEHK pursuant to Appendix 10 of the Hong Kong Listing Rules "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code").

During the reporting period, the Bank, after inquiring all directors, supervisors and senior management members in this regard, confirmed that they had all followed and complied with the provisions on securities trading as set out in the Model Code throughout the reporting period.

7.9 Investigations, Penalties and Remedial Actions of the Company and its Directors, Supervisors, Senior Management Members, Controlling Shareholder and de facto Controller

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members, controlling shareholder of the Bank, and de facto controller had any 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, administrative punishments by other administrative authorities, or public censure by any stock exchanges, or punishment by other regulators that may have any material impact on business operation of the Bank.

7.10 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 of the Hong Kong Listing Rules throughout the six months ended on 30 June 2017, except for the following:

According to Code A.1.3 of the Corporate Governance Code, a notice of the Board of Directors shall be given at least 14 days in advance. As stipulated in Article 176 of the Bank's Articles of Association, a written notice shall be given to all directors and supervisors 10 days before the convening date of the Board of Directors. In relation to notices of Board meetings, the Bank adopted the latter practice because such practice complies with the applicable laws and regulations of the People's Republic of China and reasonable time is deemed to have been given.

According to Code A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors shall attend the general meetings. Due to conflicts of time and/or other work arrangements, some directors were unable to attend the Bank's general meetings in person.

Given the changes in the external business environment, regulatory requirements, and the scope and scale of banking business, internal control within the banks shall be a process involving persistent improvement and enhancement. As such, the Bank will comply with the external regulatory requirements and the work requirements of listed companies to continuously optimize its internal control.

7.11 Review of Interim Results

The Audit and Related Party Transactions Control Committee and the senior management of the Bank reviewed the accounting policies and practices adopted by the Bank, discussed matters relating to internal control and financial reporting, and reviewed this interim report, and thereafter were of the opinion that, the accounting policies the Group adopted for this interim report were consistent with those adopted for the preparation of the financial statements of the Group for the year ended 31 December 2016.

7.12 Equity Incentive Scheme

The Bank did not practice any equity incentive scheme during the reporting period.

7.13 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 repay matured debts of considerable amounts.

7.14 Access to the Interim Report

The Bank has prepared interim reports for both A-share and H-share in accordance with corresponding regulatory requirements, with the H-share interim report available in both Chinese and English languages. A-share shareholders may write to the Bank's Board Office for copies of the A-share interim financial report prepared in accordance with the PRC accounting standards. H-share shareholders may write to the Bank's H-share registrar, Computershare Hong Kong Investor Services Limited, for copies of the H-share interim financial report prepared in accordance with International Financial Reporting Standards.

8.1 Changes in Ordinary Share Capital

Unit: Share

	31 December 2016		Changes (+,-)					30 June 2017	
	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:	**2,147,469,539**	**4.39**				**0**	**0**	**2,147,469,539**	**4.39**
1. Shares held by the state									
2. Shares held by state-owned legal persons	2,147,469,539	4.39				0	0	2,147,469,539	4.39
3. Shares held by other domestic investors									
4. Foreign-held shares									
Shares not subject to restrictions on sale:	**46,787,327,034**	**95.61**				**0**	**0**	**46,787,327,034**	**95.61**
1. Renminbi denominated ordinary shares	31,905,164,057	65.20				0	0	31,905,164,057	65.20
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares	14,882,162,977	30.41				0	0	14,882,162,977	30.41
4. Others									
Total shares	**48,934,796,573**	**100**				**0**	**0**	**48,934,796,573**	**100**

8.2 Issuance and Listing of Securities

8.2.1 Issuance of Bonds

During the reporting period, the Bank successfully issued RMB50 billion financial bonds at the national interbank bond market with approval from the CBRC and PBOC, for replenishment of its working capital.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 19 April 2017 for detailed information thereof.

8.2.2 Issuance of Convertible Bonds

The Bank proposed to make a public offering of up to RMB40 billion of A-share convertible corporate bonds. The relevant proposal and resolutions were approved at the meetings of the Board of Directors respectively convened on 25 August 2016, 19 December 2016 and 18 January 2017, and were approved via voting by poll at the 1st Extraordinary General Meeting of 2017, the 1st A Shareholders Class Meeting of 2017 and the 1st H Shareholders Class Meeting of 2017 convened on 7 February 2017. The CBRC issued the Approval of the CBRC on the Issuance of A Share Convertible Corporate Bonds of CITIC Bank (CBRC approval [2017] No.193) in July 2017. The convertible bonds may only be issued upon the approval of CSRC.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 25 August 2016, 20 December 2016, 18 January 2017, 7 February 2017 and 11 July 2017 for details of the relevant documents on the proposed public issuance of A-Share Convertible Corporate Bonds.

8.3 Information on Ordinary Shareholders

8.3.1 Top 10 Shareholders

As at the end of the reporting period, the Bank had 198,333 ordinary shareholders in total, including 165,614 A shareholders and 32,719 H shareholders.

Unit: Share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of shares held	Shareholding percentage (%)	Balance of shares subject to restrictions on sale	Increase or decrease in shareholding during the reporting period	Shares pledged or frozen
1	CITIC Corporation Limited	State-owned legal person	A share, H share	31,988,728,773	65.37	0	0	0
2	Hong Kong Securities Clearing Company Nominee Limited	Foreign entity	H share	12,116,464,955	24.76	0	3,256,733	Unknown
3	China Tobacco Corporation	State-owned legal person	A share	2,147,469,539	4.39	2,147,469,539	0	0
4	China Securities Finance Corporation Limited	State-owned legal person	A share	940,452,233	1.92	0	47,555,673	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	Hong Kong Securities Clearing Company Limited	Foreign entity	A share	34,575,017	0.07	0	5,007,717	0
8	Hebei Construction & Investment (Group) Limited	State-owned legal person	A share	31,034,400	0.06	0	0	0
9	China Poly Group Corporation	State-owned legal person	A share	27,216,400	0.06	0	0	0
10	TEMASEK FULLERTON ALPHA PTE LTD	Foreign entity	A share	22,677,408	0.05	0	(6,918,831)	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 subsidiary 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 the First Quarterly Report of China Construction Bank Corporation, as at 31 March 2017, Central Huijin Investment Limited and its wholly owned subsidiary Central Huijin Asset Management Limited together owned 57.31% equity of China Construction Bank Corporation. Hong Kong Securities Clearing Company Nominee Limited is a wholly owned subsidiary of Hong Kong Securities Clearing Company 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.

8.3.2 Shareholdings of the Top 10 Ordinary Shareholders Not Subject to Restrictions on Sale

Unit: Share

No.	Name of shareholder	Number of shares not subject to restrictions on sale held	Class and number of shares	
			Class	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	12,116,464,955	H Share	12,116,464,955
3	China Securities Finance Corporation Limited	940,452,233	A Share	940,452,233
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	Hong Kong Securities Clearing Company Limited	34,575,017	A Share	34,575,017
7	Hebei Construction & Investment (Group) Limited	31,034,400	A Share	31,034,400
8	China Poly Group Corporation	27,216,400	A Share	27,216,400
9	TEMASEK FULLERTON ALPHA PTE LTD	22,677,408	A Share	22,677,408
10	Taikang Life Insurance Limited – Dividend – Individual Dividend – 019L – FH002 Shanghai	20,682,562	A Share	20,682,562

8.4 Interests and Short Positions Held by Substantial Ordinary Shareholders and Other Persons

As at the end of the reporting period, the 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	24,329,608,919(L)	71.45(L)	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.

8.5 Controlling Shareholder and De Facto Controller of the Bank

8.5.1 Changes in the controlling shareholder and de facto controller

During the reporting period, there was no change in the Bank's controlling shareholder and de facto controller. As at the end of the reporting period, CITIC Corporation Limited was the controlling shareholder of the Bank, and CITIC Group the de facto controller.

8.5.2 Information on the controlling shareholder and de facto controller

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 the 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 unit for national economic reform and an important window for 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 domestic 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 Corporation Limited (named "CITIC Limited" when first established). In particular, CITIC Group held 99.9% equity interest in CITIC Limited, and Beijing CITIC Enterprise Management Co., Ltd. held 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 Corporation Limited as capital contribution. As a result, CITIC Corporation Limited held 28,938,929,004 shares in the Bank both directly and indirectly, accounting for 61.85% of the Bank's total share capital. The above-mentioned share transfer was approved by the State Council, the MOF, the CBRC, the CSRC and the Hong Kong Monetary Authority. In February 2013, the relevant formalities for the share transfer were officially completed with approvals from the SSE and China Securities Depositary and Clearing Corporation Limited Shanghai Branch.

In October 2013, BBVA transferred to CITIC Corporation Limited 2,386,153,679 H shares it held in the Bank, accounting for approximately 5.10% of the total share capital of the Bank, after which CITIC Limited increased its shareholding in 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 into CITIC Limited. The former CITIC Limited was renamed into CITIC Corporation Limited. CITIC Limited held 100% equity interest in CITIC Corporation Limited.

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

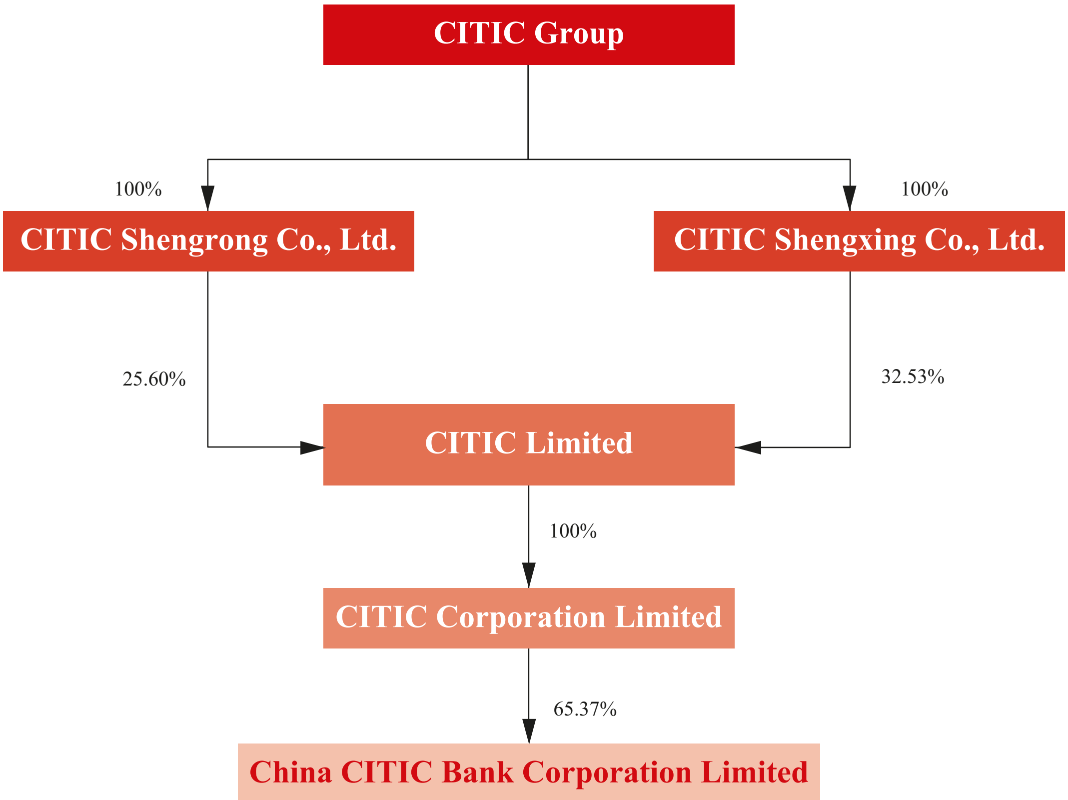
In January 2016, the Bank completed its private offering of 2,147,469,539 A shares to China Tobacco, upon which time the Bank had a total share capital increased to 48,934,796,573 shares, and the proportion of shares owned by CITIC Corporation Limited reduced to 64.18%.

In January 2016, CITIC Limited notified the Bank that it 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. As at 21 January 2017, the implementation of the shareholding increase plan was completed. CITIC Limited and its subsidiaries (including CITIC Corporation Limited) hold 32,284,227,773 shares of the Bank in aggregate, of which it holds 28,938,928,294 A shares and 3,345,299,479 H shares, representing 65.97% of the total issued shares of the Bank.

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 of 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); external allocation of required workers to overseas projects compatible with its resources, scale and business 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 businesses 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 activities that require prior approval according to the law may only commence 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 resource 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 transformed from a domestic enterprise into 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 the law.)

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]:



As at the end of the reporting period, 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. CITIC Limited, in addition to the shareholding of the above-mentioned shares via CITIC Corporation Limited, also hold part of the Bank's shares via its subsidiaries and CITIC Corporation Limited's subsidiaries. As at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) hold 32,284,227,773 shares of the Bank in aggregate, of which it holds 28,938,928,294 A shares and 3,345,299,479 H shares, representing 65.97% of the total issued shares of the Bank.

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.

Chapter 9 *Preference* Shares

9.1 Issuance and Listing of Preference Shares in the Recent Three Years

The Bank obtained the Approval of China Banking Regulatory Commission in relation to the Non-Public Offering of Preference Shares and Amendments to the Articles of Association by China CITIC Bank (CBRC Approval [2015] No.540) on 1 September 2015 and the Approval on Non-Public Offering of Preference Shares of China CITIC Bank Corporation Limited (CSRC Approval [2016] No. 1971) issued by China Securities Regulatory Commission on 14 October 2016. The Bank made the non-public 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 date. 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 total proceeds raised in the above issuance of preference shares were RMB35,000,000,000, amounting to net proceeds of RMB34,954,688,113 after deduction of the issuance costs, taxes and other expenses, and the total proceeds 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), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for detailed information.

9.2 Number of Preference Shareholders and Their Shareholdings

As at the end of reporting period, the Bank recorded a total of 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	
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	–	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 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 were connected relations 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.

9.3 Redemption or Conversion of Preference Shares

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

9.4 Restoration of Voting Rights of Preference Shares

During the reporting period, there were no matters arising from the restoration of voting rights of preference shares in the Bank.

9.5 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, PRC 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.

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www.citicbank.com

10.1 Information on Directors, Supervisors and Senior Management Members

10.1.1 Directors (as at the end of the reporting period)

Name	Title	Name	Title
Li Qingping	Chairperson, Executive Director	Chang Zhenming	Non-executive Director
Sun Deshun	Executive Director, President	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

10.1.2 Supervisors (as at the end of the reporting period)

Name	Title	Name	Title
Cao Guoqiang	Chairman of the Board of Supervisors	Shu Yang	Shareholder Supervisor
Wang Xiuhong	External Supervisor	Jia Xiangsen	External Supervisor
Zheng Wei	External Supervisor	Cheng Pusheng	Employee Representative Supervisor
Wen Shuping	Employee Representative Supervisor	Ma Haiqing	Employee Representative Supervisor

10.1.3 Senior Management Members (as at the end of the reporting period)

Name	Title	Name	Title
Sun Deshun	Executive Director, President	Zhang Qiang	Vice President
Zhu Jialin	Vice President & General Manager of the Head Office Business Department	Fang Heying	Vice President & Chief Financial Officer
Guo Danghuai	Vice President	Yang Yu	Vice President
Mo Yue	Secretary of the Committee for Disciplinary Inspection	Hu Gang	Vice President and President of Shanghai Branch
Yao Ming	Chief Risk Officer	Lu Wei	Secretary to the Board of Directors

10.2 Appointment or Dismissal of Directors, Supervisors and Senior Management Members (as at the end of the reporting period)

The Bank's new appointment or dismissal of Directors and senior management members during the reporting period is set out below.

In March 2017, due to age reason, Mr. Zhu Xiaohuang resigned from the position of non-executive director of the Bank and member of the Strategic Development Committee and member of the Risk Management Committee of the Board. The resignation of Mr. Zhu Xiaohuang took effect on 3 March 2017.

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, the meeting of the Board of Directors of the Bank adopted the proposal of engaging Mr. Hu Gang to be a Vice President of the Bank. On 15 May 2017, with CBRC approval of his qualification for office, Mr. Hu Gang officially assumed office as Vice President of the Bank.

In March 2017, the meeting of the Board of Directors of the Bank adopted the proposal of engaging Mr. Yao Ming to be the Chief Risk Officer of the Bank. Mr. Yao Ming officially assumed office on 9 May 2017 upon CBRC's approval of his qualifications for the office.

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

In May 2017, Mr. Mo Yue was appointed Secretary of the Committee for Disciplinary Inspection of the Bank.

No Supervisor was newly appointed or dismissed during the reporting period.

The Bank's new appointment or dismissal of Directors, Supervisors and/or senior management members as of the disclosure date of this report is set out below:

In May 2017, the 2016 Annual General Meeting of the Bank adopted the resolution on electing Mr. Zhu Gaoming non-executive director of the fourth session of the Board of Directors of the Bank. Mr. Zhu Gaoming officially assumed office on 18 August 2017 upon CBRC's approval of his qualifications for the office.

10.3 Position Changes of Directors, Supervisors and Senior Management Members

Except for the above disclosure, there was no other change in the positions of directors, supervisors and senior management members of the Bank that require disclosure pursuant to Article 13.51B(1) of the Hong Kong Listing Rules.

As of the disclosure date of this report, Mr. Qian Jun, an independent non-executive director of the Bank, is Professor of Finance and Executive Dean at Fanhai International School of Finance (FISF) of Fudan University since July 2017, and is no longer Deputy Director of the China Academy of Financial Research and Co-Director of the EMBA/DBA/EE programs at Shanghai Advanced Institute of Finance (SAIF) of Shanghai Jiao Tong University.

10.4 Staff

During the reporting period, the Bank kept improving its human resource management according to the principle of combining effective incentives with strict constraints. Great efforts were devoted to the development of management teams at various levels, including rational staffing of management level at tier-one branches and Head Office departments, continuous optimization of management team structures, promoting exchanges between managers, and refining the performance evaluation mechanism. In addition, the Bank further deepened the construction of the Bank's job system, refined the descriptions for each job position, clarified the division of duties, rationalized the staffing quota, and made allocation of human resources more efficient. Other areas of improvement included a better remuneration system centered on job value, an enhanced welfare system and a reinforced role of incentives. The Bank seeks to enhance the management by means of information technology, resulting in the successful online operation of the new-generation IT system for human resource management during the reporting period, and provides instant and precise information support on human resources for the Bank's business operation.

By the end of the reporting period, the Group had 56,565 employees of all categories, including 51,608 under labor contracts with the Group, 4,957 dispatched to the Bank or hired with letters of engagement by the Group, and 1,025 retirees with the Group.

Chapter 11 Corporate Governance

11.1 Overall Profile of Corporate Governance

During the reporting period, the Bank made further efforts to improve its corporate governance mechanism so as to ensure coordinated and efficient operation of all governance bodies. The governance bodies of the Bank reinforced their institutional development, intensified management of duty performance, expanded channels for duty performance and upgraded performance capability. The Bank implemented decisions made by its Board of Directors and Board of Supervisors with greater vigor, facilitating better application of governance results. The Bank's corporate governance structure and operation complied with relevant provisions and requirements of the CBRC, securities regulators of its listing venues, and the listing rules. This ensured a full role of its Board of Directors, Board of Supervisors and their specialized committees, which well secured the Bank's development with improving corporate governance. Engagement of each and every board director was decided based on comprehensive consideration of the competence, skills, knowledge, and experience needed for overall operation of the board. The composition of its board membership complied with Code A.5.6 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules regarding diversification of board membership.

During the reporting period, in accordance with its Articles of Association, the Bank convened 4 general meetings, 5 meetings of the Board of Directors and 4 meetings of the Board of Supervisors. The general meetings included the 1st Extraordinary General Meeting of 2017, the 1st A Shareholders Class Meeting and the 1st H Shareholders Class Meeting of 2017, and the 2016 Annual General Meeting. The supervisors attended all meetings of the Board of Directors as non-voting delegates. The shareholders' general meetings, board meetings and board of supervisors meetings were all held in compliance with relevant laws and regulations and the procedures specified in the Articles of Association of the Bank.

11.2 Convening of General Meetings and Meetings of the Board of Directors and the Board of Supervisors

11.2.1 General Meetings

During the reporting period, the Bank convened the 1st Extraordinary General Meeting of 2017, the 1st A Shareholders Class Meeting of 2017 and the 1st H Shareholders Class Meeting of 2017 on 7 February 2017, and the 2016 Annual General Meeting on 26 May 2017 in accordance with the listing rules of its two listing venues and its Articles of Association. The meetings considered and approved the proposals regarding the Bank's 2016 Annual Report, 2016 Final Report, 2016 Profit Distribution Plan, 2017 Financial Budget Plan, 2017 Plan for Engagement of Accounting Firms and their Fees, 2016 Report of the Board of Directors, 2016 Report of the Board of Supervisors, Public Offering of A Share Convertible Corporate Bonds, and Amendments to the Articles of Association. As such, the general meetings safeguarded legitimate rights and interests of all shareholders, ensured lawful exercise of rights by shareholders, and were significant for promoting long-term, robust and sustainable development of the Bank. Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 8 February 2017 and 27 May 2017 for detailed information thereof.

11.2.2 Board of Directors

During the reporting period, the Board of Directors of the Bank convened 5 meetings in accordance with listing rules of the two listing venues and the Articles of Association. The meetings considered and approved the proposals regarding the Bank's 2016 Annual Report, 2016 Report on Internal Control Assessment, 2016 Social Responsibility Report, 2016 Profit Distribution Plan, 2017 Business Plan, 2017 Financial Budget Plan, 2017 Plan for Engagement of Accounting Firms and their Fees, 2016 Report of the Board of Directors, 2017 Work Plan of the Board of Directors, 2017 Audit Plan, 2017 Plan on Institutional Development, 2017 Statement on Risk Preference and Program of Consolidated Subsidiaries on Risk Preference, 2017-2019 Risk Management Strategy, First Quarterly Report of 2017, Amendments to the Articles of Association, Administrative Measures on Implementation of Green Credit, Amendment to the Administrative Measures of CITIC Bank on Outsourcing, Amendment to the Administrative Measures of CITIC Bank on Business Continuity, Acquisition of Equity in Halyk Bank, and 2017-2020 Plan on Overseas Development, and presented relevant proposals to the shareholders general meetings for voting and resolution. Thus, the Board of Directors effectively performed its due diligence.

During the reporting period, the Board of Directors listened to and discussed important presentations such as the Report on 2016 Operating Results, 2016 Report on Assessment of Strategic Implementation, 2016 Report on Disposal of Non-performing Assets, 2016 Report on Risk Management, 2016 Report on the Credit Risk Internal Rating System, 2016 Report on Management of Liquidity Risk, 2016 Report on Internal Control and Compliance Work, 2016 Report on Audit Work, 2016 Report on Implementation of Consolidation Management, 2016 Report on Service Quality and Consumer Protection, 2016 Report on Management of Capital Adequacy Ratios, First Quarterly Operating Results of 2017, Total Risk Management for the First Quarter of 2017, Innovation Work of the Whole Bank, and Program on Reinforcing Outsourcing Management of the Bank.

During the reporting period, the independent directors of the Bank actively performed their due diligence. They participated in deliberation of proposals and listened to presentations at the Board of Directors and its special committees, conducted field studies at branches and subsidiaries, and expressed timely independent opinions on significant events.

11.2.3 Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank held 4 meetings in accordance with the listing rules of the two listing venues and the Bank's Articles of Association. The meetings deliberated and adopted the proposals regarding the Bank's 2016 Annual Report, 2016 Social Responsibility Report, 2016 Report on Internal Control Assessment, 2016 Profit Distribution Plan, 2016 Report of the Board of Supervisors, First Quarterly Report of 2017, and 2016 Report of the Board of Supervisors on Performance of Due Diligence on the Part of the Board of Directors, Board of Supervisors and Senior Management.

In the reporting period, the supervisors actively performed their supervisory responsibilities, placing financial activities, risk management, internal control and performance of due diligence under more stringent scrutiny. They listened to and discussed important presentations such as the Bank's 2016 Report on Assessment of Strategic Implementation, the Implementation of Consolidation Management in 2016, First Quarterly Operating Results of 2017 and Total Risk Management for the First Quarter of 2017. In addition, the supervisors conducted field studies at subsidiaries.

During the reporting period, members of the Board of Supervisors attended the meetings of the Board of Directors and the general meetings as non-voting delegates.

11.3 Information Disclosure

The Bank made its information disclosure in strict compliance with the regulatory requirements of the listing venues to safeguard rights and interests of shareholders and investors. In the reporting period, the Bank published over 50 documents including its 2016 Annual Report, First Quarterly Report of 2017 and relevant ad hoc reports, notifying the market of important information pertaining to its financial performance and significant corporate events in a timely manner.

11.4 Management of Related Party Transactions

The Board of Directors and its Audit and Related Party Transactions Control Committee attached great importance to the management of related party transactions and carefully performed their review and disclosure duties in relation to the management of related parties and related party transactions, ensuring continuous effective operation of such management mechanism.

During the reporting period, the Bank strictly adhered to the regulatory requirements in Shanghai and Hong Kong and further reinforced refined management of related party transactions. It made continuous efforts to improve its management system that featured decisions making by the Board of Directors, supervision by the Board of Supervisors, execution by the management, and division of duties among business units. Material related party transactions were reported to the Board of Directors for deliberation on a case-by-case basis, disclosed to the public and filed 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 entirely of independent non-executive directors who carried out preliminary review of material related party transactions and expressed independent opinions on behalf of minority shareholders to ensure that such transactions were made in the overall interests of the Bank and its shareholders. In addition, the Bank upheld the inter-department joint consultation mechanism for material related party transactions to achieve optimal investment of credit resources, and reinforced dynamic management of related parties to timely update the list of related parties. During the reporting period, the Bank online operated the related party transaction management information system, enabling statistical data collection and updating of the list of related parties, data filing of related party transactions, as well as statistical data collection and monitoring of the caps on related party transactions. During the reporting period, the Bank orderly promoted applications for the 2018-2020 caps on related party transactions with the three major related party groups, namely, CITIC Group, Xinhu Zhong Bao, and China Tobacco, laying a solid foundation for compliant, efficient and refined management of related party transactions. All these gave better management of related party transactions.

11.5 Management of Investor Relations

The Bank attached close attention to the management of investor relations. It maintained comprehensive in-depth interaction and communication with its investors by means of results releases, domestic and overseas road shows and meetings with visiting investors, etc. Channels such as the general meeting, investor hotline (+86-10 85230010), the investor relations mailbox (ir@citicbank.com) and the SSE e-interaction platform were leveraged to provide timely and express information services to minority investors. As a result, the two-way information communication mechanism between the Bank and the capital market enjoyed continuous improvement. Regular transmission of opinions and recommendations from market investors to decision makers of the Bank in turn boosted continuing improvement of the Bank's business management.

In the reporting period, the Bank held its 2016 annual results release in Beijing and Hong Kong SAR simultaneously via video teleconference. At the release, its management carried out in-depth communication and exchange with over 100 investors, analysts and journalists regarding its 2016 performance and future development strategy. In addition, the Bank organized annual performance road shows at home and abroad whereby its management took the initiative to visit important domestic and overseas institutional investors, to promote its long-term investment value and strategic transformation outcomes. The Bank reinforced refined management of investor relations. Among others, through improving its domestic and overseas investor databases, proactively communicated with investors with greater targeted efforts, and constantly upgraded its service quality and effectiveness. All these enabled the capital market a better understanding of the Bank.

Chapter 12 Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF CHINA CITIC BANK CORPORATION LIMITED
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 110 to 196, which comprises the consolidated interim statement of financial position of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2017

Chapter 12 Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2017 Unaudited	2016 Unaudited
Interest income		**110,285**	107,685
Interest expense		**(60,791)**	(54,249)
Net interest income	5	**49,494**	53,436
Fee and commission income		**24,749**	22,353
Fee and commission expense		**(1,988)**	(1,057)
Net fee and commission income	6	**22,761**	21,296
Net trading gain	7	**3,454**	2,252
Net gain from investment securities	8	**743**	1,202
Net hedging loss		**–**	(1)
Other operating income		**257**	197
Operating income		**76,709**	78,382
Operating expenses	9	**(21,168)**	(23,174)
Operating profit before impairment		**55,541**	55,208
Impairment losses on			
– Loans and advances to customers		**(21,474)**	(19,796)
– Others		**(2,940)**	(4,088)
Total impairment losses	10	**(24,414)**	(23,884)
Revaluation gain on investment properties		**16**	–
Share of loss of associates		**(27)**	(43)
Profit before tax		**31,116**	31,281
Income tax expense	11	**(6,952)**	(7,604)
Profit for the period		**24,164**	23,677
Equity holders of the Bank		**24,011**	23,600
Non-controlling interests		**153**	77
Profit for the period		**24,164**	23,677
Other comprehensive 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		**(4,311)**	(1,596)
– Exchange differences on translating foreign operations		**(971)**	563
– Others		**(7)**	(4)
Items that will not be reclassified to profit or loss (net of tax):			
– Net changes on the measurement of defined benefit plan		**–**	–
Other comprehensive income, net of tax	12	**(5,289)**	(1,037)
Total comprehensive income for the period		**18,875**	22,640
Total comprehensive income attribute to:			
Equity holders of the Bank		**18,722**	22,563
Non-controlling interests		**153**	77
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic and diluted earnings per share (RMB)	13	**0.49**	0.48

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

Chapter 12 Consolidated Interim Statement of Financial Position

As at 30 June 2017
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**30 June 2017 Unaudited**	31 December 2016 Audited
Assets			
Cash and balances with central banks	14	**519,590**	553,328
Deposits with banks and non-bank financial institutions	15	**86,685**	208,641
Precious metals		**3,415**	3,372
Placements with and loans to banks and non-bank financial institutions	16	**158,892**	167,208
Financial assets at fair value through profit or loss	17	**64,121**	64,911
Derivative financial assets	18	**26,108**	47,366
Financial assets held under resale agreements	19	**19,443**	170,804
Interest receivables	20	**33,214**	32,922
Loans and advances to customers	21	**3,012,896**	2,802,384
Available-for-sale financial assets	22	**556,285**	534,533
Held-to-maturity investments	23	**229,483**	217,498
Investments classified as receivables	24	**841,359**	1,035,728
Investments in associates	25	**1,056**	1,111
Property, plant and equipment	27	**17,370**	17,834
Intangible assets		**758**	840
Investment properties	28	**293**	305
Goodwill	29	**886**	914
Deferred tax assets	30	**15,423**	12,697
Other assets	31	**63,939**	58,654
Total assets		**5,651,216**	5,931,050
Liabilities			
Borrowings from central banks		**193,600**	184,050
Deposits from banks and non-bank financial institutions	33	**877,373**	981,446
Placements from banks and non-bank financial institutions	34	**67,719**	83,723
Derivative financial liabilities	18	**23,723**	45,059
Financial assets sold under repurchase agreements	35	**66,906**	120,342
Deposits from customers	36	**3,453,476**	3,639,290
Accrued staff costs	37	**6,969**	8,819
Taxes payable	38	**5,780**	6,364
Interest payable	39	**37,127**	37,155
Provisions	40	**244**	244
Debt securities issued	41	**472,227**	386,946
Deferred tax liabilities	30	**15**	11
Other liabilities	42	**53,359**	53,105
Total liabilities		**5,258,518**	5,546,554

Chapter 12 Consolidated Interim Statement of Financial Position

As at 30 June 2017
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**30 June 2017 Unaudited**	31 December 2016 Audited
Equity			
Share capital	43	**48,935**	48,935
Preference shares	44	**34,955**	34,955
Capital reserve	45	**58,636**	58,636
Other comprehensive income	46	**(6,431)**	(1,142)
Surplus reserve	47	**27,263**	27,263
General reserve	48	**73,911**	73,911
Retained earnings	49	**150,156**	136,666
Total equity attributable to equity holders of the Bank		**387,425**	379,224
Non-controlling interests	50	**5,273**	5,272
Total equity		**392,698**	384,496
Total liabilities and equity		**5,651,216**	5,931,050

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

Approved and authorised for issue by the board of directors on 24 August 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 12 Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2017
(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	Surplus reserve	General reserve	Retained earnings	Ordinary shareholders in subsidiaries	Other equity instruments holders	Total equity
As at 1 January 2017		**48,935**	**34,955**	**58,636**	**(1,142)**	**27,263**	**73,911**	**136,666**	**123**	**5,149**	**384,496**
(i) Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**24,011**	**6**	**147**	**24,164**
(ii) Other comprehensive income	12	**—**	**—**	**—**	**(5,289)**	**—**	**—**	**—**	**—**	**—**	**(5,289)**
Total comprehensive income		**—**	**—**	**—**	**(5,289)**	**—**	**—**	**24,011**	**6**	**147**	**18,875**
(iii) Profit appropriations											
– Dividend distribution to ordinary shareholders of the Bank	49	**—**	**—**	**—**	**—**	**—**	**—**	**(10,521)**	**—**	**—**	**(10,521)**
– Dividend distribution to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5)**	**—**	**(5)**
– Dividend distribution to other equity instruments holders	50	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(147)**	**(147)**
As at 30 June 2017	4	**8,935**	**34,955**	**58,636**	**(6,431)**	**27,263**	**73,911**	**150,156**	**124**	**5,149**	**392,698**

		Equity attributable to equity holders of the Bank						Non-controlling interests		
	Notes	Share capital	Capital reserve	Other comprehensive income	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 period		—	—	—	—	—	23,600	5	72	23,677
(ii) Other comprehensive income	12	—	—	(1,037)	—	—	—	—	—	(1,037)
Total comprehensive income		—	—	(1,037)	—	—	23,600	5	72	22,640
(iii) Profit appropriations										
– Dividend distribution to ordinary shareholders of the Bank	49	—	—	—	—	—	(10,374)	—	—	(10,374)
– Dividend distribution to non-controlling interests		—	—	—	—	—	—	(10)	—	(10)
– Dividend distribution to other equity instruments holders	50	—	—	—	—	—	—	—	(72)	(72)
As at 30 June 2016		48,935	58,636	2,547	23,362	64,555	131,894	116	1,825	331,870

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Preference shares	Capital reserve	Other comprehensive income	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 income	12	—	—	—	(4,726)	—	—	—	1	—	(4,725)
Total comprehensive income		—	—	—	(4,726)	—	—	41,629	12	146	37,061
(iii) Proceeds from issuance of preference shares	44	—	34,955	—	—	—	—	—	—	—	34,955
(iv) Proceeds from other equity instruments holders	50	—	—	—	—	—	—	—	—	3,324	3,324
(v) Profit appropriations											
– Appropriations to surplus reserve	47	—	—	—	—	3,901	—	(3,901)	—	—	—
– Appropriations to general reserve	48	—	—	—	—	—	9,356	(9,356)	—	—	—
– Dividend distribution to ordinary shareholders of the Bank	49	—	—	—	—	—	—	(10,374)	—	—	(10,374)
– Dividend distribution to non-controlling interests		—	—	—	—	—	—	—	(10)	—	(10)
– Dividend distribution to other equity instruments holders	50	—	—	—	—	—	—	—	—	(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

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

Chapter 12 Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2017
(Amounts in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Operating activities		
Profit before tax	**31,116**	31,281
Adjustments for:		
— revaluation (gain)/loss on investments, derivatives and investment properties	**(1,629)**	533
— investment gain	**(450)**	(638)
— net loss/(gain) on disposal of property, plant and equipment	**11**	(41)
— unrealised foreign exchange (gain)/loss	**(220)**	193
— impairment losses	**24,414**	23,884
— depreciation and amortisation	**1,461**	1,312
— interest expense on debt securities issued	**8,848**	6,570
— dividend income from equity investment	**(4)**	—
— income tax paid	**(9,037)**	(8,037)
Subtotal	**54,510**	55,057
Changes in operating assets and liabilities:		
Decrease/(increase) in balances with central banks	**18,452**	(18,837)
Decrease in deposits with banks and non-bank financial institutions	**2,171**	6,385
Decrease/(increase) in placements with and loans to banks and non-bank financial institutions	**72,860**	(2,229)
Decrease/(increase) in financial assets at fair value through the profit or loss	**12,806**	(20,686)
Decrease in financial assets held under resale agreements	**151,361**	43,194
Increase in loans and advances to customers	**(236,929)**	(236,510)
Decrease/(increase) in investments classified as receivables	**193,589**	(62,026)
(Decrease)/increase in deposits from banks and non-bank financial institutions	**(103,983)**	75,893
Increase in borrowings from central banks	**9,550**	40,600
Decrease in placements from banks and non-bank financial institutions	**(15,582)**	(176)
Increase in financial liabilities at fair value through profit or loss	**—**	102
Decrease in financial assets sold under repurchase agreements	**(53,436)**	(51,908)
(Decrease)/increase in deposits from customers	**(179,114)**	268,255
Increase in other operating assets	**(1,409)**	(41,941)
Decrease in other operating liabilities	**(12,360)**	(5,541)
Subtotal	**(142,024)**	(5,425)
Net cash flows (used in)/from operating activities	**(87,514)**	49,632

Chapter 12 Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2017
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June **2017** **Unaudited**	2016 Unaudited
Investing activities			
Proceeds from disposal and redemption of investments		**596,428**	259,014
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**12**	89
Cash received from equity investment income		**96**	40
Payments on acquisition of investments		**(644,339)**	(327,241)
Payments on acquisition of equipment and other assets		**(1,571)**	(3,559)
Net cash paid for acquisition of associates	25	**(2)**	(100)
Other investing cash flow – net		**(1,400)**	—
Net cash flows used in investing activities		**(50,776)**	(71,757)
Financing activities			
Cash received from debt securities issued		**400,677**	336,974
Cash paid for redemption of debt securities issued		**(315,334)**	(218,350)
Interest paid on debt securities issued		**(7,871)**	(5,832)
Dividends paid		**(5)**	(82)
Net cash flows from financing activities		**77,467**	112,710
Net (decrease)/increase in cash and cash equivalents		**(60,823)**	90,585
Cash and cash equivalents as at 1 January		**385,356**	226,364
Effect of exchange rate changes on cash and cash equivalents		**(2,734)**	2,212
Cash and cash equivalents as at 30 June	51	**321,799**	319,161
Cash flows from operating activities include:			
Interest received		**113,460**	105,888
Interest paid		**(53,126)**	(49,584)

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

Chapter 12 Notes to the Unaudited Consolidated Interim Financial Statements

For the six months ended 30 June 2017
(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 30 June 2017, 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 interim 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 interim financial statements were approved by the Board of Directors of the Bank on 24 August 2017.

2 Basis of preparation

The unaudited consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 Principle accounting policies

The unaudited consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

The consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016, which have been audited.

(a) Amendments to the accounting standards effective in 2017 and adopted by the Group

In the current interim period, 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 interim period and relevant to the Group. Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2016.

Amendments to IAS 12	Income Taxes
Amendments to IAS 7	Statement of Cash Flows
Amendments to IFRS 12	IASB Annual Improvements 2014 – 2016 cycle

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 Principle accounting policies (Continued)

(b) Standards and amendments that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group in 2017

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
(i)	Amendments to IFRS 2	Share – based Payment	1 January 2018
(i)	Amendments to IFRS 4	Applying IFRS 9 with IFRS 4 Insurance Contracts	1 January 2018
(i)	Amendments to IAS 40	Transfer of Investment Property	1 January 2018
(i)	Amendments to IAS 28	IASB Annual Improvements 2014 – 2016 cycle	1 January 2018
(i)	IFRS 9	Financial Instruments	1 January 2018
(i)	IFRS 15	Revenue from Contracts with Customers	1 January 2018
(ii)	International Financial Reporting Interpretations Committee ("IFRIC") 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
(i)	IFRS 16	Leases	1 January 2019
(iii)	IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
(iv)	IFRS 17	Insurance Contracts	1 January 2021
(i)	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

(i) Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2016. Except for the impact of IFRS 9, the Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's consolidated financial statements.

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. The assessment is expected to be completed by the end of 2017.

(ii) The IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The Group anticipates that the adoption of this interpretation will not have a significant impact on the Group's consolidated financial statements.

(iii) In June 2017 the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Group anticipates that the adoption of this interpretation will not have a significant impact on the Group's consolidated financial statements.

(iv) On 18 May 2017, the IASB issued IFRS 17 Insurance Contracts. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The Group anticipates that the adoption of this standard will not have a significant impact on the Group's consolidated financial statements.

3 Principle accounting policies (Continued)

(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) and the "Circular regarding clarification of VAT Policies Applicable to Finance, real estate, and education services" (Cai Shui [2016] No.140) 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), "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No. 2) and "Circular regarding Issues concerning Value-added Taxes for Asset Management Products" (Cai Shui [2017] No. 56), managers of asset management products will be subject to pay VAT for their taxable activities effective from after 1 January 2018.

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 interim financial statements.

4 Critical accounting estimates and judgements

The preparation of consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2016.

(Amounts in millions of Renminbi unless otherwise stated)

5 Net interest income

	Six months ended 30 June	
	2017	2016
Interest income arising from (Note (i)):		
Deposits with central banks	**3,833**	3,744
Deposits with banks and non-bank financial institutions	**1,439**	732
Placements with and loans to banks and non-bank financial institutions	**2,733**	1,691
Financial assets held under resale agreements	**536**	442
Investments classified as receivables	**21,324**	24,416
Loans and advances to customers		
— corporate loans	**43,841**	47,548
— personal loans	**22,458**	17,173
— discounted bills	**1,509**	1,580
Investments in debt securities	**12,579**	10,357
Others	**33**	2
Subtotal	**110,285**	107,685
Interest expense arising from:		
Borrowings from central banks	**(2,605)**	(1,205)
Deposits from banks and non-bank financial institutions	**(20,657)**	(16,899)
Placements from banks and non-bank financial institutions	**(1,325)**	(620)
Financial assets sold under repurchase agreements	**(1,176)**	(337)
Deposits from customers	**(26,175)**	(28,615)
Debt securities issued	**(8,848)**	(6,570)
Others	**(5)**	(3)
Subtotal	**(60,791)**	(54,249)
Net interest income	**49,494**	53,436

Note:

(i) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB379 million for the six months ended 30 June 2017 (Six months ended 30 June 2016: RMB322 million).

6 Net fee and commission income

	Six months ended 30 June	
	2017	2016
Fee and commission income:		
Bank card fees	**13,525**	8,318
Commission for wealth management services	**2,594**	3,261
Consultancy and advisory fees	**2,586**	3,169
Agency fees and commission (Note (i))	**2,568**	3,871
Commission for custodian business and other fiduciary	**1,586**	1,387
Guarantee fees	**1,081**	1,260
Settlement and clearance fees	**644**	743
Others	**165**	344
Total	**24,749**	22,353
Fee and commission expense	**(1,988)**	(1,057)
Net fee and commission income	**22,761**	21,296

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)

7 Net trading gain

	Six months ended 30 June	
	2017	2016
Debt securities and certificates of interbank deposit	**1,173**	521
Foreign currencies	**105**	871
Derivatives and related exposures	**2,098**	727
Financial instrument designated at fair value through profit or loss	**78**	133
Total	**3,454**	2,252

8 Net gain from investment securities

	Six months ended 30 June	
	2017	2016
Net gain from sale of available-for-sale securities	**360**	678
Net gain from bills rediscounting	**(24)**	284
Others	**407**	240
Total	**743**	1,202

9 Operating expenses

	Six months ended 30 June	
	2017	2016
Staff costs		
— salaries and bonuses	**8,415**	8,547
— welfare expenses	**608**	474
— social insurance	**660**	448
— housing fund	**600**	617
— labour union expenses and employee education expenses	**156**	356
— housing allowance	**228**	193
— other short-term benefits	**22**	42
— post-employment benefits – defined contribution plans	**1,097**	917
— post-employment benefits – defined benefit plans	**7**	1
— other long-term benefits	**62**	37
Subtotal	**11,855**	11,632
Property and equipment expenses		
— rent and property management expenses	**2,298**	2,182
— depreciation	**896**	827
— amortisation expenses	**565**	485
— system operating expenses	**192**	306
— maintenance	**64**	154
— others	**154**	138
Subtotal	**4,169**	4,092
Tax and surcharges	**828**	3,688
Other general operating and administrative expenses	**4,316**	3,762
Total	**21,168**	23,174

(Amounts in millions of Renminbi unless otherwise stated)

10 Impairment losses on assets

	Six months ended 30 June	
	2017	2016
Loans and advances to customers	**21,474**	19,796
Deposits with banks and non-bank financial institutions	**(34)**	—
Interest receivables	**2,324**	2,556
Available-for-sale financial assets	**(103)**	(1)
Held-to-maturity investments	**(2)**	—
Investments classified as receivables	**780**	1,348
Repossessed assets	**14**	(4)
Off-balance sheet items	**(88)**	(49)
Others	**49**	238
Subtotal	**2,940**	4,088
Total	**24,414**	23,884

11 Income tax

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

		Six months ended 30 June	
	Note	**2017**	2016
Current tax			
— Mainland China		**7,962**	7,213
— Hong Kong		**216**	182
— Overseas		**26**	6
Deferred tax	30(b)	**(1,252)**	203
Income tax		**6,952**	7,604

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

	Six months ended 30 June	
	2017	2016
Profit before tax	**31,116**	31,281
Income tax calculated at PRC statutory tax rate	**7,779**	7,820
Effect of different tax rates in other regions	**(141)**	(108)
Tax effect of non-deductible expenses	**126**	227
Tax effect of non-taxable income		
— interest income arising from PRC government bonds	**(758)**	(330)
— others	**(54)**	(5)
Income tax	**6,952**	7,604

(Amounts in millions of Renminbi unless otherwise stated)

12 Other comprehensive income, net of tax

	Six months ended 30 June	
	2017	2016
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 period	**(5,885)**	(1,003)
— net amount transferred to profit or loss	**104**	(1,125)
Income tax relating to other comprehensive income of available-for-sale financial assets	**1,470**	532
Other comprehensive income for available-for-sale financial assets, net of tax	**(4,311)**	(1,596)
Exchange differences on translating foreign operations	**(971)**	563
Share of other comprehensive income of associates	**(7)**	(4)
Subtotal	**(5,289)**	(1,037)
Items that will not be reclassified to profit or loss	**—**	—
Other comprehensive income, net of tax	**(5,289)**	(1,037)

13 Earnings per share

Earnings per share information for the six months ended 30 June 2017 and 2016 is computed by dividing the profit for the period attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the period.

The Bank issued non-cumulative preference shares in 2016 under the terms and conditions as detailed in Note 44. No cash dividend on preference shares was declared during the six months ended 30 June 2017.

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 30 June 2017, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Six months ended 30 June	
	2017	2016
Profit attributable to equity holders of the Bank	**24,011**	23,600
Less: profit for the period attributable to preference shareholders of the Bank	**—**	—
Profit for the period attributable to ordinary shareholders of the Bank	**24,011**	23,600
Weighted average number of shares (in million shares)	**48,935**	48,935
Basic and diluted earnings per share (in RMB)	**0.49**	0.48

(Amounts in millions of Renminbi unless otherwise stated)

14 Cash and balances with central banks

	Notes	**30 June 2017**	31 December 2016
Cash		**6,044**	7,407
Balances with central banks			
— statutory deposit reserve funds	(i)	**452,587**	464,633
— surplus deposit reserve funds	(ii)	**44,967**	58,855
— fiscal deposits	(iii)	**4,683**	3,568
— foreign exchange reserve	(iv)	**11,309**	18,865
Total		**519,590**	553,328

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 30 June 2017, the statutory deposit reserve funds placed with the PBOC was calculated at 15% (31 December 2016: 15%) of eligible Renminbi deposits for domestic branches of the Bank and at 15% (31 December 2016: 15%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 5% (31 December 2016: 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 2016: 9%).

The amounts of statutory deposit reserves 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.

(iv) 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)

15 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**30 June 2017**	31 December 2016
In Mainland China			
— banks		**21,912**	123,913
— non-bank financial institutions		**20,972**	42,383
Subtotal		**42,884**	166,296
Outside Mainland China			
— banks		**17,102**	31,623
— non-bank financial institutions		**26,699**	10,756
Subtotal		**43,801**	42,379
Gross balance		**86,685**	208,675
Less: Allowances for impairment losses	32	**—**	(34)
Net balance		**86,685**	208,641

(b) Analysed by remaining maturity

	Note	**30 June 2017**	31 December 2016
Demand deposits (Note (i))		**79,473**	100,394
Time deposits with remaining maturity			
— within one month		**670**	84,016
— between one month and one year		**6,542**	24,265
Subtotal		**7,212**	108,281
Gross balance		**86,685**	208,675
Less: Allowances for impairment losses	32	**—**	(34)
Net balance		**86,685**	208,641

Note:

(i) As at 30 June 2017, the carrying amount of pledged deposits with banks and other financial institutions was RMB838 million (31 December 2016: RMB606 million). These deposits were mainly maintenance margin and membership fee pledged with a regulatory body.

(Amounts in millions of Renminbi unless otherwise stated)

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

(a) Analysed by types and locations of counterparties

	Note	**30 June 2017**	31 December 2016
In Mainland China			
— banks		**15,319**	3,003
— non-bank financial institutions		**115,290**	138,293
Subtotal		**130,609**	141,296
Outside Mainland China			
— banks		**28,284**	25,921
Subtotal		**28,284**	25,921
Gross balance		**158,893**	167,217
Less: Allowances for impairment losses	32	**(1)**	(9)
Net balance		**158,892**	167,208

(b) Analysed by remaining maturity

	Note	**30 June 2017**	31 December 2016
Within one month		**76,327**	57,802
Between one month and one year		**82,566**	109,382
Over one year		**—**	33
Gross balance		**158,893**	167,217
Less: Allowances for impairment losses	32	**(1)**	(9)
Net balance		**158,892**	167,208

17 Financial assets at fair value through profit or loss

	Notes	**30 June 2017**	31 December 2016
Held for trading financial assets			
— debt securities	(a)	**15,004**	9,630
— certificates of interbank deposit	(b)	**47,325**	50,699
— investment funds		**1**	1
Subtotal		**62,330**	60,330
Financial assets designated at fair value through profit or loss			
— debt securities	(c)	**1,791**	4,581
Total		**64,121**	64,911

(Amounts in millions of Renminbi unless otherwise stated)

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

(a) Held for trading – debt securities

	30 June 2017	31 December 2016
Issued by		
In Mainland China		
— governments	**636**	51
— policy banks	**3,419**	2,579
— banks and non-bank financial institutions	**2,218**	3,138
— corporates	**8,279**	2,838
Subtotal	**14,552**	8,606
Outside Mainland China		
— banks and non-bank financial institutions	**157**	898
— corporates	**295**	126
Subtotal	**452**	1,024
Total	**15,004**	9,630
Listed in Hong Kong	**585**	977
Listed outside Hong Kong	**14,351**	6,775
Unlisted	**68**	1,878
Total	**15,004**	9,630

(b) Held for trading – certificates of interbank deposit

	30 June 2017	31 December 2016
Issued by		
Banks in Mainland China	**47,325**	50,699
Listed outside Hong Kong	**47,325**	50,699

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

	30 June 2017	31 December 2016
Issued by		
In Mainland China		
— banks	**1,598**	4,183
— policy banks	**52**	263
Subtotal	**1,650**	4,446
Outside Mainland China		
— banks	**141**	135
Total	**1,791**	4,581
Listed outside Hong Kong	**1,650**	4,446
Unlisted	**141**	135
Total	**1,791**	4,581

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)

18 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 18 (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 interim 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.

	30 June 2017			31 December 2016		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging instruments (Note (c))						
— interest rate derivatives	**12,902**	**163**	**28**	14,068	201	23
Non-Hedging instruments						
— interest rate derivatives	**1,052,925**	**2,627**	**2,409**	842,387	3,164	2,790
— currency derivatives	**3,343,503**	**22,087**	**20,649**	2,612,557	42,232	40,045
— precious metal derivatives	**90,370**	**1,231**	**637**	77,385	1,769	2,201
Total	**4,499,700**	**26,108**	**23,723**	3,546,397	47,366	45,059

(a) Nominal amount analyzed by remaining maturity

	30 June 2017	31 December 2016
Within three months	**1,325,393**	962,420
Between three months and one year	**2,870,848**	2,298,022
Between one year and five years	**300,332**	283,656
Over five years	**3,127**	2,299
Total	**4,499,700**	3,546,397

(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 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 30 June 2017, the total amount of credit risk weighted amount for counterparty was RMB44,655 million (31 December 2016: 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.

(Amounts in millions of Renminbi unless otherwise stated)

19 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	30 June 2017	31 December 2016
In Mainland China		
— banks	**19,040**	146,370
— non-bank financial institutions	**403**	24,434
Total	**19,443**	170,804

(b) Analysed by types of collateral

	30 June 2017	31 December 2016
Discounted bills	**398**	—
Securities	**19,039**	170,770
Others	**6**	34
Total	**19,443**	170,804

(c) Analysed by remaining maturity

	30 June 2017	31 December 2016
Within one month	**19,437**	170,770
Between one month and one year	**6**	34
Total	**19,443**	170,804

Collateral received in respect of financial assets held under resale agreements are disclosed in Note 53.

20 Interest receivables

	Note	**30 June 2017**	31 December 2016
Loans and advances to customers		**14,684**	14,482
Investments classified as receivables		**12,621**	10,951
Debt securities		**8,374**	9,608
Others		**1,737**	1,787
Gross balance		**37,416**	36,828
Less: Allowance for impairment losses	32	**(4,202)**	(3,906)
Net balance		**33,214**	32,922

(Amounts in millions of Renminbi unless otherwise stated)

21 Loans and advances to customers

(a) Analysed by nature

	Note	**30 June 2017**	31 December 2016
Corporate loans			
— loans		**1,813,575**	1,811,765
— discounted bills		**102,980**	75,047
— finance lease receivables	(e)	**42,243**	34,509
Subtotal		**1,958,798**	1,921,321
Personal loans			
— residential mortgages		**495,515**	433,210
— personal consumption		**205,844**	173,735
— business loans		**128,411**	111,949
— credit cards		**302,527**	237,712
Subtotal		**1,132,297**	956,606
Gross balance		**3,091,095**	2,877,927
Less: Allowances impairment losses	32		
— individually assessed		**(22,381)**	(25,448)
— collectively assessed		**(55,818)**	(50,095)
Subtotal		**(78,199)**	(75,543)
Net balance		**3,012,896**	2,802,384

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

	30 June 2017				
		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	**3,039,976**	**12,536**	**38,583**	**3,091,095**	**1.65%**
Less: Allowance for impairment losses	**(46,472)**	**(9,346)**	**(22,381)**	**(78,199)**	
Net balance	**2,993,504**	**3,190**	**16,202**	**3,012,896**	

	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	

(Amounts in millions of Renminbi unless otherwise stated)

21 Loans and advances to customers (Continued)

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

Notes:

(i) Identified impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and which have been assessed as bearing significant impairment losses which are assessed individually or collectively (portfolios of homogeneous loans and advances).

(ii) Individually assessed identified impaired loans

	30 June 2017	31 December 2016
Secured portion	**20,842**	19,060
Unsecured portion	**17,741**	18,941
Total	**38,583**	38,001
Individual allowance for impairment losses	**(22,381)**	(25,448)
Net balance	**16,202**	12,553
Maximum exposure covered by pledge and collateral held	**20,562**	18,643

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.

(c) Movements of allowance for impairment losses

	Six months ended 30 June 2017			
	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 2017	**41,988**	**8,107**	**25,448**	**75,543**
Allowance for impairment losses on loans charged	**4,493**	**2,871**	**16,720**	**24,084**
Reversal of impairment for the period	**—**	**(471)**	**(2,139)**	**(2,610)**
Unwinding of discount on allowance	**—**	**—**	**(335)**	**(335)**
Transfer out (Note (i))	**(9)**	**—**	**(184)**	**(193)**
Write-offs (Note 61)	**—**	**(1,632)**	**(17,289)**	**(18,921)**
Recovery of loans and advances written off in previous years	**—**	**471**	**160**	**631**
As at 30 June 2017	**46,472**	**9,346**	**22,381**	**78,199**

(Amounts in millions of Renminbi unless otherwise stated)

21 Loans and advances to customers (Continued)

(c) Movements of allowance for impairment losses (Continued)

	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 61)	—	(4,657)	(26,295)	(30,952)
Recovery of loans and advances written off in previous years	—	405	167	572
As at 31 December 2016	41,988	8,107	25,448	75,543

Note:

(i) Transfer out or transfer in include the effect of exchange rate.

(d) Overdue loans analysed by overdue period

	30 June 2017				
	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	**4,228**	**4,421**	**4,028**	**146**	**12,823**
Guaranteed loans	**8,077**	**8,289**	**8,885**	**1,216**	**26,467**
Loans with pledged assets					
— loans secured by collateral	**16,362**	**19,139**	**14,293**	**579**	**50,373**
— pledged loans	**2,730**	**1,494**	**2,544**	**178**	**6,946**
Total	**31,397**	**33,343**	**29,750**	**2,119**	**96,609**

	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

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)

21 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:

	30 June 2017		31 December 2016	
	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)	**9,833**	**11,717**	7,677	8,459
One year to two years (including two years)	**8,722**	**10,154**	6,514	7,761
Two years to three years (including three years)	**7,044**	**8,078**	6,279	6,766
Over three years	**16,644**	**18,612**	14,039	16,762
Gross balance	**42,243**	**48,561**	34,509	39,748
Less: Allowance for impairment losses				
— individually assessed	**—**		(2)	
— collectively assessed	**(836)**		(643)	
Net balance	**41,407**		33,864	

22 Available-for-sale financial assets

	Notes	**30 June 2017**	31 December 2016
Debt securities	(a)	**397,987**	396,545
Certificates of deposit	(b)	**82,142**	116,050
Equity investments			
— measured at fair value	(c)	**479**	768
— measured at cost	(c)	**523**	411
Investment funds	(d)	**75,080**	20,737
Wealth management products		**74**	22
Total		**556,285**	534,533

(Amounts in millions of Renminbi unless otherwise stated)

22 Available-for-sale financial assets (Continued)

(a) Debt securities analysed by location of counterparties

	30 June 2017	31 December 2016
In Mainland China		
— governments	**187,152**	166,151
— policy banks	**75,637**	91,905
— banks and non-bank financial institutions	**30,704**	34,906
— corporates	**70,704**	70,094
Subtotal	**364,197**	363,056
Outside Mainland China		
— governments	**13,179**	15,023
— banks and non-bank financial institutions	**12,408**	11,787
— corporates	**8,203**	6,679
Subtotal	**33,790**	33,489
Total	**397,987**	396,545
Listed in Hong Kong	**18,265**	10,935
Listed outside Hong Kong	**364,249**	356,827
Unlisted	**15,473**	28,783
Total	**397,987**	396,545

(b) Certificates of deposit analysed by location of counterparties

	30 June 2017	31 December 2016
In Mainland China		
— banks	**79,149**	112,127
Outside Mainland China		
— banks	**2,993**	3,923
Total	**82,142**	116,050
Listed outside Hong Kong	**82,142**	116,050

(c) Equity investments analysed by location of counterparties

	30 June 2017	31 December 2016
In Mainland China		
— corporates	**504**	391
Outside Mainland China		
— banks and non-bank financial institutions	**155**	136
— corporates	**343**	652
Total	**1,002**	1,179
Listed in Hong Kong	**343**	305
Listed outside Hong Kong	**136**	116
Unlisted	**523**	758
Total	**1,002**	1,179

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)

22 Available-for-sale financial assets (Continued)

(d) Investment funds analysed by location of counterparties

	30 June 2017	31 December 2016
In Mainland China		
— banks and non-bank financial institutions	**73,949**	19,585
Outside Mainland China		
— banks and non-bank financial institutions	**792**	457
— corporates	**339**	695
Total	**75,080**	20,737
Listed outside Hong Kong	**73,949**	19,585
Unlisted	**1,131**	1,152
Total	**75,080**	20,737

23 Held-to-maturity investments

Debt securities analysed by location of counterparties

	Note	**30 June 2017**	31 December 2016
In Mainland China			
— governments		**52,573**	49,286
— policy banks		**58,822**	69,861
— banks and non-bank financial institutions		**98,012**	76,572
— corporates		**19,734**	21,430
Subtotal		**229,141**	217,149
Outside Mainland China			
— banks and non-bank financial institutions		**339**	348
— public entities		**3**	3
Subtotal		**342**	351
Gross balance		**229,483**	217,500
Less: Allowance for impairment losses	32	**—**	(2)
Total		**229,483**	217,498
Listed in Hong Kong		**284**	291
Listed outside Hong Kong		**224,971**	213,008
Unlisted		**4,228**	4,199
Total		**229,483**	217,498
Fair value		**228,222**	219,014
Of which: listed securities		**223,994**	214,813

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 Investments classified as receivables

	Note	30 June 2017	31 December 2016
Investment management products managed by securities companies		**341,270**	452,966
Wealth management products		**382,750**	458,390
Trust investment plans		**119,875**	126,128
Gross balance		**843,895**	1,037,484
Less: Allowance for impairment losses	32	**(2,536)**	(1,756)
Net balance		**841,359**	1,035,728

As of 30 June 2017, RMB101,593 million (31 December 2016: RMB145,635 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 56 a (viii)).

25 Investments in associates

	30 June 2017	31 December 2016
Investments in associates	**1,056**	1,111

(a) The Group holds its investment in associates through subsidiaries and details of the associates as at 30 June 2017 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")	Corporation	Mainland China	20%	Financial services and investment	RMB500 million

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

	As at or for Six months ended 30 June 2017				
Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net loss
CIAM	**2,651**	**266**	**2,385**	**125**	**(141)**
BFAE	**495**	**6**	**489**	**—**	**(1)**

(Amounts in millions of Renminbi unless otherwise stated)

25 Investments in associates (Continued)

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

	Total
Initial investment cost	**995**
As at 1 January 2017	**1,111**
Additions	**2**
Share of loss from associates for the period	**(27)**
Share of other comprehensive gain of associates for the period	**10**
Dividend received	**—**
Exchange differences	**(40)**
As at 30 June 2017	**1,056**

	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 differences	43
As at 31 December 2016	1,111

26 Investment in subsidiaries

	Notes	**30 June 2017**	31 December 2016
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	(iv)	**4,000**	4,000
Total		**22,249**	22,249

(Amounts in millions of Renminbi unless otherwise stated)

26 Investment in subsidiaries (Continued)

Major subsidiaries of the Group as at 30 June 2017 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 30 June 2017, 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.

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

27 Property, plant and equipment

	Buildings (Note (ii))	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2017	**17,468**	**471**	**10,358**	**28,297**
Additions	**244**	**—**	**230**	**474**
Disposals	**(14)**	**—**	**(165)**	**(179)**
Exchange differences	**(17)**	**—**	**(37)**	**(54)**
As at 30 June 2017	**17,681**	**471**	**10,386**	**28,538**
Accumulated depreciation:				
As at 1 January 2017	**(3,949)**	**—**	**(6,514)**	**(10,463)**
Depreciation charges	**(288)**	**—**	**(608)**	**(896)**
Disposals	**6**	**—**	**150**	**156**
Exchange differences	**8**	**—**	**27**	**35**
As at 30 June 2017	**(4,223)**	**—**	**(6,945)**	**(11,168)**
Net carrying value:				
As at 1 January 2017	**13,519**	**471**	**3,844**	**17,834**
As at 30 June 2017 (Note (i))	**13,458**	**471**	**3,441**	**17,370**

(Amounts in millions of Renminbi unless otherwise stated)

27 Property, plant and equipment (Continued)

	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 differences	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 differences	(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

Notes:

(i) As at 30 June 2017, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB2,703 million (31 December 2016: RMB3,620 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:

	30 June 2017	31 December 2016
Long term leases (over 50 years), held in Hong Kong	**85**	70
Medium term leases (10-50 years), held in Hong Kong	**200**	211
Medium term leases (10-50 years), held in Mainland China	**13,148**	13,213
Permanent term lease, held in overseas	**25**	25
Total	**13,458**	13,519

(Amounts in millions of Renminbi unless otherwise stated)

28 Investment properties

	30 June 2017	31 December 2016
Fair value as at 1 January	**305**	325
Change in fair value	**16**	8
Transfers	**(19)**	(51)
Exchange differences	**(9)**	23
Fair value as at 30 June/31 December	**293**	305

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 30 June 2017.

All investment properties of the Group were revalued at 30 June 2017 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 "IFRS13 – 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.

(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:

	30 June 2017	31 December 2016
Long term leases (over 50 years), held in Hong Kong	**—**	15
Medium term leases (10-50 years), held in Hong Kong	**258**	255
Medium term leases (10-50 years), held in Mainland China	**35**	35
Total	**293**	305

29 Goodwill

	30 June 2017	31 December 2016
As at 1 January	**914**	854
Additions	**—**	—
Exchange differences	**(28)**	60
As at 30 June/31 December	**886**	914

Based on the result of impairment test, no impairment losses on goodwill were recognised as at 30 June 2017 (31 December 2016: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

30 Deferred tax assets/(liabilities)

	30 June 2017	31 December 2016
Deferred tax assets	**15,423**	12,697
Deferred tax liabilities	**(15)**	(11)
Net	**15,408**	12,686

(a) Analysed by nature and jurisdiction

	30 June 2017		31 December 2016	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— allowance for impairment losses	**55,271**	**13,815**	52,757	13,165
— fair value adjustments	**5,225**	**1,302**	(968)	(250)
— employee retirement benefits and salaries payable	**5,214**	**1,304**	2,882	721
— others	**(3,990)**	**(998)**	(3,844)	(939)
Subtotal	**61,720**	**15,423**	50,827	12,697
Deferred tax liabilities				
— allowance for impairment losses	**300**	**50**	—	—
— fair value adjustments	**(111)**	**(18)**	(65)	(11)
— others	**(283)**	**(47)**	—	—
Subtotal	**(94)**	**(15)**	(65)	(11)
Net	**61,626**	**15,408**	50,762	12,686

(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 2017	**13,165**	**(261)**	**721**	**(939)**	**12,686**
Recognised in profit or loss	**701**	**75**	**583**	**(107)**	**1,252**
Recognised in other comprehensive income	**—**	**1,470**	**—**	**—**	**1,470**
Exchange differences	**(1)**	**—**	**—**	**1**	**—**
As at 30 June 2017	**13,865**	**1,284**	**1,304**	**(1,045)**	**15,408**
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 differences	3	—	—	(3)	—
As at 31 December 2016	13,165	(261)	721	(939)	12,686

There is no material unrecognised deferred tax assets or liabilities as at 30 June 2017 (31 December 2016: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

31 Other assets

	Notes	**30 June 2017**	31 December 2016
Precious metal leasing		**17,019**	23,927
Prepayments for properties and equipment	(i)	**14,974**	12,335
Advanced payments and settlement accounts		**7,367**	805
Fee and commission receivables		**4,046**	3,684
Prepayments for assets acquired for finance leases		**3,590**	4,448
Repossessed assets	(ii)	**1,949**	1,814
Leasehold improvements		**1,481**	1,677
Prepaid rent		**1,107**	1,065
Land use rights		**1,039**	1,054
Others		**11,367**	7,845
Total		**63,939**	58,654

(i) Prepayments for properties and equipment

On January 2017, CITIC Baixin Bank Corporation Limited ("Baixin Bank") received the CBRC's approval to commerce its establishment. The Bank made a capital contribution of RMB1.4 billion on 16 February 2017. As at 30 June 2017, the establishment of Baixin Bank had not been completed, and the capital contribution to Baixin Bank was recorded as "Prepayments for properties and equipment".

In addition, prepayments for properties and equipment are mainly payments the Group made for office premises being constructed.

(ii) Repossessed assets

	30 June 2017	31 December 2016
Premises	**1,934**	1,836
Others	**241**	196
Gross balance	**2,175**	2,032
Less: Allowance for impairment losses	**(226)**	(218)
Net balance	**1,949**	1,814

As at 30 June 2017, 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)

32 Movements of allowance for impairment losses

		Six months ended 30 June 2017					
	Notes	As at 1 January	Charge for the period	Reversal for the period	Write-offs	Others Note (i)	As at 30 June
Deposits with bank and non-bank financial institutions	15	**34**	**—**	**(34)**	**—**	**—**	**—**
Placements with and loans to banks and non-bank financial institutions	16	**9**	**—**	**—**	**—**	**(8)**	**1**
Interest receivables	20	**3,906**	**2,977**	**(653)**	**(2,071)**	**43**	**4,202**
Loans and advances to customers	21	**75,543**	**24,084**	**(2,610)**	**(18,921)**	**103**	**78,199**
Available-for-sale financial assets		**162**	**—**	**(103)**	**—**	**(4)**	**55**
Held-to-maturity investments	23	**2**	**—**	**(2)**	**—**	**—**	**—**
Investments classified as receivables	24	**1,756**	**780**	**—**	**—**	**—**	**2,536**
Other assets		**2,360**	**99**	**(36)**	**(105)**	**1**	**2,319**
Total		**83,772**	**27,940**	**(3,438)**	**(21,097)**	**135**	**87,312**

		Year ended 31 December 2016					
	Notes	As at 1 January	Charge for the year	Reversal for the year	Write-offs	Others Note (i)	As at 31 December
Deposits with bank and non-bank financial institutions	15	—	34	—	—	—	34
Placements with and loans to banks and non-bank financial institutions	16	8	—	—	—	1	9
Interest receivables	20	2,134	5,452	(419)	(3,296)	35	3,906
Loans and advances to customers	21	60,497	48,425	(2,710)	(30,952)	283	75,543
Available-for-sale financial assets		160	45	(2)	—	(41)	162
Held-to-maturity investments	23	41	2	—	—	(41)	2
Investments classified as receivables	24	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

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 10).

33 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2017	31 December 2016
In Mainland China		
— banks	**225,314**	446,824
— non-bank financial institutions	**637,095**	531,949
Subtotal	**862,409**	978,773
Outside Mainland China		
— banks	**14,907**	2,566
— non-bank financial institutions	**57**	107
Subtotal	**14,964**	2,673
Total	**877,373**	981,446

(Amounts in millions of Renminbi unless otherwise stated)

34 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2017	31 December 2016
In Mainland China		
— bank	**54,500**	46,689
— non-bank financial institutions	**3,122**	20,000
Subtotal	**57,622**	66,689
Outside Mainland China		
— bank	**10,097**	17,034
Subtotal	**10,097**	17,034
Total	**67,719**	83,723

35 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	30 June 2017	31 December 2016
In Mainland China		
— PBOC	**46,930**	85,415
— banks	**19,957**	33,100
Subtotal	**66,887**	118,515
Outside Mainland China		
— banks	**19**	1,758
— non-bank financial institutions	**—**	69
Subtotal	**19**	1,827
Total	**66,906**	120,342

(b) Analysed by type of collateral

	30 June 2017	31 December 2016
Discounted bills	**28,249**	29,055
Debt securities	**38,657**	91,287
Total	**66,906**	120,342

The Group did not derecognise financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 30 June 2017, no legal title has been transferred to counterparties.

(Amounts in millions of Renminbi unless otherwise stated)

36 Deposits from customers

(a) Analysed by nature

	30 June 2017	31 December 2016
Demand deposits		
— corporate customers	**1,605,759**	1,683,827
— personal customers	**251,530**	232,960
Subtotal	**1,857,289**	1,916,787
Time and call deposits		
— corporate customers	**1,271,211**	1,390,212
— personal customers	**316,877**	325,053
Subtotal	**1,588,088**	1,715,265
Outward remittance and remittance payables	**8,099**	7,238
Total	**3,453,476**	3,639,290

(b) Analysed by type of collateral

	30 June 2017	31 December 2016
Bank acceptances	**173,018**	213,624
Guarantees	**15,658**	25,822
Letters of credit	**9,264**	9,624
Others	**121,272**	148,798
Total	**319,212**	397,868

37 Accrued staff costs

		Six months ended 30 June 2017			
	Notes	**As at 1 January**	**Additions during the period**	**Reductions during the period**	**As at 30 June**
Short-term employee benefits	(a)	**8,673**	**9,202**	**(11,143)**	**6,732**
Post-employment benefits					
— defined contribution plans	(b)	**32**	**1,097**	**(1,046)**	**83**
Post-employment benefits					
— defined benefit plans	(c)	**35**	**7**	**(7)**	**35**
Other long-term benefits		**79**	**62**	**(22)**	**119**
Total		**8,819**	**10,368**	**(12,218)**	**6,969**

		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

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs (Continued)

(a) Short-term employee benefits

	Six months ended 30 June 2017			
	As at 1 January	Additions during the period	Reductions during the period	As at 30 June
Salaries and bonuses	**7,483**	**6,928**	**(8,975)**	**5,436**
Social insurance	**49**	**660**	**(524)**	**185**
Welfare expenses	**—**	**608**	**(608)**	**—**
Housing fund	**19**	**600**	**(597)**	**22**
Labour union expenses and employee education expenses	**1,060**	**156**	**(192)**	**1,024**
Housing allowance	**48**	**228**	**(219)**	**57**
Others	**14**	**22**	**(28)**	**8**
Total	**8,673**	**9,202**	**(11,143)**	**6,732**

	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

(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 2016: 5%) of its employee's gross wages. For six months ended 30 June 2017, the Bank made annuity contribution amounting to RMB246 million (31 December 2016: RMB629 million).

The Group's employees based in Hong Kong join the Occupational Retirement Scheme Ordinance and 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)

37 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.

38 Taxes payable

	30 June 2017	31 December 2016
Income tax	**2,602**	3,442
VAT and surcharges	**3,168**	2,911
Others	**10**	11
Total	**5,780**	6,364

39 Interest payable

	30 June 2017	31 December 2016
Deposits from customers	**25,433**	27,867
Debt securities issued	**3,219**	2,045
Others	**8,475**	7,243
Total	**37,127**	37,155

40 Provisions

	30 June 2017	31 December 2016
Litigation provisions	**244**	244

Movement of provisions:

	30 June 2017	31 December 2016
As at 1 January	**244**	2
Accruals	**—**	243
Reversals	**—**	—
Payments	**—**	(1)
As at 30 June/31 December	**244**	244

(Amounts in millions of Renminbi unless otherwise stated)

41 Debt securities issued

	Notes	30 June 2017	31 December 2016
Long-term debt securities issued	(a)	**82,893**	31,288
Subordinated bonds issued:			
— by the Bank	(b)	**68,445**	68,441
— by CBI	(c)	**7,600**	7,801
Certificates of deposit issued	(d)	**9,313**	9,493
Certificates of interbank deposit issued	(e)	**303,976**	269,923
Total		**472,227**	386,946

(a) As at 30 June 2017, long-term debt securities issued by the Group:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	30 June 2017 Nominal Value	31 December 2016 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
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
Fixed rate bond	13 April 2017	17 April 2020	4.20%	50,000	—
Fixed rate bond	24 May 2017	24 May 2020	4.40%	3,000	—
Total nominal value				83,000	31,500
Less: Unamortized issuance cost and discount				(107)	(35)
Elimination of positions held by a subsidiary				—	(177)
Carrying value				82,893	31,288

(b) The carrying value of the Bank's subordinated bonds issued as at 30 June/31 December:

	Notes	30 June 2017	31 December 2016
Subordinated fixed rate bonds maturing:			
— in May 2025	(i)	**11,500**	11,500
— in June 2027	(ii)	**19,980**	19,979
— in August 2024	(iii)	**36,965**	36,962
Total		**68,445**	68,441

Notes:

(i) 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.

(ii) 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.

(iii) 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)

41 Debt securities issued (Continued)

(c) The carrying value of CBI's subordinated bonds issued as at 30 June/31 December represents:

	Notes	30 June 2017	31 December 2016
Subordinated fixed rate notes maturing:			
— in June 2020	(i)	**3,537**	3,641
— in September 2022	(ii)	**2,031**	2,077
— in May 2024	(iii)	**2,032**	2,083
Total		**7,600**	7,801

(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 0.69% to 3.62% per annum.

(e) As at 30 June 2017, the Bank had issued certain certificates of interbank deposits, totaling RMB303,976 million (31 December 2016: RMB269,923 million), with yield ranging from 2.71% to 4.85% (31 December 2016: 2.68% to 3.75%) per annum. The original expiry terms are from one month to two years.

42 Other liabilities

	Note	30 June 2017	31 December 2016
Dividend payable		**10,488**	—
Settlement and clearing accounts		**6,672**	30,033
Payment and collection accounts		**6,641**	3,414
Advances and deferred expenses		**4,380**	3,740
Deferred emoluments payable		**3,028**	3,756
Leasing deposits		**1,685**	1,166
Precious metal contracts		**1,097**	448
Accrued expenses		**743**	655
Others	(i)	**18,625**	9,893
Total		**53,359**	53,105

Note:

(i) Others include the Group's accounts payable to the third party investors of structured entities. As at 30 June 2017, the amount of these accounts payable was RMB13,885 million (31 December 2016: RMB5,669 million).

(Amounts in millions of Renminbi unless otherwise stated)

43 Share capital

	30 June 2017 and 31 December 2016	
	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**

	30 June 2017	31 December 2016
As at 1 January	**48,935**	48,935
Additions	**—**	—
As at 30 June/31 December	**48,935**	48,935

44 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 period

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 30 June 2017. 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 57). 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.

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.

(Amounts in millions of Renminbi unless otherwise stated)

44 Preference shares (Continued)

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.

45 Capital reserves

	30 June 2017	31 December 2016
Share premium	**58,555**	58,555
Other reserves	**81**	81
Total	**58,636**	58,636

46 Other comprehensive income

Other comprehensive 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 differences 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 37).

47 Surplus reserve

	30 June 2017	31 December 2016
As at 1 January	**27,263**	23,362
Appropriations	**—**	3,901
As at 30 June/31 December	**27,263**	27,263

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.

48 General reserve

	30 June 2017	31 December 2016
As at 1 January	**73,911**	64,555
Appropriations	**—**	9,356
As at 30 June/31 December	**73,911**	73,911

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.

(Amounts in millions of Renminbi unless otherwise stated)

49 Profit appropriations and retained earnings

(a) The proposal of cash dividend of RMB2.15 per ten ordinary shares related to 2016, amounting to RMB10,521 million in total was approved at the Annual General Meeting held on 26 May 2017. The cash dividends were recognised as dividends payable as at 30 June 2017.

(b) As at 30 June 2017, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB89 million (31 December 2016: RMB87 million). Such statutory surplus reserves cannot be distributed.

50 Non-controlling interests

As at 30 June 2017, 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 Security	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 Security	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 RMB147 million was paid to the holders of the Capital Security mentioned above during the six months ended 30 June 2017 (2016: RMB146 million).

(Amounts in millions of Renminbi unless otherwise stated)

51 Notes to consolidated interim statement of cash flows

Cash and cash equivalents

	Six months ended 30 June	
	2017	2016
Cash	**6,044**	6,596
Cash equivalents		
— Surplus deposit reserve funds	**44,967**	147,945
— Deposits with banks and non-bank financial institutions due within three months when acquired	**84,846**	69,213
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**127,768**	54,758
— Investment securities due within three months when acquired	**58,174**	40,649
Subtotal	**315,755**	312,565
Total	**321,799**	319,161

52 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.

	30 June 2017	31 December 2016
Contractual amount		
Loan commitments		
— with an original maturity within one year	**5,897**	8,446
— with an original maturity of one year or above	**61,695**	66,490
Subtotal	**67,592**	74,936
Guarantees	**200,051**	163,157
Letters of credit	**87,482**	86,499
Acceptances	**414,806**	535,313
Credit card commitments	**281,075**	215,845
Total	**1,051,006**	1,075,750

(Amounts in millions of Renminbi unless otherwise stated)

52 Commitments and contingent liabilities (Continued)

(b) Credit commitments analysed by credit risk weighted amount

	30 June 2017	31 December 2016
Credit risk weighted amount of credit commitments	**344,769**	337,216

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%.

(c) Capital commitments

(i) The Group had the following authorised capital commitments in respect of property, plant and equipment at the reporting date:

	30 June 2017	31 December 2016
Contracted for	**6,305**	7,297
Authorised but not contracted for	**3,007**	2,748

(ii) On 7 June 2017, the Bank, together with China Shuangwei Investment Co. Ltd., a wholly owned subsidiary of China National Tobacco Corporation ("CNTC"), entered into a Sale and Purchase Agreement with JSC "Halyk Bank" to acquire 60% of the shares of JSC "Altyn Bank", a subsidiary of JSC "Halyk Bank". The execution of this transaction is subject to the approval of relevant regulatory authorities.

(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 approval 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 30 June, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2017	31 December 2016
Within one year	**2,784**	2,917
After one year but within two years	**2,565**	2,454
After two years but within three years	**2,254**	2,137
After three years but within five years	**3,337**	3,354
After five years	**2,107**	2,486
Total	**13,047**	13,348

(Amounts in millions of Renminbi unless otherwise stated)

52 Commitments and contingent liabilities (Continued)

(e) Outstanding contingencies including litigation and disputes

The Group has assessed and has made provisions for any probable outflow of economic benefits in relation to commitments and contingent liabilities at the reporting date in accordance with its accounting policies including litigation and disputes. Such contingencies, including litigation and disputes, will not have material impact on financial position and operations of the Bank.

As at 30 June 2017, the Group was involved in certain potential and pending litigation as defendant with gross amount of RMB557 million (as at 31 December 2016: RMB517 million). Based on the opinion of internal and external legal counsels, the Group had made no additional provision for the six months ended 30 June 2017 (Six months ended 30 June 2016: RMB2 million) against these litigation (Note 40).

(f) Bonds redemption obligations

As an underwriting agent of PRC treasury bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	30 June 2017	31 December 2016
Redemption commitment for treasury bonds	**12,278**	12,723

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 30 June 2017 and 31 December 2016, the Group did not have unfulfilled commitment in respect of securities underwriting business.

(Amounts in millions of Renminbi unless otherwise stated)

53 Collateral

(a) Assets pledged

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

	30 June 2017	31 December 2016
Debt securities	**337,448**	324,303
Discounted bills	**28,397**	29,188
Others	**75**	76
Total	**365,920**	353,567

As at 30 June 2017 and 31 December 2016, 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 30 June 2017, the Group pledged debt securities and deposits with banks and other financial institutions with carrying amount totalling RMB830 million (31 December 2016: RMB1,153 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 and bills as collateral for financial assets held under resale agreements as set out in Note 19. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 30 June 2017, the Group held collateral that can be resold or re-pledged totalling of RMB398 million (31 December 2016: Nil). During the six months ended 30 June 2017, the Group did not resell or re-pledge any of these collateral (Six months ended 30 June 2016: Nil).

54 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:

	30 June 2017	31 December 2016
Entrusted loans	**747,275**	703,259
Entrusted funds	**747,277**	703,260

54 Transactions on behalf of customers (Continued)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sale of wealth management products, including principal guaranteed (Note 60 (c)) and non-principal or interest guaranteed wealth management products (Note 60 (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 60 (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 30 June 2017, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 60(b).

55 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 tangibles 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.

(Amounts in millions of Renminbi unless otherwise stated)

55 Segment reporting (Continued)

(a) Business segments (Continued)

Treasury business

This segment conducts capital markets operations, inter-bank operations, which, specifically, includes inter-bank money market transactions, repurchase transactions, and investments and trading in debt instruments. Furthermore, treasury business segment also carries out derivatives and forex trading both for the group and for customers.

Others and unallocated

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

	Six months ended 30 June 2017				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	25,619	18,677	9,982	(4,784)	49,494
Internal net interest income/(expense)	7,826	(10,517)	(8,743)	11,434	—
Net interest income	33,445	8,160	1,239	6,650	49,494
Net fee and commission income/(expense)	7,328	15,354	178	(99)	22,761
Other net income (Note (i))	719	306	2,291	1,138	4,454
Operating income	41,492	23,820	3,708	7,689	76,709
Operating expenses					
— depreciation and amortisation	(591)	(305)	(351)	(214)	(1,461)
— others	(9,095)	(9,912)	(483)	(217)	(19,707)
Impairment losses	(17,451)	(3,518)	(224)	(3,221)	(24,414)
Revaluation gain on investment properties	—	—	—	16	16
Share of loss of associates	—	—	—	(27)	(27)
Profit before tax	14,355	10,085	2,650	4,026	31,116
Income tax					(6,952)
Profit for the period					24,164
Capital expenditure	1,493	740	892	340	3,465

	30 June 2017				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	2,548,829	1,209,073	1,557,956	318,879	5,634,737
Interest in associate	—	—	—	1,056	1,056
Deferred tax assets					15,423
Total asset					5,651,216
Segment liabilities	3,190,712	885,767	1,048,591	133,433	5,258,503
Deferred tax liabilities					15
Total liabilities					5,258,518
Off-balance sheet credit commitments	769,931	281,075	—	—	1,051,006

(Amounts in millions of Renminbi unless otherwise stated)

55 Segment reporting (Continued)

(a) Business segments (Continued)

	Six months ended 30 June 2016				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	29,388	13,050	12,922	(1,924)	53,436
Internal net interest income/(expense)	6,663	(5,072)	(8,270)	6,679	—
Net interest income	36,051	7,978	4,652	4,755	53,436
Net fee and commission income	6,715	11,467	3,119	(5)	21,296
Other net income (Note (i))	1,712	133	901	904	3,650
Operating income	44,478	19,578	8,672	5,654	78,382
Operating expenses					
— depreciation and amortisation	(565)	(208)	(395)	(144)	(1,312)
— others	(11,025)	(9,677)	(690)	(470)	(21,862)
Impairment losses	(18,252)	(4,554)	(343)	(735)	(23,884)
Share of loss of associates	—	—	—	(43)	(43)
Profit before tax	14,636	5,139	7,244	4,262	31,281
Income tax					(7,604)
Profit for the period					23,677
Capital expenditure	201	58	138	73	470

	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

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging loss and other operating income.

55 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-One 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-One branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;

— "Bohai Rim" refers to the following areas where Tier-One branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;

— "Central" region refers to the following areas where Tier-One branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where Tier-One 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-One 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.

(Amounts in millions of Renminbi unless otherwise stated)

55 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2017								
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	7,969	7,225	5,995	6,817	6,887	1,332	10,884	2,385	49,494
Internal net interest income/(expense)	1,783	1,155	3,895	449	(788)	(379)	(6,009)	(106)	—
Net interest income	9,752	8,380	9,890	7,266	6,099	953	4,875	2,279	49,494
Net fee and commission income	2,435	1,899	3,273	1,088	1,095	170	11,859	942	22,761
Other net income (Note (i))	331	248	387	132	53	8	2,693	602	4,454
Operating income	12,518	10,527	13,550	8,486	7,247	1,131	19,427	3,823	76,709
Operating expense									
— depreciation and amortisation	(238)	(144)	(207)	(159)	(195)	(53)	(313)	(152)	(1,461)
— others	(3,583)	(2,391)	(3,476)	(2,336)	(2,343)	(538)	(3,750)	(1,290)	(19,707)
Impairment losses	(5,592)	(6,451)	(3,619)	(3,601)	(2,928)	(1,090)	(367)	(766)	(24,414)
Revaluation gain on investment properties	—	—	—	—	—	—	—	16	16
Share of loss of associates	—	—	—	—	—	—	—	(27)	(27)
Profit before tax	3,105	1,541	6,248	2,390	1,781	(550)	14,997	1,604	31,116
Income tax									(6,952)
Profit for the period									24,164
Capital expenditure	475	79	77	78	101	15	2,537	103	3,465

	30 June 2017								
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
Segment assets	1,112,441	809,798	1,174,121	596,893	520,614	89,906	1,020,881	310,083	5,634,737
Interest in associate	—	—	—	—	—	—	—	1,056	1,056
Deferred tax assets									15,423
Total assets									5,651,216
Segment liabilities	1,107,082	805,614	1,161,172	594,256	518,204	89,845	716,882	265,448	5,258,503
Deferred tax liabilities									15
Total liabilities									5,258,518
Off-balance sheet credit commitments	190,285	135,906	171,638	149,163	96,735	13,698	274,456	19,125	1,051,006

(Amounts in millions of Renminbi unless otherwise stated)

55 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2016								
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	9,781	6,519	7,966	7,827	7,578	1,235	10,951	1,579	53,436
Internal net interest income/(expense)	617	1,273	2,738	394	(648)	26	(4,502)	102	—
Net interest income	10,398	7,792	10,704	8,221	6,930	1,261	6,449	1,681	53,436
Net fee and commission income	3,091	1,639	3,273	1,689	1,822	282	8,979	521	21,296
Other net income (Note (i))	888	340	501	199	281	60	754	627	3,650
Operating income	14,377	9,771	14,478	10,109	9,033	1,603	16,182	2,829	78,382
Operating expense									
— depreciation and amortisation	(204)	(135)	(229)	(151)	(172)	(51)	(269)	(101)	(1,312)
— others	(4,235)	(2,570)	(3,840)	(2,638)	(2,577)	(560)	(4,290)	(1,152)	(21,862)
Impairment losses	(3,667)	(4,072)	(5,512)	(5,880)	(1,246)	(136)	(3,239)	(132)	(23,884)
Share of loss of associates	—	—	—	—	—	—	—	(43)	(43)
Profit before tax	6,271	2,994	4,897	1,440	5,038	856	8,384	1,401	31,281
Income tax									(7,604)
Profit for the period									23,677
Capital expenditure	31	16	45	38	71	4	246	19	470

	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 commitments	211,676	117,938	188,178	193,363	110,711	17,171	208,682	28,031	1,075,750

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging loss and other operating income.

56 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 on 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)

56 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:

	30 June 2017	31 December 2016
Balances with central banks	**513,546**	545,921
Deposits with bank and non-bank financial institutions	**86,685**	208,641
Placements with and loans to banks and non-bank financial institutions	**158,892**	167,208
Financial assets at fair value through profit or loss	**64,120**	64,910
Derivative financial assets	**26,108**	47,366
Financial assets held under resale agreements	**19,443**	170,804
Interest receivables	**33,214**	32,922
Loans and advances to customers	**3,012,896**	2,802,384
Available-for-sale financial assets	**480,129**	512,595
Held-to-maturity investments	**229,483**	217,498
Investments classified as receivables	**841,359**	1,035,728
Other financial assets	**40,262**	49,669
Subtotal	**5,506,137**	5,855,646
Credit commitments	**1,051,006**	1,075,750
Maximum credit risk exposure	**6,557,143**	6,931,396

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

Treasury business (Continued)

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

		30 June 2017				
	Notes	Loans and advances to customers	Due from central banks, other banks and non-bank financial institutions	Financial assets held under resale agreements	Investment securities	Investments classified as receivables
Impaired						
Individually assessed						
Gross balance		38,583	1	—	35	—
Allowance for impairment losses		(22,381)	(1)	—	(26)	—
Net balance		16,202	—	—	9	—
Collectively assessed						
Gross balance		12,536	—	—	—	—
Allowance for impairment losses		(9,346)	—	—	—	—
Net balance		3,190	—	—	—	—
Overdue but not impaired	(i)					
— less than three months		29,964	—	—	—	—
— three months to one year		17,017	—	—	—	—
— more than one year		2,578	—	—	—	—
Gross balance		49,559	—	—	—	—
Allowance for impairment losses		(8,777)	—	—	—	—
Net balance		40,782	—	—	—	—
Neither overdue nor impaired						
Gross balance		2,990,417	759,123	19,443	773,723	843,895
Allowance for impairment losses	(ii)	(37,695)	—	—	—	(2,536)
Net balance		2,952,722	759,123	19,443	773,723	841,359
Total net balance		3,012,896	759,123	19,443	773,732	841,359

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

Treasury business (Continued)

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

		31 December 2016				
	Notes	Loans and advances to customers	Due from central banks, 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

Notes:

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

	30 June 2017	31 December 2016
Secured portion	**27,477**	26,571
Unsecured portion	**13,010**	11,433
Corporate loans and advances which were overdue but not impaired	**40,487**	38,004
Maximum exposure covered by pledge and collateral held	**26,505**	25,426

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.

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

Treasury business (Continued)

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

	30 June 2017			31 December 2016		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
— manufacturing	**343,451**	**11.1**	**166,208**	385,822	13.4	203,543
— real estate	**318,015**	**10.3**	**275,460**	293,429	10.2	246,107
— rental and business services	**209,390**	**6.8**	**132,541**	180,124	6.3	115,905
— wholesale and retail	**204,130**	**6.6**	**120,523**	238,545	8.3	146,674
— water, environment and public utility management	**170,016**	**5.5**	**87,817**	148,476	5.2	77,814
— transportation, storage and postal services	**153,358**	**5.0**	**82,727**	161,976	5.6	84,728
— construction	**84,412**	**2.7**	**36,910**	90,666	3.2	39,612
— production and supply of electric power, gas and water	**69,967**	**2.3**	**30,186**	60,046	2.1	25,187
— public management and social organizations	**22,041**	**0.7**	**5,142**	19,846	0.7	4,427
— others	**281,038**	**9.0**	**122,139**	267,344	9.2	108,593
Subtotal	**1,855,818**	**60.0**	**1,059,653**	1,846,274	64.2	1,052,590
Personal loans	**1,132,297**	**36.7**	**799,209**	956,606	33.2	695,631
Discounted bills	**102,980**	**3.3**	**—**	75,047	2.6	—
Gross loans and advances to customers	**3,091,095**	**100.0**	**1,858,862**	2,877,927	100.0	1,748,221

As at 30 June 2017, 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:

	30 June 2017				
	Impaired loans and the advances	**Individually assessed impairment allowance**	**Collectively assessed impairment allowance**	**Impairment charged during the period**	**Impaired loan written off during period**
Manufacturing	**15,234**	**9,003**	**10,707**	**7,076**	**(8,143)**
Real estate	**232**	**29**	**3,839**	**16**	**(13)**

	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)
Real estate	147	21	3,285	15	(45)

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

Treasury business (Continued)

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

	30 June 2017			31 December 2016		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Bohai Rim (including Head Office)	**914,124**	**29.6**	**428,208**	771,415	26.8	377,852
Yangtze River Delta	**667,518**	**21.6**	**437,082**	634,919	22.1	413,445
Pearl River Delta and West Strait	**477,682**	**15.5**	**383,371**	477,683	16.6	376,115
Central	**407,031**	**13.2**	**260,348**	374,358	13.0	230,806
Western	**380,209**	**12.3**	**235,574**	379,192	13.2	238,126
Northeastern	**73,017**	**2.4**	**49,075**	70,967	2.5	47,749
Outside Mainland China	**171,514**	**5.4**	**65,204**	169,393	5.8	64,128
Total	**3,091,095**	**100.0**	**1,858,862**	2,877,927	100.0	1,748,221

As at 30 June 2017, 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:

	30 June 2017		
	Impaired loans and advances	**Individually assessed impairment allowance**	**Collectively assessed impairment allowance**
Bohai Rim (including Head Office)	**11,935**	**4,339**	**16,718**
Central	**11,041**	**4,468**	**8,432**
Western	**7,852**	**3,725**	**7,740**
Pearl River Delta and West Strait	**7,849**	**3,366**	**9,247**
Yangtze River Delta	**7,275**	**3,797**	**11,461**

	31 December 2016		
	Impaired loans and advances	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
Western	7,121	3,324	7,001
Pearl River Delta and West Strait	6,564	3,273	8,747
Yangtze River Delta	8,002	5,117	9,825

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

Treasury business (Continued)

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

	30 June 2017	31 December 2016
Unsecured loans	**620,138**	548,123
Guaranteed loans	**509,115**	506,536
Secured loans		
— loans secured by collateral	**1,537,110**	1,417,736
— pledged loans	**321,752**	330,485
Subtotal	**2,988,115**	2,802,880
Discounted bills	**102,980**	75,047
Gross loans and advances to customers	**3,091,095**	2,877,927

(vi) Rescheduled loans and advances to customers

	30 June 2017		31 December 2016	
	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	**16,692**	**0.54%**	14,680	0.51%
— rescheduled loans and advances overdue less than 3 months	**2,660**	**0.09%**	2,554	0.09%
Total	**19,352**	**0.63%**	17,234	0.60%

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 30 June 2017, with borrowers' financial difficulty, the concession the Group considered resulted from economic or legal reasons is not significant.

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

Treasury business (Continued)

(vii) Debt securities 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:

	30 June 2017					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
— governments	**224,594**	**21,513**	**7,039**	**252**	**142**	**253,540**
— policy banks	**136,979**	**—**	**950**	**—**	**—**	**137,929**
— public entities	**3**	**—**	**—**	**—**	**—**	**3**
— banks and non-bank financial institutions	**9,997**	**211,141**	**20,720**	**20,224**	**7,340**	**269,422**
— corporates	**1,955**	**72,982**	**22,331**	**11,702**	**3,868**	**112,838**
Total	**373,528**	**305,636**	**51,040**	**32,178**	**11,350**	**773,732**

	31 December 2016					
	Unrated (Note (i))	AAA	AA	A	Below A	Total
Debt securities 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

Note:

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

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

	30 June 2017	31 December 2016
Interbank assets and wealth management products issued by other banks	**425,296**	480,630
Credit assets	**302,813**	310,361
Rediscounted bills	**115,786**	246,493
Total	**843,895**	1,037,484

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.

56 Financial risk management (Continued)

(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)

56 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.

	30 June 2017						
	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 banks	1.55%	519,590	28,484	491,106	—	—	—
Deposits with banks and non-bank financial institutions	2.13%	86,685	—	86,155	530	—	—
Placements with and loans to banks and non-bank financial institutions	2.87%	158,892	—	86,788	72,104	—	—
Financial assets held under resale agreements	2.87%	19,443	—	19,443	—	—	—
Investments classified as receivables	4.12%	841,359	30,237	234,792	356,839	154,638	64,853
Loans and advances to customers (Note (ii))	4.60%	3,012,896	314	1,292,866	1,578,624	133,050	8,042
Investments (Note (iii))	3.34%	850,945	78,440	166,814	151,102	313,237	141,352
Others		161,406	144,387	2,515	14,504	—	—
Total assets		5,651,216	281,862	2,380,479	2,173,703	600,925	214,247
Liabilities							
Borrowing from central banks	3.03%	193,600	—	17,000	176,600	—	—
Deposits from banks and non-bank financial institutions	3.76%	877,373	15,147	771,788	90,419	19	—
Placements from banks and non-bank financial institutions	2.70%	67,719	—	46,581	21,138	—	—
Financial assets sold under repurchase agreements	2.92%	66,906	—	62,489	4,417	—	—
Deposits from customers	1.57%	3,453,476	19,628	2,584,924	579,747	268,569	608
Debt securities issued	3.91%	472,227	—	232,416	82,891	99,975	56,945
Others		127,217	126,105	203	909	—	—
Total liabilities		5,258,518	160,880	3,715,401	956,121	368,563	57,553
Interest rate gap		392,698	120,982	(1,334,922)	1,217,582	232,362	156,694

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

	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 banks	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

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 includes overdue amounts (net of allowance for impairment losses) of RMB56,626 million as at 30 June 2017 (as at 31 December 2016: RMB54,540 million).

(iii) Investments include 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)

56 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 30 June 2017 and 31 December 2016.

	30 June 2017		31 December 2016	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(4,217)**	**(1,204)**	(7,845)	(1,442)
-100 basis points	**4,217**	**1,204**	7,845	1,442

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)

56 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The exposures at the reporting date were as follows:

	30 June 2017				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	500,133	18,757	541	159	519,590
Deposits with banks and non-bank financial institutions	43,829	10,708	27,648	4,500	86,685
Placements with and loans to banks and non-bank financial institutions	118,419	22,781	9,193	8,499	158,892
Financial assets held under resale agreements	19,443	—	—	—	19,443
Investments classified as receivables	841,359	—	—	—	841,359
Loans and advances to customers	2,765,438	141,221	91,224	15,013	3,012,896
Investments	788,181	35,687	21,351	5,726	850,945
Others	144,140	11,168	4,319	1,779	161,406
Total assets	5,220,942	240,322	154,276	35,676	5,651,216
Liabilities					
Borrowings from central banks	193,600	—	—	—	193,600
Deposits from banks and non-bank financial institutions	832,842	29,246	3,795	11,490	877,373
Placements from banks and non-bank financial institutions	42,128	24,367	1,183	41	67,719
Financial assets sold under repurchase agreements	66,906	—	—	—	66,906
Deposits from customers	3,126,131	177,440	128,719	21,186	3,453,476
Debt securities issued	455,315	16,549	363	—	472,227
Others	101,169	18,610	5,930	1,508	127,217
Total liabilities	4,818,091	266,212	139,990	34,225	5,258,518
Net on-balance sheet position	402,851	(25,890)	14,286	1,451	392,698
Credit commitments	915,728	88,448	22,760	24,070	1,051,006
Derivatives (Note (i))	25,532	(16,035)	22,050	(1,486)	30,061

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

	31 December 2016				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	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

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)

56 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 30 June 2017 and 31 December 2016, the results of the Group's foreign exchange rate sensitivity analysis.

	30 June 2017		31 December 2016	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**174**	**8**	804	15
5% depreciation	**(174)**	**(8)**	(804)	(15)

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 liquidity coverage ratio, loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring

— Scenario analysis

— Stress testing

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(c) Liquidity risk (Continued)

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.

Analysis of the remaining contractual maturity of assets and liabilities

	30 June 2017						
	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	51,011	—	11,309	—	—	457,270	519,590
Deposits with banks and non-bank financial institutions	79,055	7,100	530	—	—	—	86,685
Placements with and loans to banks and non-bank financial institutions	—	86,771	72,121	—	—	—	158,892
Financial assets held under resale agreements	—	19,437	6	—	—	—	19,443
Investments classified as receivables	1,244	233,548	356,839	184,874	64,854	—	841,359
Loans and advances to customers (Note (ii))	16,427	595,182	750,899	771,133	835,855	43,400	3,012,896
Investments (Note (iii))	2,779	137,487	153,709	335,720	145,583	75,667	850,945
Others	34,217	17,086	43,878	10,827	4,809	50,589	161,406
Total assets	184,733	1,096,611	1,389,291	1,302,554	1,051,101	626,926	5,651,216
Liabilities							
Borrowings from central banks	—	17,000	176,600	—	—	—	193,600
Deposits from banks and non-bank financial institutions	228,362	558,473	90,519	19	—	—	877,373
Placements from banks and non-bank financial institutions	—	46,581	21,138	—	—	—	67,719
Financial assets sold under repurchase agreements	—	62,489	4,417	—	—	—	66,906
Deposits from customers	1,994,303	655,487	558,050	245,203	433	—	3,453,476
Debt securities issued	—	230,091	85,216	99,975	56,945	—	472,227
Others	77,287	11,182	24,197	6,427	2,991	5,133	127,217
Total liabilities	2,299,952	1,581,303	960,137	351,624	60,369	5,133	5,258,518
(Short)/long position	(2,115,219)	(484,692)	429,154	950,930	990,732	621,793	392,698

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

	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)

56 Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

	30 June 2017			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank Acceptances	**414,806**	**—**	**—**	**414,806**
Credit Card Commitments	**281,075**	**—**	**—**	**281,075**
Guarantees	**112,806**	**86,796**	**449**	**200,051**
Loan Commitments	**7,490**	**26,328**	**33,774**	**67,592**
Letters of Credit	**85,232**	**2,250**	**—**	**87,482**
Total	**901,409**	**115,374**	**34,223**	**1,051,006**

	31 December 2016			
	Less than 1 year	1-5 years	Over 5 years	Total
Bank Acceptances	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
Letters of Credit	84,999	1,500	—	86,499
Total	938,693	104,107	32,950	1,075,750

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.

56 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.

57 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 testing 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)

57 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 period, 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.

	30 June 2017	31 December 2016
Core Tier-One capital adequacy ratio	**8.61%**	8.64%
Tier-One capital adequacy ratio	**9.60%**	9.65%
Capital adequacy ratio	**11.76%**	11.98%
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 income	**(6,431)**	(1,142)
Surplus reserve	**27,263**	27,263
General reserve	**73,911**	73,911
Retained earnings	**150,156**	136,666
Qualified portion of non-controlling interests	**33**	48
Total core Tier-One capital	**352,503**	344,317
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	**(886)**	(914)
Other intangible assets other than land use right (net of related deferred tax liability)	**(758)**	(840)
Net core Tier-One capital	**350,859**	342,563
Other Tier-One capital (Note (i))	**40,108**	40,107
Tier-One capital	**390,967**	382,670
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**60,933**	65,368
Surplus allowance for loan impairment	**27,080**	26,963
Qualified portion of non-controlling interests	**9**	7
Net capital base	**478,989**	475,008
Total risk-weighted assets	**4,074,649**	3,964,448

Note:

(i) As at 30 June 2017, the Group's other Tier-One capital included preference shares issued by the Bank (Note 44) and non-controlling interests (Note 50).

58 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 period ended 30 June 2017, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(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.

(Amounts in millions of Renminbi unless otherwise stated)

58 Fair value (Continued)

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

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	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016
Financial assets:				
Held-to-maturity investments	**229,483**	217,498	**228,222**	219,014
Investments classified as receivables	**841,359**	1,035,728	**843,733**	1,040,380
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**9,313**	9,493	**9,308**	9,443
— debt securities issued	**82,893**	31,288	**82,353**	31,683
— subordinated bonds issued	**76,045**	76,242	**77,514**	78,920
— certificates of interbank deposit issued	**303,976**	269,923	**300,986**	268,664

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

	30 June 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Held-to-maturity investments	**940**	**227,282**	**—**	**228,222**
Investments classified as receivables	**—**	**158,607**	**685,166**	**843,773**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**—**	**9,308**	**—**	**9,308**
— debt securities issued	**—**	**82,353**	**—**	**82,353**
— subordinated bonds issued	**7,905**	**69,609**	**—**	**77,514**
— certificates of interbank deposit issued	**—**	**300,986**	**—**	**300,986**

	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

(Amounts in millions of Renminbi unless otherwise stated)

58 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 30 June 2017				
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss				
Held for trading financial assets				
— debt securities	1,555	13,449	—	15,004
— investment funds	—	—	1	1
— certificates of interbank deposit	—	47,325	—	47,325
Financial assets designed at fair value through profit or loss				
— debt securities	—	1,791	—	1,791
Derivative financial assets				
— interest rate derivatives	1	2,788	1	2,790
— currency derivatives	—	22,087	—	22,087
— precious metals derivatives	—	1,231	—	1,231
Available-for-sale financial assets				
— debt securities	44,876	353,098	13	397,987
— investment funds	334	74,673	73	75,080
— certificates of deposit	26	82,116	—	82,142
— wealth management products	—	74	—	74
— equity investments	479	—	—	479
Total financial assets measured at fair value	47,271	598,632	88	645,991
Liabilities				
Derivative financial liabilities				
— interest rate derivatives	1	2,435	1	2,437
— currency derivatives	—	20,649	—	20,649
— precious metals derivatives	—	637	—	637
Total financial liabilities measured at fair value	1	23,721	1	23,723

(Amounts in millions of Renminbi unless otherwise stated)

58 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 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)

58 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 2017	1	—	2	13	83	—	99	(2)	(2)
Total gains or losses									
— in profit or loss	—	—	—	—	—	—	—	—	—
Purchase	—	—	—	—	—	—	—	—	—
Settlements	—	—	(1)	—	(8)	—	(9)	1	1
Exchange effect	—	—	—	—	(2)	—	(2)	—	—
As at 30 June 2017	1	—	1	13	73	—	88	(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 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)

(Amounts in millions of Renminbi unless otherwise stated)

59 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").

The Bank issued 2,147,469,539 shares to CNTC through private placement on 31 December 2015, representing 4.39% shares of the Bank. A non-executive director designated by CNTC was appointed on 17 March 2016, and the appointment 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.

Xinhu Zhongbao Co., Ltd. acquired 2,320,177,000 shares of the Bank from a third party on 29 November 2016, representing 4.74% shares of the Bank in 2016. A non-executive director designated by Xinhu Zhongbao Co., Ltd. was appointed on 17 March 2016, and the appointment 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:

	Six months ended 30 June 2017		
	Ultimate holding company and affiliates	**Other major equity holders Note(i)**	**Associates**
Profit and loss			
Interest income	**215**	**22**	**—**
Fee and commission income and other operating income	**672**	**—**	**—**
Interest expense	**(300)**	**(129)**	**(1)**
Net trading gain	**71**	**—**	**14**
Other service fees	**(627)**	**—**	**—**

(Amounts in millions of Renminbi unless otherwise stated)

59 Related parties (Continued)

(b) Related party transactions (Continued)

	Six months ended 30 June 2016		
	Ultimate holding company and affiliates	Other major equity holders Note(i)	Associates
Profit and loss			
Interest income	203	—	—
Fee and commission income and other operating income	26	—	—
Interest expense	(351)	(117)	(1)
Net trading loss	(241)	(8)	(43)
Other service fees	(269)	—	—

	30 June 2017		
	Ultimate holding company and affiliates	**Other major equity holders Note(i)**	**Associates**
Assets			
Gross loans and advances to customers	**15,785**	**870**	—
Less: collectively assessed allowance for impairment losses	**(161)**	**(11)**	—
Loans and advances to customers (net)	**15,624**	**859**	—
Interest receivables	**94**	**5**	—
Deposits with banks and non-bank financial institutions	**14**	—	—
Placements with and loans to banks and non-bank financial institutions	**774**	—	—
Derivative financial assets	**31**	—	**11**
Investments	**266**	—	**1,056**
Other assets	**11,502**	—	—
Liabilities			
Deposits from banks and non-bank financial institutions	**13,915**	**166**	—
Derivative financial liabilities	**37**	—	—
Deposits from customers	**70,433**	**18,319**	**49**
Interest payable	**103**	**90**	**1**
Other liabilities	**6,950**	—	—
Off-balance sheet items			
Guarantees and letters of credit	**2,074**	—	—
Acceptances	**200**	—	—
Entrusted funds	**6,341**	**1,000**	—
Entrusted loans	**190**	**5,947**	—
Funds raised from investors of non-principle guaranteed wealth management products	**1,023**	—	—
Guarantees received	**10,182**	**735**	—
Nominal amount of derivatives	**3,492**	—	—

(Amounts in millions of Renminbi unless otherwise stated)

59 Related parties (Continued)

(b) Related party transactions (Continued)

	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	—	—
Entrusted loans	190	1,938	—
Funds raised from investors of non-principle guaranteed wealth management products	1,586	—	—
Guarantees received	7,787	290	—
Nominal amount of derivatives	1,664	—	—

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 Group entered into transactions with CNTC and its subsidiaries at arm's length in the ordinary course of business. These bank transactions were conducted under normal commercial terms. The transactions between the Group and CNTC including its direct subsidiaries are not significant. The transactions with CNTC's indirect subsidiaries are described in Note 59 (e).

59 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 30 June 2017 to directors, supervisors and executive officers amounted to RMB5.15 million (as at 31 December 2016: RMB8.27 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank during the six months ended 30 June 2017 amounted to RMB10.71 million (Six months ended 30 June 2016: RMB10.59 million).

(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 37(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, 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)

60 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 30 June 2017 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:

	30 June 2017				
	Carrying amount				
	Held-to-maturity investments	**Available for sale financial assets**	**Investment classified as receivables**	**Total**	**Maximum loss exposure**
Wealth management products	—	74	382,750	382,824	382,824
Investment management products managed by securities companies	—	—	341,270	341,270	341,270
Trust investment plans	—	—	119,875	119,875	119,875
Asset-backed securities	9,695	10,613	—	20,308	20,308
Investment funds	—	75,080	—	75,080	75,080
Total	9,695	85,767	843,895	939,357	939,357

	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	—	22	458,390	458,412	458,412
Investment management products managed by securities companies	—	—	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

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 56(a)(viii).

60 Structured entities (Continued)

(b) Unconsolidated structured entities sponsored 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 30 June 2017, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB993,112 million (31 December 2016: RMB956,504 million).

During the six months ended 30 June 2017, the Group's interest in these wealth management products included fee and commission income of RMB2,594 million (Six months ended 30 June 2016: RMB3,261 million); interest income of RMB1,458 million (Six months ended 30 June 2016: RMB374 million) and interest expense of RMB1,273 million (Six months ended 30 June 2016: RMB228 million). As at 30 June 2017, the carrying amounts of the Group's fee and commission receivables and interest receivables being recognised in the consolidated statement of financial position was RMB1,060 million (31 December 2016: RMB949 million).

As at 30 June 2017, the placements from the Group with these wealth management products sponsored by the Group amounted to RMB60,200 million (31 December 2016: RMB62,000 million), while there was no placements from these wealth management products to the Group (31 December 2016: 20,000 million). During the six months ended 30 June 2017, the amount of maximum exposure of the placements from the Group with these wealth management products sponsored by the Group was RMB55,325 million (31 December 2016: RMB57,401 million), while there was no placements from these wealth management products to the Group (31 December 2016: RMB20,000 million). These transactions were conducted under normal business terms and conditions.

As at 30 June 2017, assets of these wealth management products amounting to RMB212,963 million (31 December 2016: RMB205,416 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.

61 Transfers of financial assets

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 derecognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for derecognition 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 35. Details of securitisation and loan transfer transactions conducted by the Group for the six months ended 30 June 2017 totalled RMB32,372 million (Six months ended 30 June 2016: RMB46,531 million) are set forth below.

Securitisation transactions

During the six months ended 30 June 2017, the Group entered into securitisation transactions backed by financial assets transferred with book value before impairment of RMB14,925 million (Six months ended 30 June 2016: Nil) in respect of performing loan, of which were all qualified for full derecognition. During the six months ended 30 June 2017, the Group did not enter into any securitisation transactions in respect of non-performing loans transferred (Six months ended 30 June 2016: RMB1,941 million, of which RMB1,332 million were qualified for full derecognition).

The Group transferred certain financial assets to special purpose trusts and the relevant trust issued asset-backed securities to investors based on those assets. The Group may have continuing involvement in these assets. As at 30 June 2017, the Group continued to recognise assets of RMB690 million (31 December 2016: RMB690 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 21(c)).

Loan transfers

During the six months ended 30 June 2017, the Group also transferred loans of book value before impairment of RMB17,447 million through other types of transactions (Six months ended 30 June 2016: RMB44,590 million), of which RMB14,617 million represented non-performing loans (Six months ended 30 June 2016: RMB32,880 million). The Group carried out assessment based on the transfer of risks and rewards of ownership and concluded that these transferred assets qualified for full derecognition (Note 21(c)).

62 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 30 June 2017, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(Amounts in millions of Renminbi unless otherwise stated)

63 Interim statements of financial position and changes in equity of the Bank

Statement of financial position

	30 June 2017	31 December 2016
Assets		
Cash and balances with central banks	**517,701**	550,987
Deposits with banks and non-bank financial institutions	**50,334**	187,080
Precious metals	**3,415**	3,372
Placements with and loans to banks and non-bank financial institutions	**152,662**	162,708
Financial assets at fair value through profit or loss	**63,449**	63,590
Derivative financial assets	**23,582**	43,546
Financial assets held under resale agreements	**19,443**	170,804
Interest receivables	**32,334**	32,081
Loans and advances to customers	**2,790,897**	2,592,552
Available-for-sale financial assets	**504,500**	479,591
Held-to-maturity investments	**229,447**	217,498
Investments classified as receivables	**827,473**	1,030,059
Investments in subsidiaries	**22,249**	22,249
Property, plant and equipment	**16,677**	17,166
Intangible assets	**756**	838
Deferred tax assets	**15,315**	12,589
Other assets	**55,057**	52,703
Total assets	**5,325,291**	5,639,413
Liabilities		
Borrowings from central banks	**193,500**	184,000
Deposits from banks and non-bank financial institutions	**874,224**	981,326
Placements from banks and non-bank financial institutions	**26,041**	50,042
Derivative financial liabilities	**20,990**	41,478
Financial assets sold under repurchase agreements	**66,887**	120,342
Deposits from customers	**3,233,830**	3,429,060
Accrued staff costs	**6,347**	8,062
Taxes payable	**5,377**	6,050
Interest payable	**36,263**	36,447
Provisions	**244**	244
Debt securities issued	**452,326**	369,829
Other liabilities	**32,989**	43,831
Total liabilities	**4,949,018**	5,270,711
Equity		
Share capital	**48,935**	48,935
Preference shares	**34,955**	34,955
Capital reserve	**61,359**	61,359
Other comprehensive income	**(6,192)**	(1,737)
Surplus reserve	**27,263**	27,263
General reserve	**73,370**	73,370
Retained earnings	**136,583**	124,557
Total equity	**376,273**	368,702
Total liabilities and equity	**5,325,291**	5,639,413

(Amounts in millions of Renminbi unless otherwise stated)

63 Interim 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	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2017	**48,935**	**34,955**	**61,359**	**(1,737)**	**27,263**	**73,370**	**124,557**	**368,702**
(i) Profit for the period	—	—	—	—	—	—	**22,547**	**22,547**
(ii) Other comprehensive income	—	—	—	**(4,455)**	—	—	—	**(4,455)**
Total comprehensive income	—	—	—	**(4,455)**	—	—	**22,547**	**18,092**
(iii) Profit appropriations								
— Dividend distribution to ordinary shareholders of the Bank	—	—	—	—	—	—	**(10,521)**	**(10,521)**
As at 30 June 2017	**48,935**	**34,955**	**61,359**	**(6,192)**	**27,263**	**73,370**	**136,583**	**376,273**

	Share capital	Capital reserve	Other comprehensive income	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 period	—	—	—	—	—	22,403	22,403
(ii) Other comprehensive income	—	—	(1,662)	—	—	—	(1,662)
Total comprehensive income	—	—	(1,662)	—	—	22,403	20,741
(iii) Profit appropriations							
— Dividend distribution to ordinary shareholders of the Bank	—	—	—	—	—	(10,374)	(10,374)
As at 30 June 2016	48,935	61,359	3,128	23,362	64,350	120,871	322,005

	Share capital	Preference shares	Capital reserve	Other comprehensive income	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 income	—	—	—	(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 ordinary shareholders of the Bank	—	—	—	—	—	—	(10,374)	(10,374)
As at 30 June 2016	48,935	48,935	61,359	3,128	23,362	64,350	120,871	322,005

64 Events after the reporting period

(i) On 26 May 2017, the dividend distribution plan to distribute dividends of RMB10,521 million was approved by the 2016 Annual General Meeting of the Bank. The cash dividends were paid on 24 July 2017.

(ii) On 12 July 2017, the Bank received approval from the CBRC to offer A-share convertible bonds to the public for a total of no more than RMB40 billion.

(iii) On 21 August 2017, the Bank received the approval by the CBRC to commence business for Baixin Bank (Yin Jian Fu [2017] No.255 entitled “The Approval of the Commencement of Business for Baixin Bank”).

(iv) On 24 August 2017, the dividend distribution plan for preference shares was approved by the Board of Directors. A cash dividend of RMB3.8 per share for preference shares with a dividend rate at 3.8% related to the period from 26 October 2016 to 25 October 2017, amounting to RMB1,330 million in total, will be distributed on 26 October 2017.

(Expressed 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 interim 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 interim financial statements for the six months ended 30 June 2017 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 six months ended 30 June 2017 or total equity as at 30 June 2017 between the Group's consolidated interim financial statements prepared in accordance with IFRSs and those prepared in accordance with PRC GAAP respectively.

2 Liquidity coverage ratio

	30 June 2017	31 December 2016
Liquidity coverage ratio	**84.00%**	91.12%

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

	30 June 2017			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**240,322**	**154,276**	**35,676**	**430,274**
Spot liabilities	**(266,212)**	**(139,990)**	**(34,225)**	**(440,427)**
Forward purchases	**1,676,652**	**54,678**	**53,217**	**1,784,547**
Forward sales	**(1,689,248)**	**(45,987)**	**(52,505)**	**(1,787,740)**
Options	**(3,439)**	**13,359**	**(2,198)**	**7,722**
Net long position	**(41,925)**	**36,336**	**(35)**	**(5,624)**

	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

(Expressed 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.

	30 June 2017			
	Banks	**Official sector**	**Non-bank private sector**	**Total**
Asia Pacific excluding Mainland China	**32,440**	**454**	**48,002**	**80,896**
— of which attributed to Hong Kong	**20,560**	**306**	**41,668**	**62,534**
Europe	**8,060**	**2**	**6,009**	**14,071**
North and South America	**10,443**	**52,244**	**71,246**	**133,933**
Africa	**—**	**—**	**—**	**—**
Total	**50,943**	**52,700**	**125,257**	**228,900**

	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

(Expressed in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	30 June 2017		
	Gross loans and advances	**Loans and advances overdue over 3 months**	**Impaired loans**
Bohai Rim (include Head Office)	**914,124**	**14,041**	**11,935**
Yangtze River Delta	**667,518**	**10,186**	**7,275**
Pearl River Delta and West Strait	**477,682**	**10,085**	**7,849**
Central	**407,031**	**11,962**	**11,041**
Western	**380,209**	**11,446**	**7,852**
Northeastern	**73,017**	**6,514**	**3,085**
Outside Mainland China	**171,514**	**978**	**2,082**
Total	**3,091,095**	**65,212**	**51,119**

	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
Central	374,358	12,589	10,312
Western	379,192	8,408	7,121
Northeastern	70,967	4,691	1,953
Outside Mainland China	169,393	921	1,307
Total	2,877,927	57,711	48,580

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

	30 June 2017	31 December 2016
Gross amounts due from banks and other financial institutions which have been overdue	**—**	33
As a percentage of total gross amounts due from banks and other financial institutions	**0.00%**	0.02%

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross 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

	30 June 2017	31 December 2016
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	**12,411**	10,806
— between 6 and 12 months	**21,037**	26,375
— over 12 months	**31,764**	20,530
Total	**65,212**	57,711
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.40%**	0.38%
— between 6 and 12 months	**0.68%**	0.92%
— over 12 months	**1.03%**	0.71%
Total	**2.11%**	2.01%

– 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 30 June 2017, the loans and advances to customers of RMB34,378 million (2016: RMB34,234 million) and RMB30,834 million (2016: RMB23,477 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.

	30 June 2017	31 December 2016
Secured portion	**19,497**	17,570
Unsecured portion	**14,881**	16,664
Total	**34,378**	34,234
Individual allowance for impairment losses	**(20,216)**	(23,110)
Net balance	**14,162**	11,124
Maximum exposure covered by pledge and collateral held	**19,134**	17,110

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 30 June 2017, 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 interim financial statements.

Chapter 13 List of Domestic and Overseas Affiliates

As at the end of the reporting period, the Bank had 1,444 outlets in 140 large and medium-sized cities in China, including 38 tier-one branches (directly managed by the Head Office), 109 tier-two branches, and 1,297 sub-branches (including 87 community/small and micro sub-branches), thus creating a diversified outlet pattern that consists of smart (flagship) outlets, comprehensive outlets, boutique outlets and community/small and micro outlets. CITIC Bank International (CNCBI), an affiliate of the Bank, had 40 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	88	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: No. 101, Guangyang Road, Guangyang District, Langfang City, Hebei Province Postal Code: 065000	0316-5218911 0316-5218915

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
	Shandong	Jinan Branch	50	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
						Binzhou Branch	Address: West Wing Zhongxi International Financial Center, No.352 Yellow River Road Five, Binzhou City, Shandong Province Postal Code: 256600	0543-3095558 0543-3189657
		Qingdao Branch	57	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: No. 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: No. 66, Qinhuangdao Road, Economic Development Area, Rizhao City, Shandong Province Postal Code: 276800	0633-7895558 0633-8519177

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
Yangtze River Delta	Shanghai	Shanghai Branch	51	Address: Aurora Plaza, No. 99. Fucheng Road, Pudong New District, Shanghai Postal Code: 200120	021-58771111 021-58776606	Shanghai Pudong Branch	Address: 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	85	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, Jiangsu Province 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
						Nanjing Jiangbei New Area Branch	Address: No.127, Xinpulu, Jiangpu Street, Pukou District, Nanjing, Jiangsu Province Postal Code: 210000	025-69977177 025-69977165
		Suzhou Branch	29	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	89	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	Address: Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou, Zhejiang Province 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		–	

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
Pearl River Delta and West Strait	Fujian	Fuzhou Branch	53	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, Fujian Province 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
		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

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
	Guangdong	Guangzhou Branch	71	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: Floor 1 & 2, No. 1, Guanhaimingju 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: No.102, Glorious Century Plaza, Time Square, Longhu District, Shantou, Guangdong Province Postal Code: 515000	0754-89997888 0754-89997829
						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
						Zhanjiang Branch	Address: Room 201 F/2 and F/1, Building B, Minda Square (Minda Center), No.128, North Haibin Road, Chikan District, Zhanjiang City, Guangdong Province Postal Code: 524000	0759-3286322 0759-3286315
						Guangdong FTZ Nansha Branch	Address: N0.20, Pinhui Street, Nansha District, Guanzhou City, Guangdong Province Postal Code: 511400	020-34683290 020-34683290
		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	32	Address: Nanfeng Center, No. 106, Hongfu Road, Nancheng District, Dongguan, Guangdong Province Postal Code: 523070	0769-22667888 0769-22667999		–	

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
	Hainan	Haikou Branch	13	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: F/1-4, Building G, Juxinyuan, No.180, Phoenix Road, Jiyang District, Sanya, Hainan Province Postal Code: 572000	0898-88202191 0898-88861756
Central Region	Anhui	Hefei Branch	39	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	0551-62898001 0551-62898002	Wuhu Branch	Address: Weixingshidai Financial Center, No.7, 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: Caifu Plaza, No. 1859, 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	79	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, No.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	46	Address: No. 747, Hankou Construction Avenue, Jianghan District, 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: 435000	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: Floor 1-2, Meianchangdi Office Wing, No.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	44	Address: Beichen Times Square, No.1500, North Xiangjiang Road, Kaifu District, Changsha Hunan Province Postal Code: 410000	0731-84582008 0731-84582008	Zhuzhou Branch	Address: No.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: 411100	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, Jiangxi Province Postal Code: 330003	0791-6660107 0791-6660107	Pingxiang Branch	Address: No.16, East Jianshe Road, Economic and Technological Development Area, 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, Caizhi Plaza, No.16, Xingguo Road, Zhanggong District, Ganzhou, Jiangxi Province Postal Code: 341000	0797-2136885 0797-2136863
						Shangrao Branch	Address: 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	28	Address: 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 Zhuang Autonomous Region Postal Code: 535000	0777-2366139 0777-3253388
						Guilin Branch	Address: F/1,3,4, China Software•Modern City, No.28, Wangjiang Road, Qixing District, Guilin, Guangxi Zhuang Autonomous Region Postal Code: 541004	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	35	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

		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
	Ningxia	Yinchuan Branch	10	Address: 4F-5F, Master Office Building, No.160 Middle Beijing Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region Postal Code:750002	0951-7868556 0951-7653000		–	
	Qinghai	Xining Branch	11	Address: No.1, Jiaotong Lane, Shengli Road, West District, Xining, Qinghai Province Postal Code:810008	0971-8812658 0971-8812616		–	
	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: Caifu Plaza B, No 50, Gaoxindadao, Baoji, Shaanxi Province Postal Code: 721013	0917-3158980 0917-3158809
						Weinan Branch	Address: Shijimingzhu Plaza, Xinda 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: La Defansi Building, 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, Cuiping District 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, Xinjiang Uygur Autonomous region 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	Address: F/1-2, Building B, Jinsui Phase III, No. 310, West Nanning Road, Qilin District, Qujing, Yunnan Province Postal Code: 655000	0874-3119086 0874-3115696
						Dali Branch	Address: No.2, Wanhua Road, Dali City, Yunan Province Postal Code: 671000	0872-3035227 0872-3035228
						Yuxi Branch	Address: No.13, Longma Road, Hongta District, Yuxi City, Yunan Province Postal Code: 653100	0877-8868990 0877-8868989
	Gansu	Lanzhou Branch	15	Address: No. 638, West Donggang Road, Chengguan District, 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: 163000	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: 132000	0432-65150000 0432-65156100
	Liaoning	Shenyang Branch	40	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	024-31510456 024-31510234	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	39	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 District, Yingkou City, Liaoning Province Postal Code: 115007	0417-8208939 0417-8208989

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
				Subsidiaries and Overseas Representative Offices				
China	Hong Kong	CIFH	2	Address: Room 2701-9, 27/F, CITIC Tower, No.1, Tim Mei Avenue, Central, Hong Kong	+852-36073000 +852-25253303	CNCBI	Address: No.61-65, Des Voeux Road, Central, Hong Kong	+852-36036633 +852-36034000
						CIAM	Address: 23/F, Bank of America Tower, No.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	Address: Second Floor, 34 Threadneedle Street, London, EC2R 8AY	+44-28-3824 9269		–	
Australia	Australia	Sydney Representative Office	1	Address: Level 49, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW 2000, Australia	+61-2-82986288 +61-2-82986200			

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