中信银行
CHINA CITIC BANK

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

Stock Code: 0998

Strive to Be the Company offering the Best Comprehensive Financial Services

2017 Annual 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 this annual 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 Annual Report on 26 March 2018. All of the 10 eligible directors attended the meeting. The supervisors of the Bank attended the meeting as non-voting delegates.

The 2017 annual financial reports that the Bank prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were audited respectively by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the auditing standards of mainland China and Hong Kong SAR respectively, with both firms producing an audit report with a standard unqualified audit opinion.

Ms. Li Qingping as Chairperson of the Board of Directors, Mr. Sun Deshun as President of the Bank, Mr. Fang Heying as Vice President and concurrently Chief Financial Officer of the Bank and Ms. Li Peixia as General Manager of the Finance and Accounting Department of the Bank hereby guarantee the truthfulness, accuracy and completeness of the financial report contained in the Bank's 2017 Annual Report.

Profit Distribution Plan: Chapter 9 "Report of Board of Directors – Profit and Dividend Distribution" of this report discloses the Bank's Profit Distribution Plan for 2017 as reviewed and adopted by the Board of Directors and to be submitted to the 2017 Annual General Meeting for deliberation. The plan proposes to pay a cash dividend of RMB2.61 per 10 shares (before tax). No scheme for transfer of capital reserve to share capital will be applied for the current year.

Cautionary note on forward-looking statements: Forward-looking statements such as future plans and development strategies contained in this 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. For relevant information thereof, please refer to "Risk Management" and "Outlook" in Chapter 8 "Management Discussion and Analysis" of the report.

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

For the purpose of this report, numbers are expressed in Renminbi (RMB) unless otherwise specially stated. The report is compiled both in Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Corporate Introduction

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

The Bank aspires to become "the enterprise offering the best comprehensive financial services". To attain this development vision, the Bank fully leverages on the unique competitive advantages of CITIC Group in placing financial and non-financial businesses on an equal footing, and at the same time holds firm to its "customer orientation" and adheres to the business concept of "safe CITIC Bank, compliant operation, science and technology for growth, serving the real economy, market orientation and value creation". 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. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance and e-banking. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts.

As at the end of 2017, the Bank had 1,435 outlets in 142 large and medium-sized cities in China and 5 affiliated institutions including CITIC International Financial Holdings Corporation Limited ("CIFH"), CNCB (Hong Kong) Investment Co., Ltd., CITIC Financial Leasing Co., Ltd., Zhejiang Lin'an CITIC Rural Bank Limited and CITIC aiBank Corporation Limited. CITIC Bank International Limited ("CNCBI"), a subsidiary of CIFH, had 41 outlets in Hong Kong SAR, Macau SAR, New York, Los Angeles, Singapore and mainland China. CITIC aiBank Corporation Limited, a joint venture co-sponsored by the Bank and Baidu, became the first independent legal entity practicing direct banking in China. In addition, the Bank concluded equity transaction agreements with JSC Halyk Bank of Kazakhstan and other relevant parties, the first Chinese joint-stock bank to acquire a bank in Kazakhstan.

2017 was a landmark year for the Bank, marking its 30th anniversary. Over the three decades, the Bank has persevered in serving the real economy, engaging in stable healthy business operation and keeping abreast with the times. Thriving through 30 years' growth and expansion, the Bank has become a financial conglomerate with strong comprehensive competitiveness and powerful brand influence, registering more than RMB5 trillion total assets and nearly 60,000 employees. In 2017, The Banker magazine of the United Kingdom rated the Bank the 22nd on its list of the "Top 500 Global Bank Brands", the 25th on its list of the "Top 1,000 World Banks" in terms of tier-one capital, and the 2017 "Bank of the Year in China". CITIC Bank was the exclusive bank winner of the latter honor in mainland China.

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
CITIC Cloud Network	CITIC Cloud Network Co., Ltd.
CITIC Corporation Limited	CITIC Corporation Limited (formerly known as CITIC Limited prior to renaming in August 2014)
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 Pacific	CITIC Pacific Limited
CITIC Press	CITIC Press Group Limited
CITIC Prudential Life Insurance	CITIC Prudential Life Insurance Company Ltd (formerly known as Pa Hsin-cheng Life Insurance Co., Ltd. prior to renaming in November 2017)
CITIC Securities	CITIC Securities Co., Ltd
CITIC Trust	CITIC Trust Co., Ltd.
CNCB Investment	CNCB (Hong Kong) Investment Co., Ltd. (formerly China Investment and Finance Limited)
CNCBI	CITIC Bank International Limited (formerly CITIC Ka Wah Bank Limited)
CSRC	China Securities Regulatory Commission
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Joint-stock Banks	Including China CITIC Bank, China Merchants Bank, China Minsheng Bank, Industrial Bank, Shanghai Pudong Development Bank, China Everbright Bank, Huaxia Bank, Ping'an Bank, Guangdong Development Bank, China Zheshang Bank, China Bohai Bank and Evergrowing Bank
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank Limited
MOF	Ministry of Finance of the People's Republic of China
PRC Accounting Standards	PRC Accounting Standards for Enterprises
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China
The Group	China CITIC Bank Corporation Limited and its subsidiaries
The reporting period	From 1 January 2017 to 31 December 2017
Xinhu Zhong Bao	Xinhu Zhong Bao Co., Ltd.

(Note: The definitions are arranged in the alphabetic order of Mandarin Pin Yin)

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 affiliates of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an CITIC Rural Bank;

"Pearl River Delta and West Strait" refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen and Haikou;

"Bohai Rim" refers to the following areas where tier-1 branches and subsidiaries of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang and Jinan; and the two subsidiaries, i.e., CITIC Financial Leasing and CITIC aiBank;

"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 and the Credit Card Center of the Bank; and

"Overseas" includes all the operations of CNCB Investment and CIFH and its subsidiaries.

Chapter 2 Corporate Introduction

2.1 Corporate Information

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

H-share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong		
Listing Venue, Stock Name and Stock Code:	A-share:	Ordinary share CNCB	Shanghai Stock Exchange 601998
		Preference share CITIC Excellent 1	Shanghai Stock Exchange 360025
	H-share:	CITIC Bank	Hong Kong Stock Exchange 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

Chapter 3 Financial Highlights

3.1 Operating Performance

Unit: RMB million

Item	2017	2016	Growth rate (%)	2015
Operating income	**157,231**	154,159	1.99	145,545
Profit before tax	**52,276**	54,608	(4.27)	54,986
Net profit attributable to equity holders of the Bank	**42,566**	41,629	2.25	41,158
Net cash flow from/(used in) operating activities	**54,074**	218,811	(75.29)	(20,835)
Per share				
Basic earnings per share (RMB)	**0.84**	0.85	(1.18)	0.88
Diluted earnings per share (RMB)	**0.84**	0.85	(1.18)	0.88
Net cash flow from/(used in) operating activities per share (RMB)	**1.11**	4.47	(75.17)	(0.43)

Unit: RMB million

	For the year 2017			
Item	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Operating income	**37,850**	**38,859**	**38,809**	**41,713**
Net profit attributable to equity holders of the Bank	**11,389**	**12,622**	**10,727**	**7,828**
Net cash flow from/(used in) operating activities	**(158,595)**	**71,081**	**82,973**	**58,615**

3.2 Profitability Indicators

Item	2017	2016	Increase/ (decrease) in percentage point	2015
Return on average assets (ROAA)(1)	**0.74%**	0.76%	(0.02)	0.90%
Return on average equity (ROAE, excluding non-controlling interest)(2)	**11.63%**	12.58%	(0.95)	14.26%
Cost-to-income ratio (excluding business tax and surcharges)(3)	**30.05%**	27.75%	2.30	27.87%
Credit cost(4)	**1.64%**	1.67%	(0.03)	1.51%
Net interest spread(5)	**1.64%**	1.89%	(0.25)	2.13%
Net interest margin(6)	**1.79%**	2.00%	(0.21)	2.31%

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

(2) Annual 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. The year-on-year decreases in ROAA and ROAE were mainly due to the impacts of factors such as the increase in provisioning and the dividend payment for preference shares.

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

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

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

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

3.3 Scale Indicators

Unit: RMB million

Item	31 December 2017	31 December 2016	Growth rate (%)	31 December 2015
Total assets	**5,677,691**	5,931,050	(4.27)	5,122,292
Total loans and advances to customers	**3,196,887**	2,877,927	11.08	2,528,780
— Corporate loans	**1,857,847**	1,846,274	0.63	1,767,422
— Discounted bills	**107,456**	75,047	43.18	92,745
— Personal loans	**1,231,584**	956,606	28.75	668,613
Allowance for impairment losses on loans and advances to customers	**90,903**	75,543	20.33	60,497
Net investment in debt securities and equity instruments	**916,521**	818,053	12.04	580,896
Total liabilities	**5,265,258**	5,546,554	(5.07)	4,802,606
Total deposits from customers	**3,407,636**	3,639,290	(6.37)	3,182,775
— Corporate demand deposits	**1,651,180**	1,691,065	(2.36)	1,194,486
— Corporate time deposits	**1,223,018**	1,390,212	(12.03)	1,446,939
— Personal demand deposits	**234,961**	232,960	0.86	178,917
— Personal time deposits	**298,477**	325,053	(8.18)	362,433
Deposits from banks and non-bank financial institutions	**798,007**	981,446	(18.69)	1,068,544
Placements from banks and non-bank financial institutions	**77,595**	83,723	(7.32)	49,248
Total equity attributable to the equity holders of the Bank	**399,638**	379,224	5.38	317,740
Net asset per share attributable to the equity holders of the Bank (RMB)	**8.17**	7.75	5.42	6.49
Net asset per share attributable to the ordinary shareholders of the Bank (RMB)	**7.45**	7.04	5.82	6.49

Note: Corporate demand deposits include demand deposits from corporate customers and outward remittance and remittance payables of corporate customers.

3.4 Asset Quality Indicator

Unit: RMB million

Item	31 December 2017	31 December 2016	Growth rate (%)/ Increase (decrease)	31 December 2015
Performing loans(1)	**3,143,239**	2,829,347	11.09	2,492,730
Non-performing loans (NPLs)(2)	**53,648**	48,580	10.43	36,050
Allowance for impairment of loans and advances to customers	**90,903**	75,543	20.33	60,497
NPL ratio(3)	**1.68%**	1.69%	(0.01)	1.43%
Allowance coverage ratio(4)	**169.44%**	155.50%	13.94	167.81%
The ratio of allowance for impairment of loans to total loans(5)	**2.84%**	2.62%	0.22	2.39%

Notes: (1) Include pass and special mention loans.
(2) Include substandard, doubtful and loss loans.
(3) Balance of NPLs divided by total loans and advances to customers.
(4) Balance of allowance for impairment of loans and advances to customers divided by balance of NPLs.
(5) Balance of allowance for impairment of loans and advances to customers divided by total loans and advances to customers.

3.5 Other Main Regulatory Indicators

Item[1]	Regulatory value	**31 December 2017**	31 December 2016	Change in percentage point	31 December 2015
Capital adequacy profile					
Core tier-one capital adequacy ratio	≥7.50%	**8.49%**	8.64%	(0.15)	9.12%
Tier-one capital adequacy ratio	≥8.50%	**9.34%**	9.65%	(0.31)	9.17%
Capital adequacy ratio	≥10.50%	**11.65%**	11.98%	(0.33)	11.87%
Leverage profile					
Leverage ratio	≥4%	**6.18%**	5.47%	0.71	5.26%
Liquidity risk profile					
Liquidity coverage ratio[2]	≥100%	**97.98%**	91.12%	6.86	87.78%
Liquidity ratio					
Including: Renminbi	≥25%	**45.29%**	40.98%	4.31	42.48%
Foreign currencies	≥25%	**84.11%**	63.37%	20.74	89.27%

Notes: (1) The figures were calculated in accordance with the regulatory standards of the Chinese banking industry. Except for the liquidity coverage 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.

3.6 Differences between IFRS and PRC Accounting Standards

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

3.7 Five-Year Financial Summary

Unit: RMB million

Item	2017	2016	2015	2014	2013
Operating performance					
Operating income	**157,231**	154,159	145,545	124,839	104,813
Profit before tax	**52,276**	54,608	54,986	54,574	52,549
Net profit attributable to the equity holders of the Bank	**42,566**	41,629	41,158	40,692	39,175
Net cash flow from/(used in) operating activities	**54,074**	218,811	(20,835)	34,150	(136,228)
Per share					
Basic earnings per share (RMB)	**0.84**	0.85	0.88	0.87	0.84
Diluted earnings per share (RMB)	**0.84**	0.85	0.88	0.87	0.84
Net cash flow from (used in) operating activities per share (RMB)	**1.11**	4.47	(0.43)	0.73	(2.91)
Scale indicators					
Total assets	**5,677,691**	5,931,050	5,122,292	4,138,815	3,641,193
Total loans and advances to customers	**3,196,887**	2,877,927	2,528,780	2,187,908	1,941,175
Total liabilities	**5,265,258**	5,546,554	4,802,606	3,871,469	3,410,468
Total deposits from customers	**3,407,636**	3,639,290	3,182,775	2,849,574	2,651,678
Total equity attributable to the equity holders of the Bank	**399,638**	379,224	317,740	259,677	225,601
Net asset per share attributable to the equity holders of the Bank (RMB)	**8.17**	7.75	6.49	5.55	4.82
Net asset per share attributable to the ordinary shareholders of the Bank (RMB)	**7.45**	7.04	6.49	5.55	4.82
Profitability indicators					
Return on average assets (ROAA)	**0.74%**	0.76%	0.90%	1.07%	1.20%
Return on average equity (ROAE)	**11.63%**	12.58%	14.26%	16.77%	18.48%
Cost-to-income ratio (excluding business tax and surcharges)	**30.05%**	27.75%	27.87%	30.41%	31.43%
Credit cost	**1.64%**	1.67%	1.51%	1.06%	0.62%
Net interest spread	**1.64%**	1.89%	2.13%	2.19%	2.40%
Net interest margin	**1.79%**	2.00%	2.31%	2.40%	2.60%
Asset quality indicators					
NPL ratio	**1.68%**	1.69%	1.43%	1.30%	1.03%
Allowance coverage ratio	**169.44%**	155.50%	167.81%	181.26%	206.62%
The ratio of allowance for impairment of loans to total loans	**2.84%**	2.62%	2.39%	2.36%	2.13%
Capital adequacy ratio					
Core tier-one capital adequacy ratio	**8.49%**	8.64%	9.12%	8.93%	8.78%
Tier-one capital adequacy ratio	**9.34%**	9.65%	9.17%	8.99%	8.78%
Capital adequacy ratio	**11.65%**	11.98%	11.87%	12.33%	11.24%

Li Qingping
Chairperson
Executive Director

Chapter 4 *Chairperson's* Letter to Shareholders

Dear shareholders,

Every communication with our shareholders witnesses our commitment to our shareholders. Maybe we are based in different geographical locations. Maybe we have never met each other. But I believe we are closely linked together by our shared faith in and firm commitment to value creation, which has always inspired our unremitting efforts.

Diligence pays off. 2017 was an extraordinary year where economic new normal, financial new normal, regulatory new normal and technology new normal were interwoven and overlapping with each other. We maintained our strategic focus, promoted business transformation and steadily increased profit. Our asset quality was improving and risk pressure easing. We made progress amid stability in the overall sense. In 2017, the Bank won numerous honors, including the "Bank of the Year in China" by The Banker magazine of the United Kingdom. Our efforts were rewarding.

At this point, I would like to report to our shareholders that in 2017 the Bank realized net profit attributable to its shareholders of RMB42.566 billion, a growth of 2.25% over last year. The board recommends a cash dividend of RMB2.61 per 10 shares, thus giving the shareholders total annual dividend of RMB12.772 billion for 2017, 21.41% higher than last year. While increasing profit, the Group continued to accrue more provisioning in 2017, raising its allowance coverage ratio by approximately 13.9 percentage points compared with last year, which enables our development a more solid foundation.

—— **In 2017, the Bank made hard efforts to promote business transformation, harvesting impressive results.** As I mentioned previously, the Bank is at a critical stage of transformation because failure to speed up transformation is no different from locking ourselves into a dark room, seemingly escaping from the wind and rain, but actually cutting off the sunlight and air. In 2017, the Bank paced up its shift from "speed-oriented profit" to "quality-oriented profit". In particular, it lowered growth rate, accelerated turnover and adjusted structure. CITIC Bank was the first to "shrink the balance sheet" in the industry. According to one viewpoint, "shrinking the balance sheet" often leads to profit decline in the short run. We are aware that our investors are also very concerned about this issue. In actual operation, we predicted the situational changes, rode on the opportunities available from restructuring and handled the relationship between additions and subtractions in a balanced manner. In 2017, the Group's total assets decreased by 4.27% and allowance accruals increased by 6.69% year-on-year, despite which its operating income and net profit attributable to equity holders of the Bank grew by 1.99% and 2.25% year-on-year, respectively. The Group achieved an ROAE of 11.63% and an ROAA of 0.74% against an augmented provisioning scale, representing respective year-on-year declines of 0.95 and 0.02 percentage points. The declines, however, has narrowed significantly.

National strategies such as the supply-side structural reform provide a broad space for business transformation. In the past year, the Bank increased support for key areas such as high-end equipment and consumption upgrade and continued to reduce the scale of loans to overcapacity industries. The proportions of loans to the manufacturing and the wholesale and retail sectors went down by 3.76 and 2.43 percentage points, respectively. CITIC Financial Leasing, a subsidiary of the Bank, focused on clean energy and other relevant industries. The balance of green lease accounted for over 60% of its total lease grant. The green power generated by the power plants owned by CITIC Financial Leasing was sufficient for yearly power consumption of 2.44 million households, equivalent to a reduction of 4.95 million metric tons of CO_2 emission or an additional planting of 200 million vegetations. We made our financial supply more adaptive and innovative. The Bank took the lead in providing a RMB7.9 billion syndicated loan for the project on renovation of Yushuzhuang Village in Beijing, the first government-funded shanty-town renovation project led by a commercial bank in Beijing. It is therefore of exemplary significance to promoting Beijing-Tianjin-Hebei integration. Going forward, we will continue to invest more in areas such as transportation, environmental governance and industrial transfer/upgrade to support coordinated development of Beijing, Tianjin and Hebei.

In 2017, the Bank took the initiative to build a model for the development of inclusive finance. Among others, the Bank established the leading group for inclusive finance, which I personally chair. We formulated the plan for inclusive finance and improved the bank-wide inclusive finance framework. In particular, we started with sub-branches specialized in inclusive finance so that their experiences could be further extended later on; and promoted small and micro enterprise business at key branches. These efforts helped the Bank expand the scale of inclusive finance under the premise of risk controllability. We leaned our policies further towards small and micro enterprises, "agriculture, farmers and rural areas" and poverty alleviation. The balance of loans to key areas of inclusive finance stood at RMB102.49 billion, a year-on-year increase of approximately 20%, which was higher than the average loan growth rate of the entire bank. We set up a special small business unit to centralize operations including review and approval of loan applications, disbursement of loans and post-lending management. We also relied on big data to strengthen refined management for "precise drip irrigation from a pool of running water". In 2017, the Caijing magazine named CITIC Bank the "Bank of the Year for Excellence in Inclusive Finance".

Transformation for development and prevention of risks are like the two wings of a bird or the twin wheels of a car. In 2017, we persisted with our prudent risk preference, actively resolved existing risks and strictly guarded against incremental risks. We made vigorous efforts to strengthen the construction of a risk culture, reinforce internal control and compliance management, put the role of audit supervision into active play and intensify active management of problem assets. Thanks to these efforts, the Group's asset quality stabilized and credit risk scaled down in 2017. Its NPL ratio recorded a slight drop of 1.68%; its provisioning remained at a relatively high level, with allowance for loan impairment loss for the whole year standing at RMB50.17 billion, a year-on-year increase of 9.75%; the allowance coverage ratio went up by 13.94 percentage points to 169.44% and the ratio of allowance for impairment of loans to total loans rose by 0.22 percentage point to 2.84%. These figures indicate that the Bank is much more resilient to risks. In November last year, the Bank's comprehensive risk management system successfully went alive, fundamentally escalating its capability for "full-business, total-process and whole-organization" risk management and laying a solid foundation for its mid- to long-term development. None of these achievements would have been possible without our more than 600 colleagues working relentlessly around the clock for nearly 900 days. I thank them whole-heartedly for their hard work and commitment.

—— **In 2017, the Bank made great efforts to implement its strategic plan, receiving fruitful payback.** Three years ago, the board formulated the strategic plan, defining the development vision and goals for 2015-2017. At the time of planning, we already knew that the road ahead of us would be long and require arduous efforts to deliver because of the complex changing international economic environment, gear shift of economic growth, deepening of restructuring and increasingly fierce competition in the banking sector. Over the three years, we pursued improvement and innovation of our business models, development concepts and institutional mechanisms on the basis of our historical heritage. We understood very well that continuance of established mindsets and modalities would not lead us to the changes we longed for. Over the three years, the entire Bank, from the top leadership to the grassroots staff, contributed concerted efforts to address problems in the way. We explored a new pathway compatible with the new normal and new situation and promoted the construction of a bank offering the best comprehensive financing services, with remarkable results.

As at the end of 2017, the Bank's total assets, operating income and profit before provisioning recorded RMB5,677.691 billion, RMB157.231 billion and RMB108.063 billion, respectively; compound annual growth rate (CAGR) for the three years stood at 11.11%, 7.99% and 11.36%, respectively; non-interest income took up a proportion of 36.63%, 12.52 percentage points higher than in 2014; the ratio of non-performing loans was 1.68%, a relatively low level in the industry; and provisioning kept increasing in the recent three years, with the ratio of allowance for impairment of loans to total loans reaching 2.84%, 0.48 percentage point higher than end of 2014. In global rankings, the Bank ranked 25th in terms of tier-one capital and 22nd in terms of brand value, 12 and 50 notches higher than 2014, respectively.

Let us look at the story behind the data. In the past three years, the Bank realized the supporting role of its corporate banking business. It was the first in the industry to roll out the "Transaction +" brand and kept its leading positions in bond underwriting, mergers and acquisitions (M&A) finance and syndicated loans. We have apparent advantage in terms of the daily scale and interest margin of corporate deposit. As at the end of 2017, 57.4% of the Group's corporate deposit was demand deposit, up by 15.9 percentage points than end of 2014. Corporate deposit cost was 1.62%, down by 0.74 percentage points than end of 2014. While consolidating and enhancing our advantages in corporate banking, we also continuously and rapidly increased the value contribution of retail business, using our channels, products and teams as the breakthrough points. For the year 2017, the proportions of net profit and operating income from retail business were 36.4 and 14.4 percentage points higher than in 2014, respectively. These numbers indicate remarkable results of retail business transformation. At the same time, the Bank's financial markets business stood out with more distinctive features. "CITIC Interbank +" platform had 817 contractual customers, covering financial institutions of banking, securities, funds and trusts. The Bank is competitive in bond market making, forex purchase and sale and cross-border RMB business. In 2017, the scale of the Bank's forex market making reached to USD1.68 trillion, and the Bank ranked the first in comprehensive spot trading market making. It is fair to say that these unremitting efforts over the past three years have enabled the Bank a more optimal income structure, a more stable and coordinated business layout and stronger growth potentials. As such, the Bank is able to respond to situational changes with greater calm.

As we all know, CITIC Group, the controlling shareholder of the Bank, is a multinational conglomerate with its businesses cross-cutting dozens of industries. This is a unique advantage available to the Bank in its integration of financial and non-financial resources and construction of a bank offering the best comprehensive financing services. In the past three years, we stepped up group synergy and explored many new products and new models. When Zhejiang Province advocated its "Phoenix Action" plan, the Bank's Hangzhou Branch made an immediate response. It formed a joint fleet together with more than 10 subsidiaries of CITIC Group to build a new model of synergy for advancing the "Phoenix Action" plan with financial assistance. These efforts rendered support to Zhejiang's industrial upgrade and won high regards from customers. It is fair to say that the more significant the projects, the better we are capable of exhibiting our comprehensive strength and unique synergistic advantages. In addition, we leveraged on CITIC Group's rich "going global" experiences and integrated its premium industrial resources to actively contribute CITIC Bank programs for loan allocation, outlet layout, investment banking and cross-border businesses under the "Belt and Road Initiative" (BRI). Over the past three years, the Bank launched 178 key BRI projects. Going forward, we will continue our explorations and endeavors to become a main-force bank that supports the construction of the BRI and expand our own business space.

These achievements are only an epitome of our bank-wide hard endeavors over the past three years, before which our predecessors were already engaged in prolonged arduous work. Just as trickles and streams make rivers and seas, their accomplishments and our three-year progresses will combine and converge to push CITIC Bank towards a promising future with sure steps. Meanwhile, we are also aware that, in light of the ardent hopes of our shareholders and customers, the beautiful expectations of our staff and the requirements on comprehensive, coordinated and sustainable development, we can definitely do better. Going forward, we will stay sober and continue the new journey of value creation.

—— **In 2017, the Bank worked hard on planning for future development, embracing great aspirations.** 2017 marked the 30th anniversary of the Bank. Thirty years' self-motivated advancement has given rise to a competitive and influential financial conglomerate. This extraordinary journey of thirty years is both a milestone and a new starting point. Over the course of last year, the board, together with the management, conducted in-depth research on specific topics, extensively solicited opinions from various stakeholders and held numerous meetings to discuss and revise the draft of the new plan, focusing on long-term development of the Bank. Eventually, the board rolled out the 2018-2020 Development Plan after summarizing the implementation of the 2015-2017 Strategic Plan and taking the new situations into consideration. China is pushing forward high-quality development and the financial reform process at a quicker pace. Financial technology is booming. The combination of these factors provides an important opportunity for restructuring, transformation and development of banks, which is also the basic starting point for the board to design future development at the top. We expect that this development plan will satisfactorily answer the question of "where next" and enable the Bank new achievements in value creation.

The Bank's 2018-2020 Development Plan clarifies the guiding concepts, basic principles, development positionings and key measures for the next three years, covering many aspects. In my contacts with investors and customers, I felt that everyone was very concerned about the Bank's unique differentiated development, integrated customer service and integration of finance and technology for further growth. At this point, I would like to focus my letter on these aspects.

In the next three years, we will persist in returning to the basics of financial services and further promote unique differentiated development. Better value-creation capability is inseparable from less capital consumption, more intensive operation and more dexterous adaptability. Therefore we will continue to promote light-style development. Among others, we will prioritize the allocation of resources to regions, industries and businesses with low capital consumption, high use efficiency and great value creation; make "adjustment of structure and acceleration of turnover" a normal practice; and strengthen cost control. With these efforts, we will build a capital-light, asset-light and cost-light business model to achieve higher-quality growth. At the same time, the Bank will return to the basics of financial services with intensive and meticulous efforts. In particular, the Bank will promote the transformation of corporate banking, retail banking and financial markets businesses from "One Body Two Wings" to "Troika" so that it can develop a more balanced income structure and better respond to changes in the external environment. We will integrate with national and regional development strategies and promote unique differentiated growth of the branches so that the latter will align with the development requirements of the entire bank and harmonize with their respective regional foundations for development. We expect that with our realistic and pragmatic efforts we will be able to build the Bank into a listed bank with more unique competitiveness at the market and greater attraction to our investors.

In the next three years, we will continue to focus on customers as our top priority and accelerate the development of an integrated service system. Banks exist for their customers and grow as their customers grow. We always keep this in mind. A good example here is the true story relating to the Bank's 13-year cooperation with a corporate customer. That company started in hardship as a small village factory with only 3 people and a few old machines. The Bank, however, had three of its account managers engage in "responsibility relays" to help the company grow. From the first working-capital loan, to syndicated loans, mergers and acquisitions, short-term bonds and medium-term notes, we helped the company all the way through until it made to the list of the Top 500 Chinese enterprises. From this partnership, we feel profoundly that only by "touching customer's heart" can we build strong emotional mutual trust with our customers in the annual rings of shared growth. Going forward, we will establish heart-to-heart connections with our customers to the best of our capacity to become their partners and financial management experts. By doing so, we aspire to make our customer service an art. The Bank will follow the "One CITIC" mindset to build an integrated customer service system focusing on its base customer groups and unique customer groups. At the same time, we will integrate mechanisms with processes and products with systems for integrated marketing and comprehensive services. By doing so, we aspire to make our customer service a science. We will also continue to push for all-round internationalized development and provide our customers with "CITIC Understands Me" comprehensive financial service solutions and best experience. We expect that with unwavering dedication we will be able to build the Bank into a commercial bank with a greater human touch that goes for sharing and win-win with its customers.

In the next three years, we will uphold innovation as the driving force and vigorously promote the integration of finance and technology. In the age of change, I often think about how to build "a bank of the future". The integration of finance and technology is an important direction beyond any doubt. The Bank is speeding up the construction of a mobile, smart, digital and platform-based system that integrates finance and technology for development. We are pursuing an innovation "acceleration". CITIC aiBank, a joint venture co-sponsored by the Bank and Baidu and the first independent legal entity practicing direct banking in China, opened for business in November 2017. What AiBank achieved in only a few months would take one branch two to three years to achieve in the past, which demonstrates its vitality as the pioneer of digital inclusive finance. Going forward, we will continue to strengthen the deployment of financial technology, increase resource investment in science and technology and actively promote the application of cutting-edge technologies in areas such as smart trading, robo-advisor, smart customer service and smart risk control. With these initiatives, we will speed up the construction of a smart CITIC Bank. Always mindful of the new economy, new models and new trends brought about by the internet era, we will focus on innovating our own institutional mechanisms and development models so that we can build a total-factor, multi-field and highly profitable development pattern characterised by deep integration of finance and technology. In this process, we will, as always, effectively control risks. We expect that our dauntless enterprising wisdom will build the Bank into a commercial bank with leading tech-thinking and strong tech-engines.

With hard work at the right time, a bright future can be expected. Our efforts to build a bank offering the best comprehensive financing services over the past three years have bloomed and borne fruit. In the next three years, we will work harder to develop the Bank as a new business. In accordance with the 2018-2020 Development Plan, we will strive to build an enterprise offering the best comprehensive financial services to meet more complex and diverse customer needs. This will be a new journey, a journey of understanding the true meaning of happiness amid hard struggles and a journey of adding honor and glory to CITIC Bank. In the spirit of "clutch a piece of iron and leave a handprint on it", we will take forceful steps and deliver tangible results to ensure successful implementation of the plan.

On the way forward, we will not forget those living in poverty and in need of help. In the recent years, we collaborated with the China Foundation for Poverty Alleviation in the "CITIC Bank • New Great Wall High School Self-Development Classes" program, assisting 850 high-achieving poor students in completing their high school education. Of these students, 231 were from 11 ethnic minorities (Buyi, Dai, Dong, Hani, Hui, Manchu, Mongolia, Miao, Yao, Yi and Zhuang). The program helped them establish the value that "knowledge changes destiny". It takes ten years to grow trees, but a hundred to cultivate people. I am proud to see these kids enrolled into institutions of higher learning and becoming future pillars of the country. We will continue to pass on this love and responsibility.

Dear shareholders, in the course of our new journey, we expect to have your continuing companionship and witness the power of value creation together with you.

Li Qingping
Chairperson, Executive Director
26 March 2018

Sun Deshun
Executive Director
President

Chapter 5 President's Letter to Shareholders

Dear shareholders,

In 2017, CITIC Bank Group made steady improvements to its operating results. For the whole year, the Group realized net operating income of RMB157.231 billion, a year-on-year increase of 1.99%; its provisioning remained at a relatively high level, accruing allowance for loan impairment of RMB50.170 billion for the entire year, a growth of 9.75%; its asset quality was turning for the better, registering an NPL ratio of 1.68% at the year end, a slight decline year-on-year; the allowance coverage ratio went up by 13.94 percentage points to 169.44% and the ratio of allowance for impairment of loans to total loans rose by 0.22 percentage point to 2.84%; the Group realized net profit attributable to its shareholders of RMB42.566 billion, a growth of 2.25% year-on-year.

The Bank earned this report card despite the complicated economic and financial situations. It was a reward for our perseverance with profit orientation and comprehensive promotion of business transformation. It was also a reward for our resolute efforts to "lower growth rate, accelerate turnover and adjust structure". We withstood the test of profound changes in both the external environment and customer needs and made our expected goals a reality. In 2017, CITIC Bank was named the "Bank of the Year in China" by The Banker magazine of the United Kingdom, the exclusive domestic bank to win this honor.

The past year was the wrap-up year for implementing the Bank's 2015-2017 Strategic Plan. It also marked the 30th anniversary of the Bank, the threshold year to judge whether the Bank has established itself. Over the course of 2017, we, the management, conscientiously implemented the board's decisions and deployments, maintained the Bank's strategic focus and upheld the Bank's value orientation and light-style development. We faced up to the challenges, deepened structural adjustment, enhanced operation and management, continued reforms and innovations and effectively prevented and controlled risks. With all these efforts, we strove to create greater value for our shareholders.

—— **In 2017, we deepened structural adjustment, achieving a more optimal business layout.** Faster market-oriented reform of the financial sector, narrowing interest spread in the banking industry and growing capital constraints are issues that each and every commercial bank has to face squarely and handle properly. In the past year, we took resource allocation as the starting point, arrangement of assets and liabilities as the nub of the matter, calculated the trade-offs and drew a clear boundary between the must-dos and must-not-dos. With all these, we worked arduously to write an awesome article on structural adjustment. We responded and adapted to the situational changes with a moderate control over the scale of our business. CITIC Bank became the first commercial bank in China to voluntarily "shrink the balance sheet". Total assets of the Group at the end of 2017 stood at RMB5.68 trillion, a year-on-year decrease of 4.3%. We allocated more credit resources to the retail banking segment and took the initiative to reduce interbank assets and investments classified as receivables, making the allocation of general-category assets more reasonable bank-wide. In order to push forward light-style development of asset business, we adjusted existing assets and optimized incremental assets in a comprehensive manner and expanded asset flows. These initiatives, as an effective response to changes in the domestic and overseas market environments in 2017, had a positive effect on the Bank's operating income, interest margin, capital consumption and value creation capability. Going forward, we will unswervingly continue such work.

Corporate banking is both a tradition and a competitive edge of the Bank. We are also highly competitive in financial markets business. In 2017, these advantages continued to grow and consolidate. We achieved remarkable results in managing customers by stratum, building unique "big single products" and seeking differentiated development. Our customer base expanded; transaction scale augmented; and income grew. In the past year, I met with many investors. Everyone was highly concerned about our retail business. At this point, I would like to focus on this aspect. We promote transformation of retail business and increase resource investment in it for good reasons. For one thing, people are yearning for a better life, which creates considerable space for growth of retail business. At the same time, transformation of retail business will help the Bank better balance its business and income structures and consequently better respond to the changing external environment. Over the recent years, we used channel and team building as the breakthrough points to connect different product systems such as wealth management, private banking, credit card and going abroad finance and integrate financial technology into scenario-based applications. These efforts won us customer recognition. In 2017, the Bank was on the top list of joint-stock banks in terms of the number of outlets rated role models for excellence in services.

Operating income and pre-tax profit from retail business increased their shares in the Group totals to 34.6% and 38.8%, respectively, indicating markedly higher value contribution from the retail business segment. Going forward, we will continue to make our business structure more optimal. In particular, we will transform from "One Body Two Wings" to "Troika", i.e., develop corporate business by strengthening its distinctive features and cementing its competitive advantages; develop retail business by enhancing its services and increasing its value contribution; and develop financial markets business by activating markets and strengthening platforms.

We rendered active support to the national supply-side structural reform. Among others, we made timely adjustments to the sector and customer structures of our credit extension business. In doing so, we made a good timing on when to advance and when to retreat and successfully handled the relationship between additions and subtractions. Over the past year, we decisively exited the high-risk high-consumption loan customers and gradually withdrew from low-quality low-efficiency customers in traditional industries. More loans went to those industries supported by the government strategic orientation. The proportion of loans to those sectors in the "active support" category increased by 2.5 percentage points. In 2017, the government emphasized the building of a long-term mechanism for real estate development and accelerated the establishment of a housing system "encouraging both housing purchase and renting". As the home leasing market embraced a blooming spring, the Bank became a market leader with the launch of the RMB30 billion long-rent protection fund in cooperation with well-known property companies. At the same time, the Bank significantly improved its ability for comprehensive financing services, recording rapid growth in businesses such as mergers and acquisitions (M&A) finance and gaining a robust market reputation. In the overall sense, in 2017, the Bank made breakthroughs in key industries, regions, customers and products in the course of adjusting its credit extension structure, reflecting its own unique differentiated business operation while effectively preventing risks and increasing income. Going forward, we will continue to strengthen capital constraints and optimize the allocation of asset portfolios in multiple dimensions. In the spirit of "dare to choose what we want and discard we want not, and excel at making the right choice", we will be able to balance risk and profit in better ways.

—— In 2017, we enhanced both operation and management, making further improvements to operational efficiency and effectiveness. The Bank, with total assets now approaching RMB6 trillion, is at the critical stage of transformation. This situation places higher than ever demands on its capabilities for business development, professional team building and self-correction. We have been working hard to create value and generate profit from good management. As business transformation is a systematic project, we remind ourselves at all times of the need to avoid piecemeal adjustment and fragmented amendment.

Over the past year, we reinforced centralized management. Our various initiatives became markedly more integral and interactive and our intensive operation much more fruitful. We provided more effective guidance to the budgeting process. In particular, the performance indicators were streamlined; assessment was differentiated by group and by branch with further details; and economic profit got a greater weight in performance evaluation. The entire bank, from the top leadership to the grassroots staff, became more sensitive to risk measurement. Capital management played a strong role as the "conductor's baton". In 2017, the Group's incremental risk-weighted assets decreased by nearly 30% year-on-year; and the decline of its core tier-one capital adequacy ratio shrank by 0.33 percentage points year-on-year. Last year, the Bank fully took over from its tier-two branches the authority to review and approve loan disbursements and improved the authorization practice/process, which was an active effort to create a professional, centralized and standard loan disbursement model at tier-one branches and a contribution to effective prevention of operational risk in the review and approval of loan disbursements.

Over the past year, we reinforced centralized marketing. To name some of our major achievements, we developed a group of benchmark customers with deposit and finance both in the RMB10 billion grade, executed a group of major projects each in the amount of at least RMB10 billion, recorded daily average deposit of over RMB100 billion from strategic customers and registered total deposits of more than RMB1 trillion from institutional customers. The Bank rose to the top of the industry in terms of the custody scale of public offering funds, a significant boost to its market position. We used customer satisfaction as an important assessment criterion for our internal management, so that we could grow together with our customers. A good example here is a high-end equipment manufacturing company in China. The Bank first got to know it when it was a small company. We, however, were optimistic about the development of its industry and endorsed its business philosophy. We treated the company with great sincerity and accompanied it all the way through its growth, Pre-IPO and IPO stages. Eventually we helped it to become an industry leader. Going forward, we look forward to accompanying more enterprises through their growth paths and helping build more "dragon heads" and "unicorns" in more fields.

Over the past year, we reinforced concentrated operation. Top-level design and overall planning were both enhanced from multiple perspectives including frameworks, regulations, processes and systems. The international business operation center completed the take-over of document business from 13 branches; the construction of the financial sharing center was pushed forward in an orderly way; development of the "big operation" pattern achieved remarkable results; and operational management further augmented its supporting role. The integrated pattern for management of bill business took its initial shape. All outlets of the Bank were connected with the Shanghai Commercial Paper Exchange, which reduced operational risk and effectively lowered operating costs. Going forward, we will continue to promote the "upgrade and iteration" of our operational capacities.

—— **In 2017, we boosted reforms and innovations, enabling our growth drivers to grow and expand.** Over the recent years, words that commercial banks, as the representative of the traditional financial industry, will be overthrown and replaced, never stop. This argument of course is debatable. In a time of change, however, we always use this as a wake-up call. Nevertheless, we believe that as far as we maintain the spirit of innovation without complacency or hesitation, we will be able to constantly burst into new energy and gain a place in the competition.

We are fully aware that product innovation is "water" and innovation of systems and mechanisms the "source of water". Only by constructing a robust innovation system can we have "active head water". In recent years, the Bank established the Innovation Management Committee and the IT innovation laboratory for financial products. Some of its branches were selected to build an innovation base where resources of the entire bank would be pooled to research new technology and develop prototype products. Numerous innovative business mechanisms also took shape. To name a few, we had the feasibility assessment mechanism, the project manager mechanism and the post-product evaluation mechanism. We insisted on two things at the same time, i.e., returning to the basics of financial services while making innovations, enhancing customer experience and improving operational efficiency under the premise of compliance.

These efforts are bearing fruit. We built and developed a series of "big single products" such as "Transaction +", "CITIC Wealth Management" and "Xinjin Bao" that enjoyed a firm market footing, a sound market reputation and robust profitability. In terms of breakthrough achievements, we completed a group of benchmark investment banking projects and successfully supported a number of large-scale M&A finance and equity finance projects with extensive market influence. The Bank's M&A finance topped the entire market in aggregate amount. Our innovative "CITIC Interbank +" financial service platform became a mainstream member on the interbank platform with a cumulative transaction volume of more than RMB1.2 trillion. Our innovation synergy with CITIC Group deepened to a cooperative win-win ecosphere. These efforts have integrated into a comprehensive financial service system that is "more than finance" and "not just in China", enabling us remarkable results in the construction of a bank offering the best comprehensive financing services.

We regard the integration of finance and technology as a new driving force for future development of banks. AiBank, a joint venture co-sponsored by the Bank and Baidu and the first independent legal entity practicing direct banking in China, opened for business in November 2017 and is striving to become the pioneer of digital inclusive finance. We built a machine learning platform based on AI technology, used big data to do precise retail marketing and applied block chain technology in trade finance and credit card customer acquisition. These efforts already paid off. In the integration of finance and technology, we adopted a down-to-earth practical approach. We sped up the application of science and technology in corporate banking data finance, inclusive finance, retail customer acquisition, risk management and refined management. We worked hard to have technology drive forward business development, or as the metaphor goes, to have "technology set up the stage for business to play its main role". But we will not stop there. In the future, we will also pool resources to build a "CITIC Brain" that integrates machine learning and natural language processing and develop a series of ecospheres including the "finance + non-financial" ecosphere, key industry ecosphere and interbank ecosphere. More importantly, we will ride on the opportunities brought about by the development of information technology, break the barriers to integration of finance and technology under the traditional banking system and constantly improve operational efficiency and intrinsic value. We hope that by means of science and technology, we will free human resources from simple labor, enrich the teams of customer managers, product managers and risk managers and provide better services offline. In advancing the integration of finance and technology, we will always tighten the string of risk prevention.

—— **In 2017, we effectively prevented and controlled risks, building a more stable and solid business foundation.** Whether a bank is safe, reliable and prudent is a critical consideration for customers when they decide whether or not to choose the bank. We always believe that risk management is not just an important task; rather it is the foundation and premise for ensuring a bank's success in other areas. Without this foundation, even the best performance will pale in significance. Without this premise, the results already achieved will be lost. In the past year, we sped up the progress in resolving potential risks and disposing non-performing assets. We focused on both "stop bleeding" and "dredging" measures to make risk control more forward-looking, proactive and systematic.

We made great efforts to better manage different sectors at different cyclic stages. In this process, we assigned core importance to the Bank's credit extension policy and enhanced supporting measures such as performance evaluation, resource allocation, marketing guidance, review and approval authorization and policy re-examination. In 2017, our active management of problem assets entered a new stage, which was the result of implementing multiple measures at the same time. In particular, we rolled out the regulations on holding those responsible for loan extension liable for loan recovery, practiced the life-long accountability system for non-performing assets and expanded the radius for recovery of problem assets. In addition, we vigorously reinforced proactive risk control by strengthening the front-office responsibilities in pre-lending and post-lending management and improving the regulations and systems in relation to internal control and compliance. In 2017, the Bank recorded a performing to non-performing loan migration ratio of 1.45%, a year-on-year drop of 0.13 percentage point. The ratio of special mention loans to non-performing loans at the end of 2017 was 124.9%, lower than the industry average. These figures indicate a trend of improvement in the Bank's asset quality.

It is worth particular mentioning that the Bank's comprehensive risk management system officially went alive in 2017, an important guarantee for the Bank to go smart in marketing, risk control and operation. The system's project group involved the development of 5 new systems, alignment of 5 in-progress systems and renovation of 53 existing systems for supporting purpose. The system is of high technical standards and multiple innovative features. Our goal is to apply advanced management concepts, methods and technologies with the use of information technology and strengthen risk control through system control. This is also a key measure that we have taken in light of the new economic and financial situations and the Bank's all-round internationalized development. As such, it is of critical importance to the long-term development of the Bank.

One should never forget the bridge that carries him/her over. Our 2017 achievements were hard won. The management is profoundly grateful to the board for the trust placed in us, to the tens of thousands of shareholders across the world for your support and to the tens of millions of customers for their great kindness! Thanks are also due to our more than fifty thousand hard-working dedicated employees across the Bank. It is their commitment and contribution that makes CITIC Bank as it is today.

The year 2017 witnessed the successful wrap-up of the 2015-2017 Strategic Plan. In the past three years, the management actively implemented the board's decisions and deployments. We sought development in a prudent manner amid the general trends and in the process of our own transformation and innovation. Our set goals are now a reality. 2017 also marked the 30th anniversary of the Bank. Thriving through 30 years' growth and expansion, the Bank has become a financial conglomerate with strong comprehensive competitiveness and powerful brand influence, registering total assets of more than RMB5 trillion and nearly 60,000 employees. The 30th anniversary is both a milestone and a new starting point. The 2018-2020 Development Plan recently formulated by the board has defined the new goals for our new journey. We will ensure successful implementation of the plan with the passion and wisdom for developing the Bank as a new business through arduous endeavors.

We are profoundly aware that we need to maintain our strategic focus and possess the perspective and ability to size up the general trends more than ever before. In the implementation of the plan, we will focus more on systematic, integral and synergic approaches. In parallel with our efforts to achieve the development goals for the next three years, we will also create more favorable conditions for sustainable development of the Bank. These goals will be attained, because we have our shareholders and customers who stand together with us through thick and thin and our loyal employees who are committed to the Bank with their sweat.

Dear shareholders, "now that we have chosen to travel far, our only choice is to forge ahead regardless of the coming trials and hardships". We will strive to become the enterprise offering the best comprehensive financial services and a role model of value banks. As always, we expect continuing support and companionship from our shareholders on our way forward.

Sun Deshun
Executive Director, President
26 March 2018

Chapter 6 **Honors**

January 2017

- In the competition for the "7th Gold Chinese Unicorn Award for Finance" organized by the Finance magazine, the Bank was named "Gold-Medal Retail Bank of the Year" and its going-abroad financial services "Gold-Medal Financial Product of the Year with Outstanding Market Influence".

February 2017

- The Bank ranked the 22nd among the "Top 500 Global Bank Brands" published by The Banker magazine of the United Kingdom.
- The Bank was named "2017 The Best Boutique Private Bank" in the competition for the awards of "the Best Private Banks" organized by Asiamoney.
- The Bank won the "2016 Depository Bank Quality Service Award" from China Financial Futures Exchange (CFFEX).

March 2017

- The Bank received multiple honors from the China Foreign Exchange Trading System, including the 2016 "Best Trading Award", "Best Comprehensive Institutional Market Maker", "Award for Best Trading Counterparty of Foreign Currencies", "Award for Best Forward Swap Trading", "Award for Best Spot Trading", "Best Danish Krone Direct Market Maker Award" and "Best Swedish Krone Direct Market Maker Award".
- The Bank won the "2016 Award for Institutions of Outstanding Performance in Proprietary Business" from China Central Depository & Clearing Co., Ltd.
- The Bank won the honors of "Syndicated Leveraged & Acquisition Finance Deal of the Year" and "Syndicated Corporate Deal of the Year" from Asia Pacific Loan Market Association (APLMA).
- In the competition for the 2017 "Excellence in Retail Bank Financial Services Awards" hosted by The Asian Banker, the Bank won the "Award for the Retail Bank Making the Greatest Progress in China and the Asia Pacific Region".
- The Bank was named the "Poverty Alleviation Star of 2016" by the China Foundation for Poverty Alleviation (CFPA).

April 2017

- The Bank was named the "Best Champion Enterprise in Supply Chain Finance" by the Organizing Committee of the China Supply Chain Finance Annual Conference.

May 2017

- The Bank ranked the 78th among the "Top 2000 Global Enterprises" published by the Forbes magazine.
- In the competition for the "2016 List of Excellent Financial Brands in China" sponsored by The Financial News, the Bank won the "Excellent Financial Brand Dissemination Award of the Year".

June 2017

- The Bank received multiple honors from the China Banking Association, including the "Best International Settlement Bank", "Best Performance Award for Syndicated Loans", "Award for Outstanding Contribution to the Pensions Business Sector", "Best Private Bank of China", "Award for Best Family Wealth Management in China", "Award for Best Non-Financial Value-Added Services in China" and "Award for Best Customer Experience in China".

July 2017

- The Bank ranked the 25th in terms of tier-one capital out of the "Top 1000 World Banks" published by The Banker magazine of the United Kingdom.
- The Bank received the award for the "Best Syndicated Loan Project in China in 2016" from Global Capital and Asiamoney.

September 2017

- In the competition for the 2017 Country Awards organized by Asiamoney, the Bank was named the "Best Corporate and Investment Bank".
- In the 2017 Awards for Excellent Transaction Banks in China organized by Asiamoney, the Bank was named the "Best Electronic Transaction Bank".
- The Bank won the "Best Asset Management Award for the Best Private Bank in China" in the "Jin Zhen Award" competition hosted by The Wealth Management magazine.

November 2017

- The Bank was rated the 2017 "Bank of the Year in China" by The Banker magazine of the United Kingdom.
- In the competition for the "Golden Tripod Award" organized by the National Business Daily, the Bank was named "Excellent Mobile Bank".
- The Bank was named the "Best Auto Finance Service Bank of the Year 2017" and the "Best Bank for Innovation in Consumer Auto Finance in 2017" in the competition for the "Golden Auto Engine Award in China" hosted by the 21st Century Business Herald.
- The Bank was named the "Bank of Outstanding Competitiveness in Going-Abroad Financial Services in 2017" by China Business.

December 2017

- The Bank received the "2016 Award for Excellence in Australian Dollar Clearing Efficiency" from the Commonwealth Bank of Australia.
- The Bank received the "2016 Award for Excellence in US Dollar and Euro Clearing Efficiency" from Deutsche Bank.
- In the assessment of "Financial Competitiveness in Asia in the 21st Century" organized by the 21st Century Business Herald, the Bank was rated "2017 Premier Commercial Bank of Asia" and "2017 Bank of Excellence in Big Customer Financing Services".
- In the competition for the "Gold-Medal List of Financial Institutions in China • Golden Dragon Award 2017" sponsored by The Financial News, the Bank made the list of the "Banks of the Year of the Greatest Brand Value" and "Banks of the Year for Innovation in Major Customer Services".
- The Bank won the "2017 China Social Responsibility Poverty Alleviation Prize" in the 2017 assessment of performance of social responsibility in China jointly organized by Xinhuanet and the Chinese Academy of Social Sciences.
- The Bank received the "Award for Best Quality of Private Wealth Services in China" from The Asian Banker.
- The Bank was named 2017 "Outstanding Private Bank of the Year" and "Bank of the Year for Outstanding Going-Abroad Financial Services" by the Economic Observer.

Chapter 7 *Business* Summary

7.1 Main Business of the Company

The Bank aspires to become "the enterprise offering the best comprehensive financial services". To attain this development vision, the Bank fully leverages on the unique competitive advantages of CITIC Group in placing financial and non-financial businesses on an equal footing, and at the same time holds firm to its "customer orientation" and adheres to the business concept of "safe CITIC Bank, compliant operation, science and technology for growth, serving the real economy, market orientation and value creation". 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. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking and going abroad finance. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts. Please refer to Chapter 8 "Management Discussion and Analysis" of this report for details.

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

The Group's main assets include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, investment in debt securities and equity instruments, cash and deposits with central banks as well as investments classified as receivables. As at the end of the reporting period, these aforementioned assets took up 96.4% of the Group's total assets, a decline of 0.6 percentage points from the end of the previous year. Please refer to Chapter 8 "Management Discussion and Analysis – Analysis of the Financial Statements" of this report for information on changes in the Group's main assets.

7.3 Core Competitiveness Analysis

The Bank insisted upon coordinated development of profit, quality and scale, and continuously built and enhanced its core competitiveness, in a bid to becoming "the enterprise offering the best comprehensive financial services" with distinctive business characteristics, outstanding profitability and robust asset quality.

Corporate governance and business operation were scientific, efficient and effective. Since its inception, the Bank always adhered to market-oriented operation and constantly improved its corporate governance and business operation systems and mechanisms. The result was 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 comprising the Board of Directors, the Board of Supervisors and the general meeting of shareholders. According to the principle of separating the front, middle and back offices, the Bank established a matrix management model with the Head Office departments as the lines and the branches and sub-branches as the arrays. 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 increase 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 developed a "big retail" comprehensive marketing system, continued to consolidate retail products, teams and processes and improved the capacity for provision of comprehensive services to individual customers. 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 markets. Meanwhile, the Bank enhanced product innovation. As a result, the Bank enjoyed relatively fast growth in both traditional specialty businesses and emerging new businesses.

Comprehensive synergy exhibited remarkable 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, CITIC Financial Leasing's services and CITIC aiBank's innovative financial technology.

Financial technology facilitated innovation. The Bank paid great attention to the innovation and application of information technology. Guided by the notion of "science and technology for growth", 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 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. aiBank, a joint venture co-sponsored by the Bank and Baidu, became the first independent legal entity practicing direct banking in China. CITIC aiBank will uphold the principle of strategic symbiosis, ecological integration and win-win cooperation and fully integrate the financial and technological DNAs of the two shareholders to build a smart inclusive financial service platform with the twin drivers of technology and data.

Risk prevention and control was scientific and effective. The Bank made active efforts to cultivate a scientific risk culture. Among others, it deepened the concept of "risk management creating value" and that of compliant business operation. In addition, the Bank used risk management and internal control as an important means to safeguard healthy business development and enhance competitiveness. In line with the operational and managerial characteristics of the banking industry, the Bank built the "three defense lines" for risk management and internal control and set up an independent vertical internal audit structure to realize full coverage of all risks and total-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 internal rating results in business operation and risk management, the Bank kept upgrading refined management of risks.

Brand influence continued to escalate. After three decades' 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 overseas markets. The Bank ranked the 22nd among the "Top 500 Global Bank Brands" published by the February 2017 issue of The Banker magazine of the United Kingdom and the 78th among the "Top 2,000 Global Enterprises" published by the May 2017 issue of Forbes. In November 2017, it was rated the 2017 "Bank of the Year in China" by The Banker, the exclusive bank winner of this honor in mainland China.

Chapter 8 *Management* Discussion and Analysis

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

8.1.1 Economic, Financial and Regulatory Environments

In 2017, the world economy continued to recover and expand. The U.S. economy recorded a strong momentum of recovery; the economy of the Eurozone continued to improve; the United Kingdom enjoyed overall economic stability; and a mild recovery was witnessed of the Japanese economy. With the major developed countries exiting from their quantitative easing and the United States speeding up the rate hike process and adopting the tax reform bill, global economic and financial uncertainties were on the rise. Emerging market economies enjoyed relatively faster growth in general, but some of them still faced the pressures of adjustment and transformation. The Chinese economy recorded stable overall performance, enjoying a sound momentum of better quality and higher efficiency. Over the course of 2017, in year-on-year term, gross domestic product (GDP) grew by 6.9% and national per capita disposable personal income increased by 7.3%, both growing faster than last year; consumer price index (CPI) rose by 1.6%; producer price index (PPI) went up by 6.3%; profits of industrial enterprises above the designated size grew 21% and their debt-to-asset ratio dropped 0.6 percentage point; and the contribution of consumption to economic growth reached 58.8%. However, some prominent problems in relation to inadequate imbalanced development remained pending; the quality and efficiency of development was limited; capacity for innovation was still not strong enough; and the overall level of the real economy needed improvement.

The National Financial Work Conference defined the three financial tasks of serving the real economy, preventing financial risks and deepening financial reform, and established the Financial Stability and Development Commission under the State Council. Pursuant to the requirements of the 19th National Congress of the Communist Party of China (CPC), the National Financial Work Conference and the Central Economic Work Conference, the Chinese regulators innovated and improved financial control, strengthened financial regulation and enhanced banking services for the real economy. The People's Bank of China (PBOC) continued the prudent and neutral monetary policy and maintained basically stable liquidity in the banking system. In addition, the PBOC further improved its MPA policy and included interbank deposit certificates into the scope of interbank liabilities. It also solicited comments and suggestions for the new regulations on asset management in alignment with the CBRC, CSRC, CIRC and SAFE; and implemented inclusive finance and directional cut of the reserve requirement ratio (RRR). The CBRC intensified the rectification of "Three Violations (violation of financial laws, violation of regulatory rules, and violation of internal rules)", "Three Arbitrages (regulatory arbitrage, idling arbitrage and related arbitrage)", "Four Improper (improper innovation, improper trading, improper incentives, improper charges)" and market chaos, amended the Rules on Liquidity Risk Management of Commercial Banks, further regulated the bank-trust cooperative business and stepped up administrative penalties imposed on commercial banks for violations.

As at the end of 2017, the total Renminbi and foreign currency assets of the Chinese banking financial institutions recorded RMB252 trillion, a year on year increase of 8.7%, of which various loans and total liabilities stood at RMB129 trillion and RMB233 trillion, a year on year increase of 12.4% and 8.4%, respectively; and various deposits registered RMB157 trillion, a year on year increase of 7.8%. Capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 13.65%, 11.35% and 10.75%, respectively. The balance of non-performing loans (NPLs) of commercial banks recorded RMB1.71 trillion, corresponding to an NPL ratio of 1.74%. The balance of special mention loans of commercial banks was RMB3.41 trillion, representing a proportion of 3.49%. The provision coverage ratio and the ratio of allowance for impairment of loans to total loans of commercial banks recorded 181.42% and 3.16%, up 5.02 and 0.09 percentage points than the end of previous year, respectively.

8.1.2 Overview of the Bank's Operating Results

The reporting period witnessed profound and complicated changes in both domestic and overseas economic situations. In response, the Bank maintained its strategic focus, earnestly implemented regulatory requirements and firmly pushed forward its transformation and development in line with the "asset light, capital light and cost light" orientation. As a result, the Bank achieved sound overall performance on operating indicators and further improved its management efficiency and effectiveness.

Operating strength improved steadily. During the reporting period, the Group achieved steady escalation of its operating efficiency and continuous optimization of its income structure. For the whole year, the Group realized RMB42.566 billion net profit attributable to the equity holders of the Bank, a growth of 2.25% over last year; and operating income of RMB157.231 billion, up 1.99% from last year, of which net non-interest income was RMB57.586 billion, an increase of 19.92% from last year. In addition, the Group recorded an asset quality improvement trend and continuing allowance base consolidation. As at the end of the reporting period, the Group's balance of non-performing loans (NPLs) recorded RMB53.648 billion, an increase of 10.43% over the end of the previous year, corresponding to an NPL ratio of 1.68%, a drop of 0.01 percentage point from the end of the previous year. The Group's allowance coverage ratio stood at 169.44%, 13.94 percentage points higher than the previous year end; and the ratio of allowance for impairment of loans to total loans was 2.84%, a rise of 0.22 percentage point from the previous year end. The Group foresaw the macroeconomic environment and market trends. While maintaining its strong support to the real economy, the Group proactively adjusted and controlled its scale growth and optimized its asset structure. As at the end of the reporting period, the Group's total assets recorded RMB5,677.691 billion, a decrease of 4.27% from the end of the previous year; its total loans to customers stood at RMB3,196.887 billion, 11.08% more than the end of the previous year; and its total deposits from customers recorded RMB3,407.636 billion, down 6.37% from the end of last year.

Business structure enjoyed ongoing optimization. The Group continued to allocate more credit resources to its retail banking segment. As at the end of the reporting period, the proportion of personal loans reached 38.5%, a growth of 5.3 percentage points. In light of the situational changes, the Group made timely adjustments to its asset structure, reducing interbank assets and investments classified as receivables by RMB700.2 billion or 44.3%. With a full leverage on its advantages in corporate banking and through continuous optimization of its corporate liability structure, the Group recorded a 1.67% cost rate for its RMB corporate deposits, down 0.11 percentage point, leading the industry in terms of the reduction magnitude. The contribution of retail banking to profit increased significantly, with the non-interest income increase from diverse sources. For the reporting period, the Group realized RMB54.353 billion operating income from its retail business, an increase of 26.98%, which took up 34.57% of total operating income, an increase of 6.8 percentage points; and non-interest income accounted for 36.63% of the total, up 5.48 percentage points.

Management work became more efficient and effective. The Bank continued to step up centralized management of its businesses and constantly optimized the comprehensive management model and accelerated asset turnover. The Bank developed innovative marketing models for its strategic customers and achieved impressive results from concentrated marketing. Among others, it successfully built a group of benchmark customers with both deposits and finance exceeding RMB10 billion and pushed forward the successful execution of several major projects that exceeded RMB10 billion each. The Bank accelerated the construction of a centralized operation system, smoothly promoted centralized operation projects such as the international business operation center and the financial sharing center and enabled its bill business to take the preliminary shape of an integrated layout.

Multiple breakthroughs made in business innovation. The Bank stepped up management innovation and promoted product innovation, model innovation and technological innovation in a multi-dimensional manner. During the reporting period, the Bank successfully issued its first local state-owned enterprise Bond Connect, first green Panda Bond and first green short-term financing bond. In response to the government policy of "encouraging both housing purchase and renting", the Bank launched a long-rent fund in cooperation with well-known domestic property enterprises. The Bank set up channels for disposal of non-performing assets on the internet, effectively raising the premium on disposal of such assets. The Bank effectively played its role as an incubator of IT innovation laboratories by launching China's first L/C application alliance based on blockchain technology and releasing a robo-advisor product (Phase I) with its own intellectual property rights. All these gradually improved its system and mechanism for product innovation.

Internal risk control was strengthened in all aspects. The Bank actively promoted the construction of a risk culture, reinforced front-office responsibilities in pre-lending and post-lending management and enhanced proactive management of problem assets. During the reporting period, the Bank successfully rolled out the comprehensive risk management system that was built by pooling resources throughout the bank and that thereafter became an important system guarantee for the Bank to achieve smart marketing, smart risk control and smart operation. The Bank placed its emphasis on strengthening the construction of a risk culture. It promoted the popularization of a compliance culture and boosted employee risk awareness by organizing trainings on risk and compliance culture and hosting knowledge contests.

The foundation for development was effectively consolidated. Based on its comprehensive product and business systems, the Bank constructed a mature customer management model and continued to cement its customer foundation. The Bank launched a new generation corporate customer management system, completed the inter-generational upgrade of the core network in the production center, realized disaster preparation coverage of all key systems and thereby further strengthened its IT foundation. The Bank, in conjunction with CITIC Group's financial and non-financial subsidiaries, provided RMB609.541 billion comprehensive finance for enterprises. Together with CITIC Securities and China Securities, the Bank co-underwrote RMB74.06 billion bonds. As such, the Bank further consolidated its advantages in comprehensive financial services.

8.2 Analysis of the Financial Statements

8.2.1 Income Statement Analysis

Unit: RMB million

Item	2017	2016	Increase/(decrease)	Growth rate (%)
Net interest income	**99,645**	106,138	(6,493)	(6.12)
Net non-interest income	**57,586**	48,021	9,565	19.92
Operating income	**157,231**	154,159	3,072	1.99
Operating expenses	**(48,913)**	(47,272)	(1,641)	3.47
Total impairment losses	**(55,787)**	(52,288)	(3,499)	6.69
Profit before tax	**52,276**	54,608	(2,332)	(4.27)
Income tax	**(9,398)**	(12,822)	3,424	(26.70)
Profit for the year	**42,878**	41,786	1,092	2.61
Including: Profit attributable to the equity holders of the Bank	**42,566**	41,629	937	2.25

8.2.1.1 Operating Income

For the reporting period, the Group realized operating income of RMB157.231 billion, up 1.99% over last year, of which net interest income accounted for 63.4%, a drop of 5.4 percentage points from last year, and net non-interest income accounted for 36.6%, a rise of 5.4 percentage points over last year.

Item	2017 (%)	2016 (%)	2015 (%)
Net interest income	**63.4**	68.8	71.8
Net non-interest income	**36.6**	31.2	28.2
Total	**100.0**	100.0	100.0

8.2.1.2 Net Interest Income

For the reporting period, the Group realized net interest income of RMB99.645 billion, a decrease of RMB6.493 billion or 6.12% from last year. The decline in net interest income was mainly attributable to the rising cost rate of interest-bearing liabilities and declining yield on interest-earning assets.

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

Unit: RMB million

	2017			2016		
Item	Average balance	Interest	Average yield/ cost rate (%)	Average balance	Interest	Average yield/ cost rate (%)
Interest-earning assets						
Loans and advances to customers	**3,064,369**	**141,336**	**4.61**	2,741,863	132,218	4.82
Investments classified as receivables	**835,780**	**35,540**	**4.25**	1,142,552	45,820	4.01
Investments(1)	**790,157**	**25,922**	**3.28**	631,763	21,567	3.41
Deposits and placements with central banks	**490,041**	**7,633**	**1.56**	496,305	7,566	1.52
Deposits and placements with banks and non-bank financial institutions	**339,891**	**9,263**	**2.73**	268,567	5,446	2.03
Financial assets held under resale agreements	**36,910**	**1,068**	**2.89**	37,212	857	2.30
Subtotal	**5,557,148**	**220,762**	**3.97**	5,318,262	213,474	4.01
Interest-bearing liabilities						
Deposits from customers	**3,346,853**	**53,190**	**1.59**	3,303,483	55,630	1.68
Deposits and placements from banks and non-bank financial institutions	**1,089,966**	**39,902**	**3.66**	1,233,287	34,099	2.76
Debt securities payable	**317,756**	**12,346**	**3.89**	108,242	5,586	5.16
Borrowings from central banks	**196,804**	**6,151**	**3.13**	89,099	2,686	3.01
Interbank certificates of deposit and certificates of deposit	**141,981**	**6,825**	**4.81**	287,244	8,466	2.95
Financial assets sold under repurchase agreements	**92,397**	**2,691**	**2.91**	35,619	861	2.42
Others	**490**	**12**	**2.45**	299	8	2.68
Subtotal	**5,186,247**	**121,117**	**2.33**	5,057,273	107,336	2.12
Net interest income		**99,645**			106,138	
Net interest spread(2)			**1.64**			1.89
Net interest margin(3)			**1.79**			2.00

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 interest-earning assets and the average cost rate of interest-bearing liabilities.

(3) Calculated by dividing net interest income by average balance of 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

	2017 compared with 2016		
Item	**Scale factor**	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	**15,545**	**(6,427)**	**9,118**
Investments classified as receivables	**(12,302)**	**2,002**	**(10,280)**
Investments	**5,401**	**(1,046)**	**4,355**
Deposits and placements with central banks	**(95)**	**162**	**67**
Deposits and placements with banks and non-bank financial institutions	**1,448**	**2,369**	**3,817**
Financial assets held under resale agreements	**(7)**	**218**	**211**
Changes in interest income	**9,990**	**(2,702)**	**7,288**
Liabilities			
Deposits from customers	**729**	**(3,169)**	**(2,440)**
Deposits and placements from banks and non-bank financial institutions	**(3,956)**	**9,759**	**5,803**
Debt securities payable	**10,811**	**(4,051)**	**6,760**
Borrowings from central banks	**3,242**	**223**	**3,465**
Interbank certificates of deposit and certificates of deposit	**(4,285)**	**2,644**	**(1,641)**
Financial assets sold under repurchase agreements	**1,374**	**456**	**1,830**
Others	**5**	**(1)**	**4**
Changes in interest expense	**7,920**	**5,861**	**13,781**
Changes in net interest income	**2,070**	**(8,563)**	**(6,493)**

Net interest margin and net interest spread

For the reporting period, the Group's net interest margin and net interest spread registered 1.79% and 1.64%, a drop of 0.21 and 0.25 percentage point from last year, respectively. Due to impacts of interest rate liberalization, price-tax separation as a result of replacing business tax with VAT and other factors, the Group's yield on interest-earning assets and cost rate of interest-bearing liabilities recorded 3.97% and 2.33%, a drop of 0.04 percentage point and a rise of 0.21 percentage point from the previous year, respectively.

8.2.1.3 Interest Income

For the reporting period, the Group realized interest income of RMB220.762 billion, an increase of RMB7.288 billion or 3.41% over last year. The increase in interest income was primarily due to the daily scale growth of interest-earning assets. Interest income from loans and advances to customers was a main component of interest income.

Interest Income from Loans and Advances to Customers

The Group recorded RMB141.336 billion interest income from loans and advances to customers for the reporting period, a growth of RMB9.118 billion or 6.90% over last year, primarily because of the RMB322.506 billion growth in the average balance of loans and advances to customers.

Classification by Maturity Structure

Unit: RMB million

	2017			2016		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Short-term loans	**1,138,694**	**47,935**	**4.21**	1,245,091	55,807	4.48
Medium to long-term loans	**1,925,675**	**93,401**	**4.85**	1,496,772	76,411	5.11
Total	**3,064,369**	**141,336**	**4.61**	2,741,863	132,218	4.82

Classification by Business

Unit: RMB million

	2017			2016		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**1,852,573**	**89,053**	**4.81**	1,860,308	92,655	4.98
Discounted loans	**91,921**	**4,004**	**4.36**	87,753	2,705	3.08
Personal loans	**1,119,875**	**48,279**	**4.31**	793,802	36,858	4.64
Total	**3,064,369**	**141,336**	**4.61**	2,741,863	132,218	4.82

Interest Income from Investments Classified as Receivables

For the reporting period, the Group's interest income from investments classified as receivables stood at RMB35.540 billion, a decrease of RMB10.280 billion or 22.44% from last year, mainly because the Group shrank the scale of its investments classified as receivables, which led to a decrease of RMB306.772 billion in the average balance thereof.

Interest Income from Investments

The Group recorded RMB25.922 billion interest income from investments for the reporting period, a growth of RMB4.355 billion or 20.19% over last year, mainly because the average balance of investments went up by RMB158.394 billion or 25.07%.

Interest Income from Deposits and Placements with Central Banks

The Group's interest income from deposits and placements with central banks for the reporting period stood at RMB7.633 billion, an increase of RMB67 million or 0.89% over last year, mainly due to the lower proportion of excess reserves.

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

The Group registered RMB9.263 billion interest income from deposits and placements with banks and non-bank financial institutions for the reporting period, an increase of RMB3.817 billion or 70.09% over last year, mainly because the average yield on such deposits and placements went up by 0.70 percentage point and the average balance of such deposits and placements increased by RMB71.324 billion.

Interest Income from Financial Assets held under Resale Agreements

The Group recorded RMB1.068 billion interest income from financial assets held under resale agreements for the reporting period, an increase of RMB211 million or 24.62% over last year, primarily due to a 0.59 percentage point rise in the average yield on such financial assets.

8.2.1.4 Interest Expense

The Group's interest expense for the reporting period was RMB121.117 billion, an increase of RMB13.781 billion or 12.84% over last year. Interest expense increased primarily because interest rate liberalization led to a 0.21 percentage point rise in the average cost rate of interest-bearing liabilities.

Interest Expense on Deposits from Customers

For the reporting period, the Group's interest expense on deposits from customers was RMB53.190 billion, a decrease of RMB2.440 billion or 4.39% from last year, primarily because the average cost rate of customer deposits went down by 0.09 percentage point due to interest rate cut and a higher proportion of low-cost demand deposits.

Unit: RMB million

	2017			2016		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time and call deposits	**1,303,396**	**32,833**	**2.52**	1,483,786	38,033	2.56
Demand deposits	**1,507,450**	**12,571**	**0.83**	1,281,695	9,029	0.70
Subtotal	**2,810,846**	**45,404**	**1.62**	2,765,481	47,062	1.70
Personal deposits						
Time and call deposits	**311,517**	**7,169**	**2.30**	343,475	8,028	2.34
Demand deposits	**224,490**	**617**	**0.27**	194,527	540	0.28
Subtotal	**536,007**	**7,786**	**1.45**	538,002	8,568	1.59
Total	**3,346,853**	**53,190**	**1.59**	3,303,483	55,630	1.68

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 RMB39.902 billion, an increase of RMB5.803 billion or 17.02% over last year, primarily because ascending market interest rates led to a 0.90 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 RMB6.825 billion, a decrease of RMB1.641 billion or 19.38% from last year, mainly because the average balance of interbank certificates of deposit declined by RMB145.263 billion from last year.

Interest Expense on Debt Securities Payable

For the reporting period, the Group's interest expense on debt securities payable recorded RMB12.346 billion, an increase of RMB6.760 billion or 121.02% over last year, mainly because of the RMB209.514 billion increase in the average balance of debt securities payable.

Interest Expense on Borrowings from Central Banks

For the reporting period, the Group's interest expense on borrowings from central banks was RMB6.151 billion, an increase of RMB3.465 billion or 129.00% over last year, mainly due to the RMB107.705 billion increase in the average balance of such borrowings.

Interest Expense on Financial Assets Sold under Repurchase Agreements

For the reporting period, the Group's interest expense on financial assets sold under repurchase agreements was RMB2.691 billion, an increase of RMB1.830 billion or 212.54% over the previous year, primarily due to the RMB56.778 billion increase in the average balance of such financial assets.

8.2.1.5 Net Non-Interest Income

For the reporting period, the Group realized net non-interest income of RMB57.586 billion, a growth of RMB9.565 billion or 19.92% over the previous year.

Unit: RMB million

Item	2017	2016	Increase/decrease	Growth Rate (%)
Net fee and commission income	**46,858**	42,280	4,578	10.83
Net trading gain	**6,583**	3,547	3,036	85.59
Net gain from investment securities	**3,757**	1,682	2,075	123.37
Net hedging gain	**1**	—	1	—
Other net operating income	**387**	512	(125)	(24.41)
Total net non-interest income	**57,586**	48,021	9,565	19.92

8.2.1.6 Net Fee and Commission Income

During the reporting period, the Group realized net fee and commission income of RMB46.858 billion, an increase of RMB4.578 billion or 10.83% over last year. Fee and commission income recorded RMB51.687 billion, up 13.95% from last year. This increase was primarily due to the relatively rapid growth in bank card fees.

Unit: RMB million

Item	2017	2016	Increase/decrease	Growth rate (%)
Bank card fees	**30,453**	19,324	11,129	57.59
Commission for wealth management services	**5,536**	7,114	(1,578)	(22.18)
Agency fees and commission	**4,534**	6,128	(1,594)	(26.01)
Consultancy and advisory fees	**4,261**	5,777	(1,516)	(26.24)
Commission for custodian business and other fiduciary	**3,201**	2,566	635	24.75
Guarantee fees	**2,097**	2,384	(287)	(12.04)
Settlement and clearance fees	**1,215**	1,396	(181)	(12.97)
Others	**390**	671	(281)	(41.88)
Subtotal	**51,687**	45,360	6,327	13.95
Fee and commission expense	**(4,829)**	(3,080)	(1,749)	56.79
Net fee and commission income	**46,858**	42,280	4,578	10.83

Bank card fees recorded a growth of RMB11.129 billion or 57.59% over the previous year, mainly due to the increase in credit card fees and income from acquiring business.

8.2.1.7 Net Trading Gain

For the reporting period, the Group registered net trading gain of RMB6.583 billion, an increase of RMB3.036 billion over last year, mainly due to the higher yield on debt securities, interbank certificates of deposit and financial derivatives.

Unit: RMB million

Item	2017	2016	Increase/decrease	Growth rate (%)
Debt securities and interbank certificates of deposit	**2,187**	894	1,293	144.63
Derivatives and related exposures	**2,131**	77	2,054	2,667.53
Foreign currencies	**1,664**	2,311	(647)	(28.00)
Financial instruments designated at fair value through profit and loss	**601**	265	336	126.79
Net trading gain	**6,583**	3,547	3,036	85.59

8.2.1.8 Operating expenses

For the reporting period, the Group incurred RMB48.913 billion operating expenses, an increase of RMB1.641 billion or 3.47% over last year, of which property and equipment expenses and amortization dropped by 1.31% year on year.

The Group continued to strengthen guidance for cost-light development, increased resource allocation to key business sectors, highlighted profit orientation and constantly improved refined management, thus the cost-to-income ratio was controlled at a reasonable level. For the reporting period, the Group recorded a cost to income ratio (excluding tax and surcharges) of 30.05%, a rise of 2.30 percentage points from last year.

Unit: RMB million

Item	2017	2016	Increase/decrease	Growth rate (%)
Staff costs	**27,416**	24,418	2,998	12.28
Property and equipment expenses and amortization	**9,104**	9,225	(121)	(1.31)
Other general operating and administrative expenses	**10,733**	9,142	1,591	17.40
Subtotal	**47,253**	42,785	4,468	10.44
Tax and surcharges	**1,660**	4,487	(2,827)	(63.00)
Total operating expenses	**48,913**	47,272	1,641	3.47
Cost-to-income ratio	**31.11%**	30.66%	Up 0.45 percentage point	
Cost-to-income ratio (excluding tax and surcharges)	**30.05%**	27.75%	Up 2.30 percentage points	

8.2.1.9 Impairment Losses on Asset

The Group's asset impairment losses for the reporting period stood at RMB55.787 billion, increasing by RMB3.499 billion or 6.69% over the previous year, primarily because the Group made more supplementary allowances for the concerned underlying assets as a proactive response to the risks of the economic downturn. This amount included RMB50.170 billion impairment losses on loans and advances to customers, an increase of RMB4.455 billion or 9.75% over last year.

Unit: RMB million

Item	2017	2016	Increase/decrease	Growth rate (%)
Loans and advances to customers	**50,170**	45,715	4,455	9.75
Interest receivable	**4,212**	5,033	(821)	(16.31)
Investments classified as receivables	**1,018**	871	147	16.88
Others(Note)	**387**	669	(282)	(42.15)
Total loss on asset impairment	**55,787**	52,288	3,499	6.69

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.

8.2.1.10 Income Tax

The Group's income tax expense for the reporting period recorded RMB9.398 billion, a decrease of RMB3.424 billion or 26.70% from last year, and its effective tax rate stood at 17.98%, a drop of 5.50 percentage points from last year, mainly because the Group had more items eligible for reduction of taxable amounts on permanent differences such as government bonds and local debts.

8.2.2 Balance Sheet Analysis

8.2.2.1 Assets

The Group managed its assets and liabilities according to its strategic plan and business strategy set at the beginning of the year and in line with the deployment to "lowering growth rate, accelerating turnover and adjusting structure". As at the end of the reporting period, the Group recorded total assets of RMB5,677.691 billion, a decrease of 4.27% 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

	31 December 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**3,196,887**	**56.3**	2,877,927	48.5
Allowance for impairment losses on loans and advances to customers	**(90,903)**	**(1.6)**	(75,543)	(1.3)
Net loans and advances to customers	**3,105,984**	**54.7**	2,802,384	47.2
Investments classified as receivables	**531,118**	**9.4**	1,035,728	17.5
Investment in debt securities and equity instruments(1)	**916,521**	**16.1**	818,053	13.8
Cash and deposits with central banks	**568,300**	**10.0**	553,328	9.3
Deposits and placements with banks and non-bank financial institutions	**296,419**	**5.2**	375,849	6.3
Financial assets held under resale agreements	**54,626**	**1.0**	170,804	2.9
Others(2)	**204,723**	**3.6**	174,904	3.0
Total assets	**5,677,691**	**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 and joint ventures.

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

Loans and Advances to Customers

As at the end of the reporting period, the Group recorded RMB3,196.887 billion total loans and advances to customers, up 11.08% over the end of the previous year. Net loans and advances to customers accounted for 54.7% of total assets, a growth of 7.5 percentage points over the end of the previous year. The Group's balance of corporate loans (excluding discounted bills) stood at RMB1,857.847 billion, growing by RMB11.573 billion or 0.63% over the end of the previous year; and its balance of personal loans recorded RMB1, 231.584 billion, a growth of RMB274.978 billion or 28.75% over the end of the previous year. The balance of personal loans took up 38.5% of the Group total, a rise of 5.3 percentage points in comparison with the end of the previous year.

Unit: RMB million

	31 December 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**1,857,847**	**58.1**	1,846,274	64.2
Discounted loans	**107,456**	**3.4**	75,047	2.6
Personal loans	**1,231,584**	**38.5**	956,606	33.2
Total loans and advances to customers	**3,196,887**	**100.0**	2,877,927	100.0
Allowance for impairment losses on loans and advances to customers	**(90,903)**		(75,543)	
Net loans and advances to customers	**3,105,984**		2,802,384	

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

Investments Classified as Receivables

As at the end of the reporting period, the Group's investments classified as receivables recorded RMB534.061 billion, a decrease of RMB503.423 billion or 48.52% from the end of the previous year. Of this amount, investments classified as "interbank assets and wealth management products issued by other banks" and "bank bill asset" went down by RMB327.120 billion and RMB169.328 billion or 68.06% and 68.69%, respectively.

The table below sets out the classification of Group's investments classified as receivables by underlying asset.

Unit: RMB million

	31 December 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Interbank assets and wealth management products issued by other banks	**153,510**	**28.7**	480,630	46.3
Credit assets	**303,386**	**56.8**	310,361	29.9
Rediscounted bills	**77,165**	**14.5**	246,493	23.8
Total investments classified as receivables	**534,061**	**100.0**	1,037,484	100.0
Impairment allowance for investments classified as receivables	**(2,943)**		(1,756)	
Net investments classified as receivables	**531,118**		1,035,728	

Investment in Debt Securities and Equity Instruments

As at the end of the reporting period, the Group had RMB916.599 billion investment in debt securities and equity instruments in total, an increase of RMB98.382 billion or 12.02% over 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

	31 December 2017		31 December 2016	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
Financial assets measured at fair value through profit or loss	**65,904**	**7.2**	64,911	8.0
Available-for-sale financial assets	**631,768**	**68.9**	534,695	65.3
Held-to-maturity investment	**216,586**	**23.6**	217,500	26.6
Investments in associates and joint ventures	**2,341**	**0.3**	1,111	0.1
Total investment in debt securities and equity instruments	**916,599**	**100.0**	818,217	100.0
Allowance for impairment losses of investment in debt securities and equity instruments	**(78)**		(164)	
Net investment in debt securities and equity instruments	**916,521**		818,053	

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

Unit: RMB million

	31 December 2017		31 December 2016	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
Investment in debt securities	**730,982**	**79.7**	628,389	76.8
Certificates of deposit and interbank certificates of deposit	**60,347**	**6.6**	166,749	20.4
Investment funds	**121,547**	**13.3**	20,767	2.5
Investment in equity instruments	**3,697**	**0.4**	2,290	0.3
Investment in wealth management products	**26**	**—**	22	—
Total investment in debt securities and equity instruments	**916,599**	**100.0**	818,217	100.0

Investment in Debt Securities

As at the end of the reporting period, the Group had RMB730.982 billion of investment in debt securities, an increase of RMB102.593 billion or 16.33% 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

	31 December 2017		31 December 2016	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
Banks and non-bank financial institutions	**146,627**	**20.1**	132,073	21
Government	**314,813**	**43.1**	230,511	36.7
Policy banks	**130,509**	**17.9**	164,608	26.2
Public entities	**1,154**	**0.2**	3	—
Others(Note)	**137,879**	**18.7**	101,194	16.1
Total debt securities	**730,982**	**100.0**	628,389	100.0

Note: Mainly corporate bonds.

Domestic and Overseas Debt Securities Investment

Unit: RMB million

	31 December 2017		31 December 2016	
Item	**Value**	**Proportion (%)**	Value	Proportion (%)
In mainland China	**684,612**	**93.7**	593,257	94.4
Outside mainland China	**46,370**	**6.3**	35,132	5.6
Total debt securities	**730,982**	**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 USD8.445 billion foreign currency denominated debt securities (equivalent to RMB54.949 billion), of which the Bank held USD2.210 billion (equivalent to RMB14.382 billion), accounting for 26.17% of the Group total. The Group's allowance for impairment losses on foreign currency denominated debt securities investment was USD4 million (equivalent to RMB24 million), all being impairment allowance accrued for debt securities held by the Bank.

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 31 December 2017.

Unit: RMB million

Name of debt securities	Book value	Maturity date (DD/MM/YY)	Annual interest rate (%)	Impairment allowance
Debt Securities 1	**4,907**	**18/02/2021**	**2.96%**	**—**
Debt Securities 2	**4,000**	**18/08/2029**	**5.98%**	**—**
Debt Securities 3	**3,875**	**04/03/2019**	**2.72%**	**—**
Debt Securities 4	**3,497**	**28/04/2020**	**4.20%**	**—**
Debt Securities 5	**3,226**	**27/02/2023**	**3.24%**	**—**
Debt Securities 6	**2,998**	**08/03/2021**	**3.25%**	**—**
Debt Securities 7	**2,757**	**07/01/2019**	**2.77%**	**—**
Debt Securities 8	**2,643**	**27/07/2021**	**2.96%**	**—**
Debt Securities 9	**2,514**	**25/08/2026**	**3.05%**	**—**
Debt Securities 10	**2,498**	**22/11/2021**	**3.25%**	**—**
Total debt securities	**32,915**			

Investments in Associates and Joint Ventures

Unit: RMB million

Item	31 December 2017	31 December 2016
Investments in joint ventures	**1,196**	—
Investments in associates	**1,145**	1,111
Allowance for impairment losses	**—**	—
Net investments in associates and joint ventures	**2,341**	1,111

Investments in Subsidiaries and Associates and Joint Ventures

The table below sets out the Bank's investment in subsidiaries and joint ventures 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	16,569,226	—	16,569,226	—	Investment in subsidiary	Cash purchase
2	CNCB Investment	100	1,578,732	—	1,578,732	—	Investment in subsidiary	Cash purchase
3	Lin'an CITIC Rural Bank	51	102,000	5,100	102,000	—	Investment in subsidiary	Sponsorship
4	CITIC Financial Leasing	100	4,000,000	—	4,000,000	—	Investment in subsidiary	Sponsorship
Subtotal of investment in subsidiaries			22,249,958	5,100	22,249,958			
5	CITIC aiBank	70	1,191,367	(203,633)	—	—	Investment in associate	Sponsorship
Subtotal of investment in joint ventures			1,196,367	(203,633)	—			
6	CIAM	46	1,013,538	(81,389)	1,010,424	—	Investment in joint ventures	Equity investment
7	BFAE	20	97,313	(2,778)	100,000	—	Investment in joint ventures	Equity investment
8	Others(Note)	—	33,954	3,016	234	—	Investment in joint ventures	Equity investment
Subtotal of investment in associates			1,144,805	(81,151)	1,110,658			
Total			**24,591,130**	**(279,684)**	**23,360,616**			

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

Changes in Allowances for Investment Impairment

Unit: RMB million

Item	31 December 2017	31 December 2016
Beginning balance	**164**	201
Accruals during the year[1]	**(71)**	45
Transfer in/(out)[2]	**(15)**	(82)
Ending balance	**78**	164

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

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

Derivatives

Unit: RMB million

	31 December 2017			31 December 2016		
	Nominal	**Fair value**		Nominal	Fair value	
Item	**principal**	**Assets**	**Liabilities**	principal	Assets	Liabilities
Interest rate derivatives	**1,641,988**	**2,553**	**2,312**	856,455	3,365	2,813
Currency derivatives	**3,347,855**	**62,030**	**62,368**	2,612,557	42,232	40,045
Other derivatives	**51,586**	**868**	**257**	77,385	1,769	2,201
Total	**5,041,429**	**65,451**	**64,937**	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	**31 December 2017**
Loan interest receivable	14,482	141,336	(142,275)	**13,543**
Interest receivable for debt securities	9,608	25,922	(24,392)	**11,138**
Interest on investments classified as receivables	10,951	35,438	(36,881)	**9,508**
Other interest receivables	1,787	18,066	(17,453)	**2,400**
Total	36,828	220,762	(221,001)	**36,589**
Allowances for impairment losses on interest receivables	(3,906)	(4,212)	4,172	**(3,946)**
Net interest receivable	32,922	216,550	(216,829)	**32,643**

Repossessed Assets

Unit: RMB million

Item	31 December 2017	31 December 2016
Original value of repossessed assets		
— Land, premises and buildings	**1,931**	1,836
— Others	**518**	196
Allowances for impairment of repossessed assets		
— Land, premises and buildings	**(80)**	(145)
— Others	**(320)**	(73)
Total book value of repossessed assets	**2,049**	1,814

8.2.2.2 Liabilities

As at the end of the reporting period, the Group recorded total liabilities of RMB5,265.258 billion, down 5.07% 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

	31 December 2017		31 December 2016	
Items	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Deposits from customers	**3,407,636**	**64.7**	3,639,290	65.6
Deposits and placements from banks and non-bank financial institutions	**875,602**	**16.6**	1,065,169	19.2
Financial assets sold under repurchase agreements	**134,500**	**2.6**	120,342	2.2
Debt securities issued	**441,244**	**8.4**	386,946	7.0
Others (Note)	**406,276**	**7.7**	334,807	6.0
Total liabilities	**5,265,258**	**100.0**	5,546,554	100.0

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

Deposits from Customers

As at the end of the reporting period, the Group's total deposits from customers recorded RMB3,407.636 billion, a decrease of RMB231.654 billion or 6.37% from the end of the previous year; and customer deposits accounted for 64.7% of total liabilities, a drop of 0.9 percentage point from the end of the previous year. The Group's balance of corporate deposits was RMB2,874.198 billion, a decline of RMB207.079 billion or 6.72% from the end of the previous year; and that of personal deposits stood at RMB533.438 billion, a decrease of RMB24.575 billion or 4.40% from the end of the previous year. The proportion of the Group's demand deposits was 55.4%, a rise of 2.5 percentage points from the end of the previous year.

Unit: RMB million

	31 December 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**1,651,180**	**48.5**	1,691,065	46.5
Time and call deposits	**1,223,018**	**35.8**	1,390,212	38.2
Including: negotiated deposits	**28,092**	**0.8**	69,012	1.9
Subtotal	**2,874,198**	**84.3**	3,081,277	84.7
Personal deposits				
Demand deposits	**234,961**	**6.9**	232,960	6.4
Time and call deposits	**298,477**	**8.8**	325,053	8.9
Subtotal	**533,438**	**15.7**	558,013	15.3
Total deposits from customers	**3,407,636**	**100.0**	3,639,290	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	31 December 2017		31 December 2016	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Renminbi	**3,053,751**	**89.6**	3,304,504	90.8
Foreign currencies	**353,885**	**10.4**	334,786	9.2
Total	**3,407,636**	**100**	3,639,290	100

Breakdown of Deposits by Geographical Location

Unit: RMB million

Item	31 December 2017 Balance	31 December 2017 Proportion (%)	31 December 2016 Balance	31 December 2016 Proportion (%)
Head Office	**12,361**	**0.4**	26,999	0.7
Bohai Rim	**806,528**	**23.7**	889,591	24.4
Yangtze River Delta	**823,925**	**24.2**	828,014	22.8
Pearl River Delta and West Strait	**619,598**	**18.2**	653,838	18.0
Central	**478,097**	**14.0**	528,599	14.5
Western	**378,958**	**11.1**	434,248	11.9
Northeastern	**62,311**	**1.8**	68,361	1.9
Overseas	**225,858**	**6.6**	209,640	5.8
Total deposits from customers	**3,407,636**	**100.0**	3,639,290	100.0

Breakdown of Deposits by Remaining Maturity

Unit: RMB million

2017	Repayable-on-demand Amount	Proportion (%)	Within 3 months Amount	Proportion (%)	Within 3-12 months Amount	Proportion (%)	Within 1-5 years Amount	Proportion (%)	After 5 years Amount	Proportion (%)	Total Amount	Proportion (%)
Corporate deposits	**1,721,712**	**50.5**	**522,430**	**15.3**	**436,529**	**12.8**	**193,520**	**5.7**	**7**	**–**	**2,874,198**	**84.3**
Personal deposits	**260,506**	**7.7**	**148,003**	**4.4**	**76,510**	**2.2**	**48,419**	**1.4**	**–**	**–**	**533,438**	**15.7**
Total	**1,982,218**	**58.2**	**670,433**	**19.7**	**513,039**	**15.0**	**241,939**	**7.1**	**7**	**–**	**3,407,636**	**100.0**

Unit: RMB million

2016	Repayable-on-demand Amount	Proportion (%)	Within 3 months Amount	Proportion (%)	Within 3-12 months Amount	Proportion (%)	Within 1-5 years Amount	Proportion (%)	After 5 years Amount	Proportion (%)	Total Amount	Proportion (%)
Corporate deposits	1,878,541	51.6	461,667	12.7	474,021	13.0	265,410	7.3	1,638	0.1	3,081,276	84.7
Personal deposits	323,690	8.8	122,909	3.4	65,184	1.8	45,989	1.3	241	–	558,014	15.3
Total	2,202,231	60.4	584,576	16.1	539,205	14.8	311,399	8.6	1,879	0.1	3,639,290	100.0

8.2.3 Shareholders' Equity

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

Unit: RMB million

Item	For the year 2017 Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve and general risk reserve	Retained earnings	Non-controlling shareholders' equity	Total Share-holders' equity
1-Jan-2017	**48,935**	**34,955**	**58,636**	**(1,142)**	**101,174**	**136,666**	**5,272**	**384,496**
1. Net profit	**–**	**–**	**–**	**–**	**–**	**42,566**	**312**	**42,878**
2. Other comprehensive income	**–**	**–**	**–**	**(10,642)**	**–**	**–**	**–**	**(10,642)**
3. Contribution by non-controlling shareholders[Note]	**–**	**–**	**341**	**–**	**–**	**–**	**7,506**	**7,847**
4. Profit distribution	**–**	**–**	**–**	**–**	**4,260**	**(16,111)**	**(295)**	**(12,146)**
31-Dec-2017	**48,935**	**34,955**	**58,977**	**(11,784)**	**105,434**	**163,121**	**12,795**	**412,433**

Note: CNCBI, a 100% owned subsidiary of CIFH (a subsidiary of CITIC Bank), made an additional issue of 3,027,780,392 new shares, which were subscribed for by 5 investors. The total investment of these 5 investors was approximately HKD9.053 billion. Prior to this increase of share capital, CNCBI was a tier-two wholly-owned subsidiary of the Bank. After the increase of share capital, CIFH held 75% equity interest in CNCBI.

8.2.4 Major Off-Balance Sheet Items

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

Unit: RMB million

Item	31 December 2017	31 December 2016
Credit commitments		
— Acceptance	**427,561**	535,313
— Guarantee	**195,746**	163,157
— Letters of credit	**88,772**	86,499
— Irrevocable loan commitments	**72,360**	74,936
— Credit card commitments	**310,315**	215,845
Subtotal	**1,094,754**	1,075,750
Operating leasing commitments	**13,614**	13,348
Capital commitments	**7,385**	7,297
Pledged assets	**460,646**	353,567
Total	**1,576,399**	1,449,962

8.2.5 Cash Flow Statement Analysis

Net Cash Flows from Operating Activities

The Group's net cash inflow from operating activities registered RMB54.074 billion, primarily because the cash inflows resulting from the decrease in investments classified as receivables offset the cash outflows resulting from the decrease in deposits from customers, increase in loans and advances to customers and growth in interbank business and gave rise to a net cash inflow.

Net Cash Flows Used in Investing Activities

The Group's net cash outflow used in investing activities recorded RMB133.695 billion, a decrease of RMB42.756 billion from last year, mainly due to the year-on-year decrease in net cash flows used in debt securities investment.

Net Cash Flows Generated from Financing Activities

The Group's net cash inflow generated from financing activities registered RMB39.445 billion, primarily because the cash inflow in the form of proceeds from issuance of interbank deposit certificates and debt securities offset cash flows used to repay matured interbank deposit certificates and debt securities and gave rise to a net cash inflow.

Unit: RMB million

Item	2017	Increase over last year (%)	Main reason
Operating Cash Flow	**54,074**	(75.29)	
Including: Cash inflow due to increase in investments classified as receivables	**503,423**	565.74	Decrease in investment management products managed by securities companies and wealth management products issued by financial institutions
Cash outflow due to decrease in deposits from customers	**(215,583)**	—	Decrease in corporate deposits
Cash outflow due to increase in loans and advances to customers	**(365,544)**	(0.97)	Increase in various loans
Net cash outflow due to increase in interbank business(Note)	**(56,411)**	(29.36)	Decrease in financial assets held under resale agreements
Cash Flow Used in Investing Activities	**(133,695)**	(24.23)	
Including: Proceeds from redemption of investments	**1,007,237**	84.59	Increase in sale and redemption of debt securities
Payments on acquisition of investments	**(1,131,592)**	58.38	Increase in debt securities investments
Cash Flow Generated from Financing Activities	**39,445**	(64.18)	
Including: Proceeds from Issuance of debt certificates	**862,890**	42.77	Issuance of interbank deposit certificates and bonds
Principal repayment for issued debt certificates	**(801,447)**	57.81	Repayment of matured interbank deposit certificates and bonds

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

8.2.6 Major Accounting Estimates and Assumptions

The preparation of the 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 were all appropriately recognized during the current period of the concerned changes and will be recognized as such during the subsequent periods of any impacts resulting from such changes.

The basis for preparing the Group's financial statements was influenced by estimates and judgments in the following main aspects: 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.

8.2.7 Items Measured at Fair value

Unit: RMB million

Item	31 December 2017	31 December 2016	Current-year profit or loss due to changes in fair value	Current-year changes in fair value recorded in shareholders' equity
Financial assets measured at fair value through profit or loss	**65,904**	64,911	396	—
Derivative financial assets(Note)	**65,451**	47,366	1,008	—
Available-for-sale financial assets	**631,078**	534,122	—	(10,728)
Investment properties	**295**	305	30	—
Total assets measured at fair value	**762,728**	646,704	1,434	(10,728)
Derivative financial liabilities	**64,937**	45,059	—	—
Total liabilities measured at fair value	**64,937**	45,059	—	—

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

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

Unit: RMB million

Item	2017	Increase over previous year-end/ last year (%)	Main Reason
Deposits with banks and non-bank financial institution	**124,350**	(40.40)	Decrease in deposits with other domestic banks
Derivative financial assets	**65,451**	38.18	Increase in revaluation net gain from currency derivatives
Financial assets held under resale agreements	**54,626**	(68.02)	Decrease in interbank debt securities held under resale agreements
Investments classified as receivables	**531,118**	(48.72)	Decrease in investment management products managed by securities companies and wealth management products issued by other financial institutions
Investments in associates and joint ventures	**2,341**	110.71	New investment in CITIC aiBank
Deferred tax assets	**21,825**	71.89	Increase in tax deductible temporary differences
Derivative financial liabilities	**64,937**	44.12	Increase in revaluation net gain from currency derivatives
Tax payables	**8,858**	39.19	Increase in VAT and income tax payables
Other comprehensive income (loss)	**(11,784)**	(931.87)	Decrease in revaluation reserves for investment in available-for-sale financial assets
Non-controlling interest	**12,795**	142.70	Additional issue of new shares by CNCB Investment and introduction of new investors
Net trading gain	**6,583**	85.59	Increase in yields on debt securities and interbank deposit certificates and financial derivatives
Net gain from investment securities	**3,757**	123.37	Increase in transfer gains from securitization of credit assets

8.2.9 Segment Report

8.2.9.1 Business Segments

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

Unit: RMB million

	2017				2016			
Business Segment	**Segment Operating Income**	**Proportion (%)**	**Segment Profit before tax**	**Proportion (%)**	Segment Operating Income	Proportion (%)	Segment Profit before tax	Proportion (%)
Corporate banking	**87,080**	**55.4**	**20,743**	**39.7**	91,166	59.1	24,033	44.0
Retail banking	**54,353**	**34.6**	**20,283**	**38.8**	42,805	27.8	13,988	25.6
Financial markets business	**11,080**	**7.0**	**8,764**	**16.8**	17,252	11.2	15,103	27.7
Other businesses	**4,718**	**3.0**	**2,486**	**4.7**	2,936	1.9	1,484	2.7
Total	**157,231**	**100.0**	**52,276**	**100.0**	154,159	100.0	54,608	100.0

8.2.9.2 Geographical Segments

The table below lists the operating results of the Group for the reporting period by geographical segment. In the reporting period, the proportion of net profits before tax of the Head Office of the Bank against the Bank's total net profits before tax grew by 15.4 percentage points than that of last year, mainly because the credit card revenue from the Head Office (including the Credit Card Center) grew fast.

Unit: RMB million

	31 December 2017				**For the year 2017**	
	Total assets[(1)]		**Total liabilities[(2)]**		**Profit before tax**	
Geographical Segments	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**
Head Office	**2,300,101**	**40.7**	**2,466,613**	**46.8**	**27,022**	**51.7**
Yangtze River Delta	**1,288,981**	**22.8**	**1,135,639**	**21.6**	**3,323**	**6.4**
Pearl River Delta and West Strait	**916,081**	**16.2**	**820,311**	**15.6**	**4,402**	**8.4**
Bohai Rim	**1,228,113**	**21.7**	**1,079,757**	**20.5**	**8,884**	**17.0**
Central	**626,587**	**11.1**	**565,919**	**10.7**	**3,456**	**6.6**
Western	**574,942**	**10.2**	**483,560**	**9.2**	**1,396**	**2.7**
Northeastern	**94,618**	**1.7**	**86,047**	**1.6**	**47**	**0.1**
Overseas	**307,796**	**5.4**	**266,293**	**5.1**	**3,746**	**7.1**
Offset	**(1,681,353)**	**(29.8)**	**(1,638,889)**	**(31.1)**	**—**	**—**
Total	**5,655,866**	**100.0**	**5,265,250**	**100.0**	**52,276**	**100.0**

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

Unit: RMB million

	31 December 2016				For the year 2016	
	Total assets [(1)]		Total liabilities [(2)]		Profit before tax	
Geographical Segments	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Head Office	2,118,608	35.8	2,837,756	51.2	19,801	36.3
Yangtze River Delta	1,396,595	23.6	1,134,943	20.5	9,710	17.8
Pearl River Delta and West Strait	1,133,438	19.2	883,235	15.9	6,698	12.3
Bohai Rim	1,489,553	25.2	1,258,132	22.7	9,181	16.8
Central	802,949	13.6	656,226	11.8	2,143	3.9
Western	723,310	12.2	568,835	10.3	4,222	7.7
Northeastern	116,586	2.0	85,161	1.5	80	0.1
Overseas	285,453	4.8	236,894	4.3	2,773	5.1
Offset	(2,148,139)	(36.4)	(2,114,639)	(38.2)	—	—
Total	5,918,353	100.0	5,546,543	100.0	54,608	100.0

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

8.3 Business Overview

This sector analyzes all data and information from the Bank's perspective.

8.3.1 Corporate Banking Business

In 2017, in its corporate banking business, the Bank adhered to the overall tone of progress amid stability, continued to deepen transformation for development and constructed the bank offering the best comprehensive financing services on all fronts. The Bank promoted the transformation of its development pattern from scale-oriented growth to profit-oriented growth, centering around the "capital light, asset light and cost light" development orientation and focusing on coordinated development of scale, quality and profit. In particular, the Bank placed the "Three Large and One High"[1] customers and inclusive financial services on an equal footing, stepped up structural adjustment, actively optimized business models and consolidated foundations and basics for light-style development. As a result, the Bank continuously enhanced its capability for sustainable development of corporate banking business and further escalated market competitiveness of this business segment.

During the reporting period, the Bank strengthened its research and judgment of the market situation, closely followed the general market trends and strictly complied with regulatory requirements. On this basis, it defined the strategy for management of assets and liabilities in its corporate banking business, i.e., "turnover and adjust structure", and changed from "management of existing assets" to "management of asset flows". In particular, the Bank took the initiative to adjust the pace of asset expansion and became the first bank in China to voluntarily "shrink the balance sheet". Meanwhile, the Bank actively optimized the sector structure of its assets and vigorously promoted the growth of low-cost settlement deposits, which made the development of assets and liabilities more coordinated. The Bank also focused on enhancing its customer service capabilities, vigorously developed its transaction banking business and actively promoted innovative development of its investment business. In addition, it deepened management of customers by category and stratum and strived to expand the base of effective corporate customers to solidify the foundation for development. In its corporate business, the Bank enthusiastically implemented the new development concept, actively promoted green finance, accelerated the development of inclusive finance and proactively served national strategies such as Beijing-Tianjin-Hebei Integration and the construction of the Xiong'an New Area. As such, the Bank was able to achieve better self-development by implementing its strategy and following the general national trends at the same time.

The Bank realized RMB81.955 billion net operating income from corporate banking business for the reporting period, a year-on-year decrease of 5.37%, representing 55.45% of its total operating income. This amount included RMB12.848 billion net non-interest income from corporate banking, representing 23.89% of the Bank's net non-interest income.

8.3.1.1 Corporate Customer Management

The Bank continued to deepen the management of "Three Large and One High" customers and at the same time paid more attention to coordinated development of its customer structure. It focused on large customers without neglecting the small ones. In its pursuit of "chain" marketing targeting large customers, the Bank formed a robust development profile of customer management characterized by "large customers facilitating and taking along the small ones". During the reporting period, the Bank continued to improve the mechanisms for refined management of customers and precise service provision for its customers, actively promoted upgrades of the CRM system, focused on perfecting the panoramic view of its customer management and accelerated the achievement of online smart customer management. As at the end of the reporting period, the Bank recorded a total of 595,000 accounts of corporate customers, an increase of 35,700 accounts or 6.4% over the end of the previous year. During the reporting period, 136 additional listed companies opened new accounts with the Bank, further deepening the cooperation between the Bank and listed companies and enhanced the Bank's support to the real economy.

1 Refers to large industries, large customers, large projects and high-end customers.

Management of Strategic Customers

Under the "Three-Large and One-High" strategic customer positioning, the Bank provided differentiated premium financial services to 211 Head Office strategic customers and 2,441 branch strategic customers pursuant to the principle of "One Account, One Policy; One Account, One Team". In line with the demands for customer service, the Bank innovatively put forward the business model of "Head Office to Head Office 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 Control". Under this model, strategic customer departments led customer marketing; product departments followed up to provide customer service support; the front, middle and back office were engaged in parallel operation; and the Head Office, branches and sub-branches joined hands in three-level interaction to provide strategic customers with one-stop comprehensive financial services and continuously improve customer experience. As a result, the Bank effectively deepened its full-range cooperation with a group of strategic customers.

The Bank actively implemented the initiative on "encouraging both housing purchase and renting" put forward in the Report of the 19th National Congress of the CPC. It entered the property leasing market and cooperated with relevant parties to provide protection funds business for long-rent of residential properties, gaining very positive market response. The Bank continued to strengthen its all-round cooperation with strategic customers. During the reporting period, it signed strategic cooperation agreements with 26 strategic customers, further deepening the strategic relationship of mutual trust. During the reporting period, daily average balance of deposits from strategic customers stood at RMB865.718 billion, an increase of 17.66% over the end of the previous year; and operating income from managing the strategic customers reached RMB28.359 billion, an increase of 3.84% over last year. The Bank provided RMB1,051.4 billion comprehensive finance to its strategic customers by means of bank loans and underwriting debt securities. The NPL ratio of the strategic customers stood at 0.01% as at the end of the reporting period.

Management of Institutional Customers

The Bank made full use of the unique competitiveness of its institutional customer business, further improved its professional smart model for management of institutional customers and paced up the construction of a new-type bank-government partnership that featured "fund arrangement, resource integration, capital operation and asset management". During the reporting period, the Bank deepened the partnership with its institutional customers in the government sector. It signed a strategic cooperation agreement with the National Tourism Administration, jointly issued a circular with the Ministry of Transport to promote strategic cooperation in transportation development during the "13th Five-Year Plan" period and concluded strategic partnership agreements with multiple local governments including the Inner Mongolia Autonomous Region. Thanks to the more vigorous innovation of its product and service models, the Bank effectively facilitated the growth of settlement funds for its institutional customers. In addition, it boosted the land auction margin business by relying on public resources trading platforms across the country with relevant capital thereof approaching RMB600 billion. The Bank continued to push forward the model of "Smart Payment" cooperation with its institutional customers, offering payment management and online lending services to institutional customers and the general public that these customers served, resulting in greater customer viscosity.

As at the end of the reporting period, the Bank recorded 34,000 accounts of institutional customers of various types and RMB357.116 billion balance of loans for these customers, an increase of 4.23% 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 a mere 0.084%, maintaining sound asset quality. For the reporting period, these institutional customers registered RMB1,106.619 billion daily average balance of deposits, an increase of 10.69% over last year, taking up 41.03% of the Bank's daily average balance of corporate deposits, up 3.82 percentage points from last year; and the daily average balance of corporate demand deposits stood at RMB515.953 billion, a growth of RMB68.268 billion or 1.78 percentage points from last year.

Management of Small Business Customers

The Bank continued to develop its small business finance in a prudent manner. It focused on developing high-quality small business customer groups at the upper and lower streams of the supply chains of the "Three-Large and One-High" customers, so that its large customer business would give a boost to its small enterprise business and it could thereby construct an SME customer management model throughout the industry chains. In active response to the national policy on having the financial sector serve the real economy, the Bank deepened the development of a service system for small businesses that featured "special operation units, special processes, special teams, special products, special systems and special resources". In particular, the Bank rendered active support to small and micro enterprises that were consistent with the Bank's policies towards their respective industries and sectors, strictly restricted access to heavy pollution, high energy consumption and overcapacity industries and made proactive exit from risky small business customers. As such, the Bank resolutely guarded its risk bottom line.

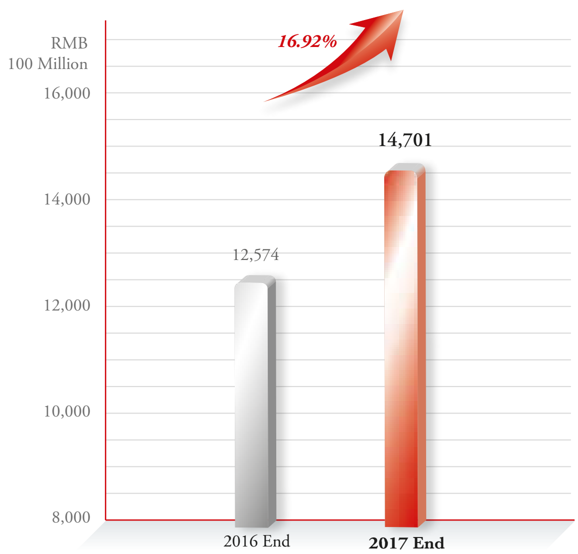
As at the end of the reporting period, the Bank registered RMB525.462 billion balance of loans to small and micro enterprises[2], an increase of 9.73% over the end of the previous year; and 66,800 accounts of small and micro enterprise customers, an increase of 7,600 accounts from the previous year end. The approval rate of loan applications submitted by small and micro enterprises stood at 86.36%, a growth of 3.41 percentage points over the end of the previous year; and the balance of non-performing loans (NPLs) of small and micro enterprises was RMB14.110 billion, an increase of RMB214 million over the previous year end, corresponding to an NPL rate of 2.69%, a drop of 0.21 percentage point from the end of last year.

8.3.1.2 Corporate Deposit Business

Based on the endogenous growth of deposits, the Bank enhanced the level of comprehensive customer service by relying on transaction products such as cash management, trade finance and auto finance. The development of its corporate deposit business was in good shape. During the reporting period, the Bank's daily average balance of corporate deposits stood at RMB2,687 billion, an increase of 1.13% over the end of the previous year, maintaining its leading position among joint-stock banks. The Bank continued to optimize the structure and reduce the overall cost of deposits by stepping up the marketing of low-cost stable settlement deposits and adjusting and reducing higher-cost deposits to an appropriate extent. As at the end of the reporting period, the Bank's daily average balance of corporate deposits stood at RMB1,470.1 billion, accounting for 54.7% of total corporate deposits, an increase of 7.4 percentage points from the end of the previous year; and the cost rate of corporate deposits was 1.64%, a continuing decline of 0.09 percentage point compared with the end of last year.

The Bank continued to improve its development and service systems for corporate wealth management products, recording rapid growth in corporate wealth management business. For the reporting period, the Bank's daily average balance of corporate non-risk-bearing wealth management products was RMB85.4 billion, up 256% over last year; the sales revenue of corporate non-risk-bearing wealth management products stood at RMB355 million, 200% more than last year; and the number of customers buying such products recorded 11,835 accounts, an increase of 178.6% over the end of the previous year.

Daily Average Balance of Corporate Settlement Deposits



8.3.1.3 Corporate Loan Business

The Bank actively promoted the transformation and management of corporate assets. In accordance with the strategy of "adjusting structure and accelerating turnover", it strived to optimize the structure of existing businesses and control the direction of incremental investments. The Bank actively served the national supply-side structural reform, accelerated its reduction of and exit from "zombie enterprises", focused on "reducing virtual items and increasing real items" and effectively connected with economic and financial needs of the real economy. As a result, it achieved stable quality development of the asset business segment. In addition, the Bank actively optimized the regional and sector structures of its corporate asset business by expanding its coverage of the "Three Large, Three High and Three New" industries and increasing its support to national strategies such as the "Belt and Road" Initiative, Beijing-Tianjin-Hebei Integration and the Yangtze River Economic Belt.

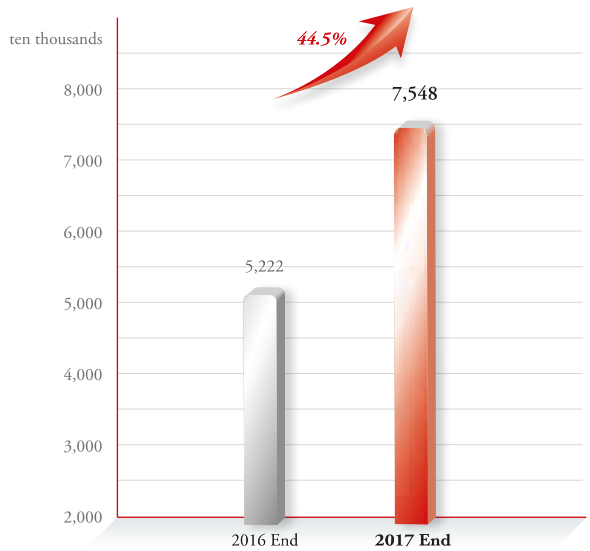
2 Refer to loans to small and micro enterprises as defined by the CBRC, i.e., loans to small businesses, loans to micro enterprises, loans to industrial and commercial households and loans to small and micro business owners.

As at the end of the reporting period, the Bank's balance of corporate loans recorded RMB1,765.2 billion, a growth of 1.96% over the end of the previous year. This amount included RMB1,601.1 billion balance of general RMB corporate loans, up 3.0% from the last year end. The balance of corporate loans to credit-support industries such as the pharmaceutical, business services, railway and road transport sectors was RMB547.6 billion, an increase of 13.2% over the last year end; the balance of corporate loans to overcapacity industries registered RMB80.2 billion, a decrease of 8.8% from the end of the previous year; the Bank proactively exited 2,587 accounts of high-risk high energy-consumption customers with a combined loan balance of RMB87 billion; and the balance of corporate loans granted to the key national strategic areas was RMB1.3162 trillion, an increase of RMB59.1 billion over the end of the previous year, accounting for 126.6% of the Bank's incremental corporate loans.

8.3.1.4 Key Businesses

Transaction Banking Business

The Number of Transactions of the Bank's Transaction Banking



Based on its advantages in developing corporate banking business, the Bank continuously enhanced the comprehensive service capabilities of its transaction banking business and further expanded the scale of this business segment. During the reporting period, the Bank continued to promote the construction of Transaction Banking 2.0 and optimized its online banking version, which reinforced the efficiency and convenience of customer transaction and improved customer experience. By constructing a financial service platform for transaction banking, the Bank organically integrated customers, products and channels and laid the foundation for the provision of one-stop comprehensive transaction banking services. The transaction banking product system became more robust and complete after the successive introduction of cash management products such as multi-level cash pools and CUP Express and trade finance products such as export outright sale advance payments, electronic bill guarantees and FTZ two-party models. The Bank centered around the "Three Large" customers and leveraged its product advantages that combined settlement and finance to batch serve high-quality SMEs in its industrial chain. Its "Transaction +" brand gained a firmer market footing and greater market reputation.

As at the end of the reporting period, the transaction banking of the Bank recorded 372,100 accounts of contractual customers, a growth of 10.32% over the end of the previous year. For the reporting period, transaction banking completed 75.4754 million transactions and realized total transaction value of RMB69.60 trillion, an increase of 44.52% and 5.26% over last year, respectively. Its transaction banking realized business income of RMB670 million.

Investment Banking Business

The Bank took investment banking business as an important support for practicing the strategy on providing the best comprehensive financial services and vigorously developed such businesses and products as equity finance, finance for mergers and acquisitions (M & A), bond underwriting and structured financing. As a result, its investment banking maintained a steady and relatively fast pace of development.

During the reporting period, based on its scientific judgment and analysis of the situation, the Bank actively assisted China Hongqiao in effectively coping with the overseas short-selling crisis and achieved a win-win cooperation with the enterprise. The Bank continued to push forward the innovation of bond underwriting products, implemented multiple asset-backed bill projects that became market benchmarks, and issued the first PPP-ABN and property management fee ABN project[3] in China. During the reporting period, the Bank underwrote a total of 359 debt financing instruments, ranking the fourth in the entire market; and the underwritten amount reached RMB265.8 billion, ranking the fifth in the entire market[4]. During the reporting period, the M & A finance business of the Bank continued its rapid development, successfully assisting a group of M & A projects that supported the development of the real economy, implemented the "Belt and Road" Initiative and served the supply-side structural reform.

The Bank actively improved the turnover rate of its credit assets according to the development concept of "lowering growth rate, accelerating turnover and adjusting structure". For the reporting period, the Bank successfully completed RMB27.262 billion public offering credit asset securitization projects, making effective optimal adjustments to its asset structure.

3 Refers to the issuance of asset backed bills using the property management fees receivable under the government payment and property service contracts under the PPP contracts as the basic assets.

4 According to the ranking of debt financing instruments underwriting published by WIND Info.

International Business

The Bank actively promoted the development of its international business in accordance with the concept of "adjusting structure, grasping opportunities, controlling risks and increasing profits", giving rise to the initial shape of a business development pattern driven by "traditional basic businesses, cross-border investment and finance and corporate foreign currency denominated assets and liabilities". During the reporting period, in order to develop "active and strong" international business, the Bank took the domestic and international markets into comprehensive consideration, seized market opportunities and continued to follow the government's "Belt and Road" initiative. In line with the trend of Chinese enterprises "going global" for development, the Bank focused on serving the financial needs of non-financial enterprises and promoted export credit and overseas bond issuance by Chinese enterprises. The Bank facilitated unique development of specific regions in a differentiated manner. Among others, it supported and orderly promoted its FTZ businesses, the income of which increased by 31% over last year. The Bank insisted on innovation as a driving force and made active deployment of financial technology. In its international business, the Bank online operated a comprehensive foreign-trade service platform system to promote rapid growth of cross-border e-commerce business. Revenues from related businesses increased by 150% over the previous year. The Bank also launched the blockchain-based domestic letter of credit (L/C) system. Using blockchain technology in the field of L/C settlement, the system effectively improved efficiency and security of business processing. To meet the requirements on speeding up the construction of centralized operation systems and achieve "professional operation", enhance efficiency, prevent risks and reduce costs, the Bank established an international business operation center under the International Business Department, launched a new generation international business system and completed the takeover of document business from 13 branches. The Bank took risk management as its top priority. The asset quality of the Bank's international business line further improved thanks to its "stop bleeding" and "dredging" efforts, with the balance of non-performing assets decreasing by 69% from the end of the previous year and the ratio of non-performing assets standing at 0.98%.

In its international business, the Bank enthusiastically pursued its development vision in the new era and further enhanced and upgraded its service brand at the foreign exchange market. For the reporting period, the Bank's forex purchase and sale recorded USD130.4 billion, representing a market share of 3.84%[5], rising to the top of all joint-stock banks and 5th among all domestic banks; its spot forex purchase and sale increased by 47% from last year; and its international balance of payments registered USD205.5 billion, representing a market share of 3.37%, maintaining the top ranking among all joint-stock banks.

Asset Custody Business

The Bank regarded asset custody as one of its strategic businesses. It adhered to and continued to deepen its business development model of "commercial banking + investment banking + custody", improved its marketing, operational and institutional systems and promoted "key breakthroughs in key areas and key breakthroughs in key projects". With the goals of "simplified operation, smart process, integrated configuration and real-time monitoring", the Bank constantly promoted system optimization and upgrading and at the same time innovated and on-line operated the real-time monitoring system, to create a unique path of development. As at the end of the reporting period, assets under the Bank's custody recorded RMB8,055.826 billion, an increase of 22.62% over the end of the previous year; incremental assets under the Bank's custody was RMB1,486.079 billion; and capital-light income from custody business for the reporting period stood at RMB3.302 billion, a growth of RMB738 million or 28.78% over last year.

5 End of December 2017 data from the Balance of Payments Department, SAFE.

During the reporting period, the Bank successfully built up multiple development engines by focusing on key business varieties. With the scale of its public offering fund custody reaching RMB2.10 trillion, including an increase of RMB999.3 billion for the current year, the Bank jumped up to the first place in the industry and became the market's largest public offering fund custodian bank[6]. The Bank's custody of the five product categories, i.e., public offering funds, asset management plans of securities companies, bank wealth management products, third-party regulatory products and trust, exceeded RMB1 trillion each, giving rise to a diversified business development pattern. In line with the direction of pension reform, the Bank promoted the arrangements for enterprise annuity and occupational annuity custody business. As at the end of the reporting period, the Bank's enterprise annuity custody stood at RMB62 billion, including an increase of RMB10.7 billion for the current year, continuing its leading ranking among all joint-stock banks.

Inclusive Finance

The Bank thoroughly implemented the spirit and requirements of the CPC Central Committee, the State Council and the regulatory authorities regarding the development of inclusive finance, strengthened its top-level design for inclusive finance and actively promoted the institutional and mechanism reforms of inclusive finance. Among others, the Bank set up the inclusive finance leading group, established the Inclusive Finance Center and formulated the inclusive finance development plan to define the concepts and measures for the development of inclusive finance and comprehensively promote business development in key areas of inclusive finance such as small and micro enterprises, "agriculture, farmers and rural areas" and poverty alleviation.

In line with its own characteristics, the Bank made it clear that small and micro finance business was its central work in inclusive finance. It established and improved the five special mechanisms for inclusive finance by "constructing frameworks, formulating regulations, improving processes, specializing products, constructing systems and reinforcing safeguard measures". In addition, the Bank made great efforts to create a five-in-one inclusive finance development model that contained "a matrix organizational framework, an embedded risk management system, an integrated product service system, a full-process system support framework and a full-range comprehensive support system", promoted an inclusive finance operation model that was characterized by "six uniforms" at the Head Office (i.e., uniform regulations, uniform processes, uniform products, uniform systems, uniform risks and uniform brands) and "four concentrations" at the branches (i.e., concentrated review and concentrated approval of loan applications, concentrated loan disbursement and concentrated post-lending management). With these efforts, the Bank was able to continuously improve the coverage, availability and satisfaction of its inclusive financial services.

During the reporting period, the Bank piloted inclusive finance at its Nanjing and Guangzhou branches and would gradually promote it bank-wide. It launched a series of small and micro finance products centering around "industrial chains, housing, government and innovation" and started the development of full-process online credit extension products for small and micro enterprises in the "online and smart" direction. In addition, the Bank enhanced the cooperation and interoperability with CITIC aiBank to jointly upgrade the level of inclusive financial services.

Auto Finance

The Bank defined the strategic position of auto finance as a "big single product" of corporate finance, established the three focus areas of auto finance, i.e., mid-to-high end brands, new energy vehicles and up- and down-streams of the industry chain and made active efforts to build its competitive financing service advantages throughout the auto industry chain.

As at the end of the reporting period, the Bank recorded 4,015 accounts of valid cooperative dealers in the auto finance business, a financing balance of RMB116.629 billion and accumulative finance of RMB353.6 billion for the whole year. Its auto finance business maintained sound risk control, registering a mere 0.19% ratio of advancement for overdue loans to total loans.

6 Data published by the China Banking Association.

8.3.2 Retail Banking Business

In 2017, the Bank further accelerated the development of retail banking business in line with the strategy of "One Body Two Wings" and resolutely implemented the "capital light, asset light and cost light" development requirements to actively build a value bank.

During the reporting period, the Bank was confronted by internal and external economic and financial situations such as deepening of the deposits migration process, more participants in wealth management competition and more intensive price competition among peers. In response, the Bank continued to promote the second transformation of retail banking in order to become "the bank offering the best customer experience". Its efforts were focused on pushing forward the three major business areas, namely, asset business, asset management and payment settlement. Among others, the Bank strengthened customer management, reinforced team building, enhanced outlet production capacity and prioritized the development of unique products such as Xinjin Bao, robo-advisor, going abroad finance, family trust, mobile banking and credit card. With innovations made to mobile channels and customer acquisition models and with the use of big data and precision marketing technology, the Bank secured relatively fast growth of its retail banking business while constantly escalating customer management and service experience.

During the reporting period, the Bank realized RMB52.271 billion operating income from retail banking, an increase of 28.39% over last year, accounting for 35.36% of its total operating income. Of this amount, RMB33.556 billion was net non-interest income, up 41.00% from last year, taking up 62.39% of the Bank's total, an increase of 9.93 percentage points. Credit card and retail agency business contributed RMB28.60 billion and RMB2.89 billion to total net non-interest income from retail banking, accounting for 85.2% and 8.6% of the total, respectively, indicating a more optimal business income structure.

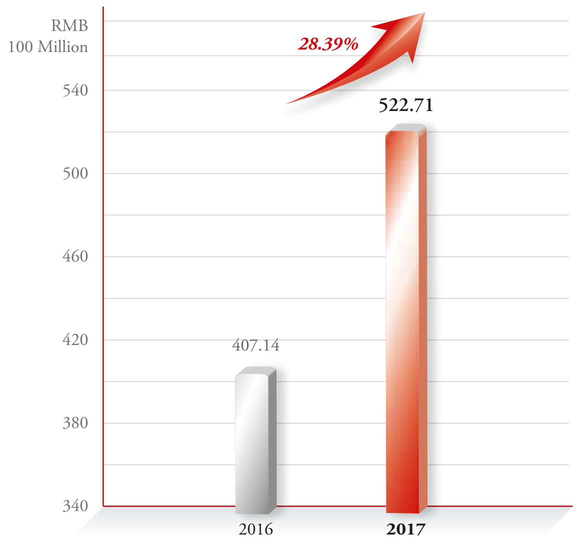
8.3.2.1 Retail Customer Management

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 80.0493 million accounts of retail customers, a growth of 18.64% over the end of the previous year; 586,700 accounts of retail VIP customers[7], representing a growth of 21.45% over the end of the previous year.

Based on activities such as "Elite Run, Square Dance and Hi Beauty", the Bank built different brands for young, middle-aged, old-aged and female customers (collectively the "three-card customer groups"), conducted word-of-mouth communication through the activity scenarios and set up exclusive rights for the "three card customer groups" in the "CITIC Red" rights system. As at the end of the reporting period, the Bank recorded 15.93 million holders of "the three cards", a growth of 14.57% over the end of the previous year.

The Bank continued to strengthen its mechanism for interaction between corporate and retail banking businesses to achieve mutual conversion of premium corporate and retail customer resources. During the reporting period, the Bank newly acquired a total of 5,095 high-end retail customers and issued an additional 79,700 credit cards to customers. In addition, the Bank made keen efforts to expand agency salary payment business for its strategic corporate customers. As at the end of the reporting period, the Bank made agency salary payment for 5.5784 million customers and registered RMB203.030 billion AUM for its retail customers receiving agency salary payments.

Retail Banking Operating Income



7 Refer to customers with RMB500,000 (inclusive) to RMB6 million (non-inclusive) daily average AUM at the Bank.

8.3.2.2 Personal Deposit Business

In the face of the general trend of personal deposits migration, the Bank enhanced the innovation of personal deposits and launched different adaptive liability products for different customer groups, such as "Le Xiang Jin", "Earning Interest Every Month", "Small Deposit Targets" and "Piggy Bank", to meet customer needs for personalized deposits. These were well received among its customers. As at the end of the reporting period, the balance of personal deposits of the Bank registered RMB436.255 billion.

During the reporting period, the Bank continued to improve the structure of its retail liability business and significantly reduced the cost of personal deposits. As at the end of the reporting period, personal demand deposits accounted for 48.06% of the total balance of personal deposits, an increase of 3.04 percentage points compared with the end of the previous year. The average cost of personal deposits was 1.54%, a decrease of 0.15 percentage point from the previous year end.

8.3.2.3 Personal Loan Business

During the reporting period, 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, made more efforts to develop the personal loan operation system and took the initiative to adjust the structure of personal loan products. While quickly expanding the scales of its personal loan products, the Bank enjoyed better loan pricing and kept the asset quality thereof basically stable. As at the end of the reporting period, the Bank's balance of personal loans (excluding credit card) was RMB876.729 billion, representing an increase of 25.63% over the end of the previous year. During the reporting period, the weighted average interest rate of newly granted personal loans recorded 6.02%, a rise of 0.76 percentage point from last year.

During the reporting period, 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 finance products. The Bank actively facilitated the construction of its credit factory. It made all products and processes of the credit factory electronic and realized centralized operation thereof at the tier-one branches. In addition, the Bank complied with the government requirements on property regulation and control at all levels and developed its housing mortgage business in a prudent and healthy manner. As at the end of the reporting period, the Bank recorded RMB492.763 billion balance of home mortgage loans, a growth of 17.15% over the end of the previous year, indicating that the growth rate went down by 46 percentage points from last year.

During the reporting period, the Bank introduced fintech and made keen efforts to innovate personal loan products in the internet environment. By accessing multi-dimensional data, the Bank kept optimizing customer fraud risk and credit risk models and at the same time combined and innovated multiple business models including online unsecured loans assisted by multiple channels and online unsecured loans based on customer assets. As at the end of the reporting period, the Bank had successfully accessed over 80 external credit reference data channels and developed 16 rating models. The balance of online unsecured consumer loans stood at RMB24.857 billion, up 68.99% from the end of the previous year; the average pricing of such loans was 44% higher than the baseline interest rate; and the NPL rate of these loans was 0.82%. During the reporting period, there were 6,000 loan applications on a daily average basis; the daily average number of loan customers stood at 1,300 accounts; and the daily average loan disbursement recorded RMB150 million.

8.3.2.4 Key Businesses

Wealth Management Business

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 bank wealth management, the Bank developed and operated the "platform for transfer of personal wealth management products" with its own intellectual property rights, which provided its wealth management customers with a low-cost high-efficiency online platform for transfer of wealth management products and thereby innovatively addressed the pain point problem of insufficient liquidity after customer purchase of fixed-term wealth management products. In terms of agency fund sale, the Bank effectively improved its customer acquisition capability based on the big single product Xinjin Bao. As at the end of the reporting period, the product recorded 4.7772 million accounts of contractual customers, of which 76.96% were new customers. The Bank actively researched, developed and prepared robo-advisor projects. It put "CITIC Robo-Advisor"[8] online to make smart recommendations to customers on fund portfolio solutions characterized by "one-click purchase and one-click position shift" and rolled out the solution in the first quarter of 2018. In terms of agency sale of insurance, the Bank actively responded to regulatory policies, adapted to changes in the market environment, strengthened the development of value insurance business and comprehensively enhanced the ability of its teams to sell installment payment insurance plans. As a result, the sales volume of such insurance plans grew 56.3% year on year.

As at the end of the reporting period, retail customers of the Bank recorded total AUM balance of RMB1,547.143 billion and daily average AUM balance of RMB1,451.022 billion at the Bank, an increase of 18.48% and 20.72% over the previous year, respectively. VIP retail customers had an AUM balance of RMB719.586 billion at the Bank, 21.44% more compared with the end of the previous year.

Private Banking Business

The Bank formulated a three-year development plan for its private banking business based on the business philosophy of "creating value for customers" and implemented the positioning of developing private banking into "a profit center that integrates management and operation with management at higher levels and operation at lower levels". Relying on Group resource advantages and based on refined management and professional operation, the Bank managed to improve the mechanism and institutional arrangements of its private banking business.

During the reporting period, the Bank established 13 branch-based private banking centers to enrich the network of private banking customer services. Leveraging the platform advantages of CITIC Group, the Bank co-released the "CITIC Wealth Index" to provide private banking customers with global market information and general-category asset allocation suggestions. It also launched comprehensive financial solutions such as insurance trusts, assignment of creditors' rights as well as carte blanche asset management business and "Diamond Steward" services. As a result, its capabilities for comprehensive private banking customer management and service continued to improve and upgrade.

As at the end of the reporting period, the Bank recorded RMB402.5 billion balance of AUM for its private banking customers, up 25% over the end of the previous year; and its capital-light business realized RMB1.611 billion income, an increase of 69% over last year, which accounted for 26% of the total income from capital-light business in the retail banking segment, an increase of 10 percentage points over last year. In addition, the Bank won more than 20 awards in the year including the "Best Private Banking Award" issued by the China Banking Association and gained extensive market reputation.

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8 "CITIC Robo-Advisor" is a one-click personal wealth solution of the Bank that integrates data analysis, quantitative analysis of quantitative models and qualitative research results of expert teams. It selects premium funds from the entire market of public offering funds to build investment portfolios. Through smart analysis of users' customer portraits, "CITIC Robo-Advisor" accurately recommends fund portfolios, tracks market trends in real time and provides user portfolios with diagnostic analysis and dynamic rebalancing services.

Credit Card Business

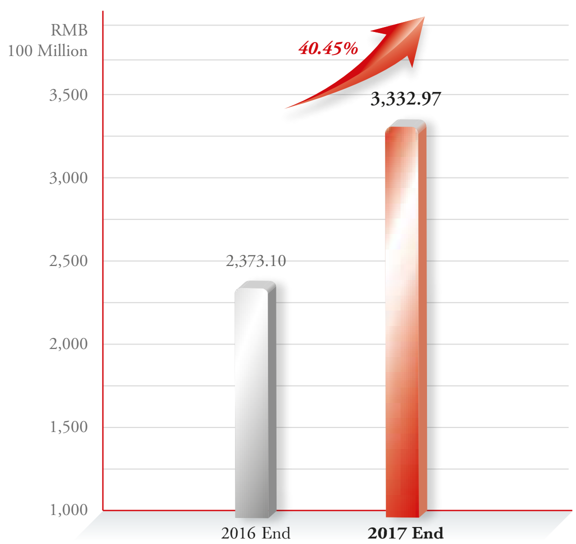
In credit card business, the Bank adhered to the "smart development" concept, focused on customers, constantly deepened customer management and kept optimizing customer experience. As a result, its credit card business achieved steady healthy development in the overall sense.

The Bank unified the communications about the brand value of its credit cards. In particular, it launched a series of integrated brand marketing events such as "CITIC Wild with Joy", "919 CITIC Lucky Day" and "Summer Discovery Journey", which effectively enhanced "A New Possibility Every Day" brand influence of the Bank's credit cards. The Bank promoted the management of the "Big Retail Points Winning" program across the board, consolidated and unified debit card and credit card points accounts and initiated uniform storage and delivery of gifts from its shop-to-earn mall, thereby enhancing customer loyalty. In addition, the Bank innovated the service-to-marketing model. By focusing on customers, tapping into potential customer needs and making rapid response thereto, the Bank was able to drive forward value growth with considerate services. The Bank's credit card won the award for "the Best Customer Loyalty Plan in China in 2017" at the 7th China Customer Loyalty Plan Summit held in 2017.

The Bank accelerated cross-sector integration and innovation of credit cards. Through in-depth cooperation with internet companies, the Bank launched a variety of products including JD White TWO card, Naughty Card, Cat's Eye Card, Netease Cloud Music Card, OFO Little Yellow Bike Card, Yixin Card and Dedao Card, and thereby built a no-boundary financial ecosphere that covered multiple consumption scenarios such as e-commerce, entertainment, travel, internet finance and internet information, helping acquire and manage value customers. Targeting the younger population groups, the Bank launched the self-owned brand "Yan Series" credit cards to provide users with more personalized higher-quality credit card services. In addition, the Bank endeavored to expand its payment product deployments. Thanks to its cooperation with China UnionPay, Alipay, WeChat, JD.com and various mainstream mobile Pays, the Bank expanded its mobile payment application scenarios and enhanced customer experience. It also used financial technology to empower smart risk control and applied big data and artificial intelligence technology to launch risk control smart decision-making system 2.0, achieving instant review and approval of loan applications. Moreover, the Bank launched a self-developed payment tool "CITIC e-Pay" for hybrid payment by CITIC cards and UnionPay cards, including cash payment, points for payment and rights for payment. In active response to regulatory requirements, the Bank accessed the central bank-led Nets Union platform and the UnionPay-led card-less payment platform. Furthermore, the Bank was the first in the industry to achieve UnionPay QR code payment function supported by its own APP, which supported bundling of cards issued by more than 100 banks.

The Bank deeply tapped the value contribution of installment business. Based on its steady, healthy and compliant operation, the Bank continued to build the core competitiveness and unique market value of consumer finance business by improving its product mix and integrating diverse sales channels. These efforts helped satisfy customer needs for consumer finance services on all fronts. In addition, the Bank actively promoted the innovation of asset-backed securitization (ABS) business. During the reporting period, the Bank successfully completed the 13 issues of credit card installments ABS products with the aggregate issue size amounting to RMB60.2 billion, effectively accelerating asset turnover.

Balance of Credit Card Loans



As at the end of the reporting period, the Bank issued a cumulative number of 49.5709 million credit cards, an increase of 32.61% over the end of the previous year. The incremental number of credit card issued during the reporting period was 12.1904 million, representing an increase of 74.02% over last year. As at the end of the reporting period, the Bank recorded RMB333.297 billion balance of credit card loans, a growth of 40.45% over the end of the previous year. During the reporting period, the Bank's credit card transaction volume was RMB1,492.289 billion, an increase of 38.93% over the previous year. For the reporting period, the Bank realized RMB39.065 billion income from credit card business, a growth of 53.17% over the end of last year. Of this amount, interest income was RMB8.501 billion, an increase of 13.36% over the end of previous year; and non-interest income recorded RMB30.564 billion, an increase of 69.76% over the end of last year. The credit card installment business maintained rapid growth with a business income of RMB20.131 billion, an increase of 63.26% over last year.

Going Abroad Financial Services

Going abroad finance is a unique big single product of the Bank's retail banking business. The Bank was the exclusive Chinese partner financial institution authorized by the embassies of 9 countries (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 Bank Global Visas" program in conjunction with carefully chosen premium third-party partners to provide customers with agency visa services that covered 70 countries. By the time of the report, going abroad financial services of the Bank have become a system of products in five major categories, i.e., forex investment and settlement, visa, credit certification, going abroad loans and global asset allocation. At the same time, the Bank selected authoritative institutions in going abroad related fields to build an "online + offline" "financial + non-financial" going abroad financial ecosphere and thereby 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.

In 2017, the Bank continued to innovate its going abroad financial services and expanded its advantages as an industry leader. In particular, the Bank launched foreign currency Xinjin Bao, the first foreign currency cash savings product in China, to fill the market gap. With the introduction of innovative products such as customized foreign currency deposits and entrusted foreign exchange purchase and sale, the Bank registered rapid growth in foreign currency deposits and foreign exchange investment transaction volumes. In addition, the Bank launched a "Super Global Visa" product that combined visa services with wealth management to effectively increase customer AUM at the Bank. Based on the foundation and sound reputation of its 19-year exclusive cooperation with the U.S. Embassy in China, the Bank, in conjunction with the Chinese Embassy in the United States, launched the "Trip to the USA – Life Service" platform to escort Chinese citizens traveling to the United States; and released the 2018 Blue Paper on Overseas Studies, which provided valuable references for families with students studying abroad in their attempt to learn the market and choose intermediaries, attracting attention from nearly 10 million such families. In addition, the Bank held the third session for training and selection of international planners. Hitherto, the Bank had 300 all-round international planners capable of providing customers with professional going abroad services anytime anywhere. For the reporting period, the Bank's going abroad financial services served customers by 3 million person-times and brought about 420,000 accounts of new retail customers.

8.3.2.5 Consumer Rights Protection and Service Quality Management

The Bank set up the Consumer Rights Protection Committee under the Board of Directors and the Consumer Rights Protection Office as a tier-one managerial function to actively promote a better management system for consumer rights protection at the Head Office and the branches. On the basis of institutionalizing the 6S management philosophy of "sorting, rectification, cleaning, tidying, safety and quality" across the board, the Bank further promoted the "process-based management of matters" and "standard management of people", and fully implemented the "Ten Ones" lobby services at its outlets, i.e., to use standard service processes such as "one greeting, one smile, one question, one guide, one reminder, one support, one care, one drink, one direction and one goodbye" to improve service management at the outlets and comprehensively enhance consumer service experience. During the reporting period, the Bank supervised service quality and consumer rights protection at its outlets by means of surprise visits, scheduled inspections, video surveillance and inter-branch mutual inspection, and launched the customer management experience project for the first time. All these aimed at enhancing outlet service and marketing levels with customer focus and value orientation. The Bank adhered to the concept of developing "the bank of best customer experience", continuously organized employee trainings on service provision and consumer rights protection, enhanced public education on financial knowledge and organized publicity events such as "15 March International Consumer Rights Day", "10,000-Mile Journey for Dissemination of Financial Knowledge" and "Financial knowledge Entering Millions of Households" to effectively protect the legitimate rights and interests of consumers and further enhance consumer satisfaction. These efforts were very rewarding.

During the reporting period, in the competitions held by the China Banking Association (CBA) in 2017, the Bank received from the CBA the "2017 Outstanding Contribution Award for Civilized Standard Services in the Chinese Banking Industry" and the "2017 Award for Best Achievements in the Chinese Banking Sector's 10,000-Mile Journey for Dissemination of Financial Knowledge", 4 of its sub-branches made to the list of "100 Role Model Units of the Chinese Banking Industry for Excellence in Service Provision", and 55 of its sub-branches were rated "Five-star Outlets of the Chinese Banking Industry for Excellence in Service Provision".

8.3.3 Financial markets business

In 2017, against the backdrop of "deleveraging" and "strong regulation" and in line with the development strategy of "One Body Two Wings", the Bank actively promoted the transformation of its financial markets business with the objective of shifting from scale expansion to quality improvement, from holding for profit to trading for profits and from product marketing to customer management. By means of adjusting structures, improving returns, promoting turnover and transforming towards light-style development, the Bank continued to improve the business layout of "asset investment, license management, product innovation and domestic-overseas interaction" and constructed a "total asset investment" system that integrated the money market, the capital market and the international financial markets. Focus was placed on building the "CITIC Interbank +" financial service platform. Meanwhile, competitive products of CITIC Bank's financial markets and asset management businesses were integrated to create an online "all-round" trading platform. These efforts significantly improved the profitability of the Bank's financial markets business.

During the reporting period, in the face of the grim market interest rate environment and growingly stringent regulatory situation, the Bank made early arrangements to optimize the structure of financial assets, proactively reduced lower-yield interbank assets and accelerated turnover of financial assets. For the reporting period, the Bank's financial markets business segment recorded operating income of RMB9.491 billion, a drop of 43.76% from last year, representing a 6.42% proportion in the Bank's total operating income. Of this income figure, non-interest income from financial markets business recorded RMB6.567 billion, a decline of 0.33% from last year, accounting for 12.21% of the Bank's net non-interest income.

8.3.3.1 Interbank Business

In 2017, interest rates on the domestic money market remained high, exposing interest spread of interbank business to considerable downward pressure. The regulatory authorities released a series of regulatory policies to further regulate the development of interbank business and guide interbank business back to its basics. The Bank adapted its interbank business to changes in the external environment and took the initiative to reduce the sizes of interbank assets and liabilities, so as to effectively adjust and optimize the interbank asset structure and enhance asset quality. As at the end of the reporting period, the Bank's balance of interbank assets (including deposits and placements with banks and non-bank financial institutions) recorded RMB251.651 billion, representing a decrease of 28.07% from the end of the previous year; and its balance of interbank liabilities (including deposits and placements from banks and non-bank financial institutions) amounted to RMB833.347 billion, a decrease of 19.20% from the end of the previous year.

The Bank continued to expand the four major categories of interbank business, i.e., "liability + asset + trading + agency" businesses, that is, to direct asset business development towards a more optimal asset structure and greater activity of assets, to regard expansion of diverse liability channels and larger scale of demand deposits as the priorities for development of liability business, to orient trading business towards larger turnover scale and better grasp of operation rhythms, and to focus agency business on increase of agency sales volume and expansion of agency products. The Bank made great efforts to "activate assets, optimize liabilities, grow trading business and expand agency business".

During the reporting period, the Bank completed the online connection of all outlets with the Shanghai Commercial Paper Exchange ("SCPE") system, smoothly realizing the online transition of paper bill business. The Bank was the first member unit to realize direct connection with the SCPE system and completed the first buyout repo business in China's bill market via the SCPE platform. In addition, the Bank actively brought into play the role of bills in serving the real economy and worked hard to help SMEs address problems such difficulty in accessing finance and expensive financing costs with the use of bill products, in a bid to meet corporate customer needs for discount to the best of its capacity. Due to impacts from the general trend of the bill market, as at the end of the reporting period, the balance of bill assets of the Bank amounted to RMB184.942 billion, representing a decrease of 42.04% compared with the end of the previous year; the proportion of electronic bill business accounted for 98.52% of the total, representing an increase of 15.52 percentage points over the end of last year, which was higher than the average level of the domestic banking industry. During the reporting period, the Bank incurred RMB374.452 billion bill direct discount business.

The "CITIC Interbank +" platform, the interbank financial service platform that the Bank had built with priority efforts, gradually enriched its online products and covered the whole country with its services, recording RMB1,288.3 billion transaction volume. Its contractual customers covered mainstream financial institutions including banks, securities, fund, trust, insurance, futures, financial leasing and finance companies. As at the end of the reporting period, the Bank had 1,934 accounts of interbank customers, an increase of 5.57% over the end of the previous year. The "CITIC Interbank +" platform had 817 contractual customers the majority (84.94%) of which were local commercial banks.

8.3.3.2 Financial markets business

The Bank actively conducted money market transactions such as Renminbi interbank lending/borrowings and bond repos plus monetary fund investment business, effectively performed its duties and responsibilities as a primary dealer at the open market, and fully leveraged on the roles of financing tools such as interbank certificates of deposit. While meeting business needs for liquidity, the Bank improved the operational efficiency of short-term capital. As at the end of the reporting period, total money market transaction volume of the Bank recorded RMB14.85 trillion.

In the face of external situations such as significant two-way fluctuations of the exchange market and the resulting continuing growth in customer demand for exchange rate risk management during the reporting period, the Bank offered pertinent multi-layer exchange rate risk management solutions to meet corporate customer needs for financing and value appreciation, cross-border M&A, hedging forex receipt and payment, and management of Renminbi and foreign currency denominated assets and liabilities. Its innovative exchange rate product portfolios included forex trading, spot and forward forex purchase and sale, swaps, options and others. Thus, the Bank helped enterprises achieve value preservation and appreciation of their forex assets. During the reporting period, the Bank completed USD1.68 trillion forex market making transactions, a growth of 28% year on year. Among over 600 member banks at the interbank forex market, the Bank ranked the top[9] in terms of comprehensive market making, further consolidating its status as a core market maker at the interbank forex market.

The Bank made additional efforts to consolidate its status as a core market maker at the interbank bond market. With flexible use of multiple trading strategies, the Bank endeavored to tap relative value and increase return on transactions. Following the RMB internationalization process, the Bank was among the first bond market makers short-listed for Bond Connect and reached the first batch of transactions at the market. In addition, the Bank further optimized and improved the credit extension process for debenture investment and arranged asset allocation in a rational manner, realizing a reasonable balance of asset safety, liquidity and yield.

8.3.3.3 Asset Management Business

Despite externalities such as the rapid rise of market interest rates, the asset management business of the Bank maintained overall steady growth and achieved counter-situational scale growth. The Bank pioneered the industry by launching the "CITIC Bank Asset Manager Prosperity Index", further upgrading the market influence of its asset management brand. In addition, the Bank paced up innovation of wealth management products. Specifically, the Bank successfully rolled out the first "Tiantian Bao" product that supported 7 × 24 redemption, became the first in the industry to launch innovative index enhanced products, completed the construction of its cross-border wealth management product system that covered structured wealth management, foreign currency wealth management, FT (Free Trade Zone) wealth management, QDII wealth management and globally allocated net-worth product series, the most comprehensive of its kind in the industry so as to meet customer needs for diversified investments. In line with the regulatory orientation, the Bank introduced net-worth wealth management products available for subscription on a weekly basis, increased the issuance of open-ended products and net-worth products, and continuously adjusted and optimized the product mix. As at the end of the reporting period, the scale of all wealth management products issued by the Bank was in the amount of RMB1,191.658 billion, an increase of 15.55% over the end of the previous year, of which the scale of non-risk-bearing products was RMB952.814 billion, representing an increase of 16.29% over the end of the previous year; and the proportions of open-ended products and net-worth products rose to 58.54% and 4.15%, respectively, indicating a prudent and healthy product style in the overall sense.

9 Data from China Foreign Exchange Trade System (CFETS) & data from the National Interbank Funding Center.

The Bank accelerated optimal asset-side restructuring in connection with investment in wealth management products by significantly reducing low-yield money market assets and increasing the allocation to high-yield debentures and equity assets. The Bank actively sought cross-border investment opportunities. During the reporting period, it completed investment in various overseas assets such as mainland China and Hong Kong mutually recognized funds, overseas REITS investments, overseas preference shares and QDII quantitative special-account investment in Hong Kong stocks. Through the Hua'an Yifu Gold ETF connection fund, the Bank also invested in gold assets. As such, the Bank developed a cross-border asset structure focused on debt securities, supplemented by stocks and with attention paid to alternative assets at the same time. As at the end of the reporting period, the Bank's cross-border investment recorded RMB5.746 billion, an increase of 882.09% compared with the end of last year. By means of issuing exchange-listed ABS, the Bank sped up the turnover of assets, reduced non-standard debt assets by RMB117.044 billion and turned over RMB80.120 billion existing assets. By making optimal adjustments to the investment structure of wealth management products, the Bank improved the asset-side yield. As at the end of the reporting period, its asset-side average yield increased by 0.77 percentage point compared with the end of the previous year.

Due to the impact of factors such as the macroeconomy and the market, the yield on bank-issued wealth management products increased rapidly. Restricted by factors such as the investment-side structure and investment rhythms, the overall yield of the Bank's asset management business declined. For the reporting period, the Bank's wealth management business realized income of RMB5.536 billion, a decrease of 21.27% from the previous year and generated a yield of RMB45.656 billion for customers, an increase of 19.92% over last year.

8.3.4 Comprehensive Financial Services

Relying on strong group advantages, the Bank persistently sought development in synergy and development in innovation promoted the development of big single products such as going abroad finance, transaction banking, investment banking for cross-border mergers and acquisitions and international business; and served customers and satisfied customer needs in innovative ways. All these won the Bank extensive market and customer recognition. Capability to provide comprehensive financial services that are "more than finance" is becoming a unique competitive edge of the Bank.

The Bank made full use of the unique CITIC Group advantages in placing financial and non-financial businesses on an equal footing and keenly enhanced group synergy and cooperation with subsidiaries of CITIC Group. At the same time, it strengthened parent-subsidiary synergy with its mainland subsidiaries CITIC Financial Leasing and CITIC aiBank and cross-border synergy with its Hong Kong subsidiaries CNCBI and CNCB Investment.

In terms of group synergy, in line with the trend of mixed operations in the financial industry and the diversification of customer needs, the Bank provided enterprises with comprehensive finance of RMB609.541 billion, in conjunction with CITIC Group's financial and non-financial subsidiaries by means of balance-sheet loans, bond underwriting, equity investment and financial leasing. In addition, the Bank joined hands with subsidiaries of CITIC Group to develop a new model of partnership with the state-level economic parks. Marked progress was made in the joint marketing of such projects as Chongqing Liangjiang New Area and Shanghai Caohejing Development Zone. Together with CITIC Securities and China Securities, the Bank underwrote RMB74.06 billion bonds, up 111.6% over the previous year. The Bank provided custody services to RMB1,131.838 billion products of CITIC Group subsidiaries, representing an increase of 18.07% compared with the end of last year. The balance of deposits from the subsidiaries of CITIC Group with the Bank was RMB86.979 billion, representing an increase of 18.81% over the previous year.

In terms of parent-subsidiary synergy, the Bank consolidated the relevant resources of CITIC Financial Leasing and CITIC aiBank and strengthened business collaboration with the latter two in new industries, new technologies and new services to provide customers with comprehensive financing and integrated services. During the reporting period, in cooperation with CITIC Financial Leasing, the Bank implemented 34 bank-leasing projects with a total investment of RMB10.6 billion. In addition, the Bank had innovative synergy with CITIC aiBank in the field of auto finance, providing RMB31 million financing support to 8 dealers.

In respect of cross-border synergy, in line with the trend of internationalization, the Bank used cross-border synergy as a feature and highlight of its services for corporate customers to strengthen system construction and product innovation. The Bank, CNCBI and CNCB Investment jointly provided integrated cross-border services for "going global" of domestic customers. Among others, a series of cross-border synergy projects with market influence were put in place, including the construction of Royal Albert Dock in London by CITIC Construction and the acquisition of Syngenta by China National Chemical Corporation. During the reporting period, the Bank had 116 cross-border projects in collaboration with CNCBI and CNCB Investment with the cooperation scale amounting to RMB310.384 billion, an increase of 186.34% over last year.

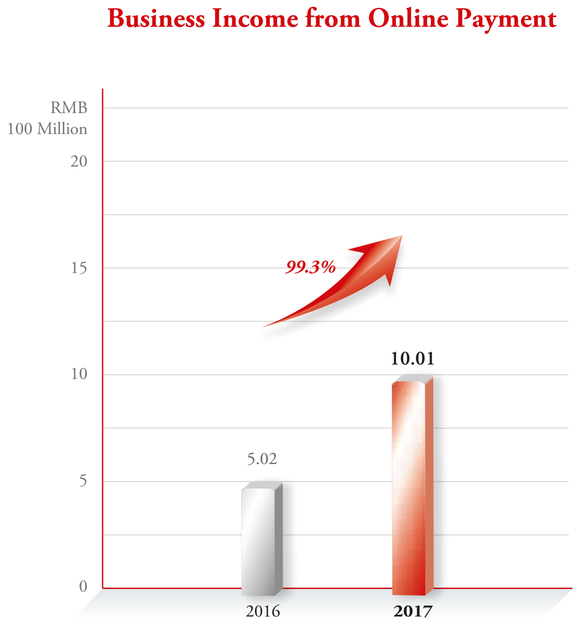
In terms of resource sharing, the Bank sold as agency RMB315.28 billion products for CITIC Group's financial subsidiaries, an increase of 11.2% over the previous year. The Bank and CITIC Prudential Life Insurance jointly initiated the "Talents to Create Wealth Program" and issued over 100,000 credit cards for the whole year. In addition, the Bank and CITIC Press jointly built the "Cloud Read" service system, the three sub-programs of which, i.e., "Yun Shu Guan", "Pre-Launch Read" and "CITIC Book Select" covered nearly 300,000 high-end customers.

In addition, the branches of the Bank, as the chairman units of the regional joint meetings of CITIC Group, actively organized the subsidiaries of CITIC Group in their respective regions to integrate resources, actively explored integrated synergistic operating models, deepened the partnership between the Bank, governments and enterprises and provided full-range comprehensive services to local governments and corporate customers. In light of the national strategies and regional economic characteristics, the branches carried out cooperative innovations in areas such as credit extension policies, green channels, review and approval efficiency, scale and pricing and regional interaction mechanisms to create differentiated regional synergy models. These efforts were very rewarding.

8.3.5 Financial Technology

Based on customer needs, the Bank combined the latest achievements in financial technology with its financial services, continuously accelerated the construction of electronic channels, expanded internet payment and strengthened cross-border cooperation on the internet. As a result, the Bank rapidly improved its online service capabilities.

The Bank adhered to mobile finance as the core, iteratively upgraded product functionalities and innovated service models. During the reporting period, the Bank released Mobile Banking 4.0, which dramatically upgraded customer experience with the introduction of personalized smart financial and non-financial services such as smart billing, smart recommendation, robo-advisor and going abroad finance, and the addition of security measures such as fingerprint identification, Bluetooth KEY and transfer white list. In addition, its real-time e-banking risk control system improved real-time monitoring and accurate in-process disposal of customer transaction risks in the electronic channel, achieving a good balance between experience and security. Besides, innovation was made to its online customer acquisition model, to promote the construction of an open and smart online operating platform for customer acquisition. As at the end of the reporting period, the Bank had 30.567 million mobile finance customers.



In terms of internet payment business, the Bank was among the first to get connected with the PBOC Nets Union platform and the UnionPay card-less quick platform, thereby further standardizing its business development. In addition, the Bank innovatively launched the "E-Commerce Steward" smart clearance product, providing B2C e-commerce platforms with a total-process fund settlement solution that integrated "collection, management and payment" and thus helping customers achieve compliant operation. This was one of the Bank's key efforts to create an internet payment ecosystem. During the reporting period, the Bank further consolidated the market leading advantages of its three big single products, namely, "Payment All in One", "Cross-Border E-Commence Payment" and "CITIC Bank e-Pay". "Payment All in One" realized RMB1.22 trillion transaction volume for the whole year, an increase of 130.65% over the previous year. "Cross Border E-Commence Payment" was the first among its peers to achieve full coverage of B-side and C-side customer groups throughout the front, middle and back offices of cross-border payment, recording total transaction volume of RMB34.615 billion, an increase of 23.57% over the previous year. With the addition of new functionalities such as corporate B2B interbank receipt of payments, "CITIC Bank e-Pay" met the payment needs at various scenarios including C2B and B2B, registering total transaction amount of RMB20.771 billion, an increase of 184.93% over the previous year. Internet payment business realized combined income of RMB1.001 billion, an increase of 99.30% over the previous year.

In terms of internet cross-sector cooperation, the Bank promoted the "internet financial ecosphere" that featured joint channel construction, sharing of benefits, interoperability and win-win cooperation to deepen all-round cooperation with internet companies. In particular, it signed an agreement with Tencent on further business cooperation with the use of financial technology. Specifically, the partners will strengthen cooperation in multiple areas, including internet business on cloud, construction of financial big data platforms, fraud risk analysis and resolution, construction of security systems and online attraction and acquisition of customers, combine latest achievements in internet technology with financial services to provide customers with more precise, safe, convenient, smart and personalized services and explore new models of win-win cooperation between the internet and banks.

8.3.6 Information Technology

The Bank deeply understood the challenges and opportunities brought by the tide of financial technology. Accordingly, it made early arrangements and developed overall plans to promote financial technology. In 2017, the Bank built on the existing achievements to focus on the research and development and application of new technologies such as big finance distributed database, big data, artificial intelligence, blockchain and cloud computing.

During the reporting period, the Bank made breakthroughs in the research and development of distributed databases applicable to the characteristics of banking businesses. These breakthroughs, already fully verified by such projects as its interbank platform and customer points winning platform, laid the technical foundation for the Bank's information technology to complete the transformation towards an open distributed structure and support future business response to massive transactions and mega data challenges. The unified development platform which the Bank independently researched and developed based on its internet experiences completed the commissioning of more than 40 new systems such as the comprehensive risk management system, the new generation corporate CRM system and the staff channel, promoted significant improvement in autonomous control of the Bank's underlying core technologies and further reduced difficulties in developing application systems. As a result, the Bank significantly enhanced its response to business needs and improved the efficiency of its research and development and commercialization of R&D results.

During the reporting period, the Bank completed a big data platform and a machine learning platform based on the open source framework, which effectively supported smart modeling and accurate data analysis, accurate marketing based on unified user portraits and real-time risk control based on big data. In addition, the Bank launched robo-advisor products based on artificial intelligence + quantification technology. With its good understanding of customer risk appetites and in combination with big data analysis, quantitative financial models and expert wisdom, the Bank provided customers with one-click personal wealth solutions and promoted its retail business to transform from traditional services to wealth management services. Furthermore, the Bank introduced China's first L/C pilot APP based on blockchain technology, which changed the traditional L/C business model in the banking sector, greatly improved the L/C business processing efficiency and enhanced security of L/C business. As a plus, the Bank achieved the initial transformation of its IT infrastructure from the traditional architecture to the cloud architecture, constructed the IaaS platform based on the X86 architecture and provided cloud services across the board, and actively promoted the development of the PaaS platform for which container technology was the breakthrough point. The cloud architecture transformation will effectively enhance the use efficiency of basic resources, substantially reduce hardware costs and provide foundational support for the rapid roll-out and flexible expansion of the Bank's business systems.

The Bank attached great importance to the protection of sensitive customer information and safeguard of information security. As a priority effort, it organized and conducted planning and reinforcement work for 13 safety infrastructures, sorted out and published its complete manual on the information technology risk management systems of the entire bank and established a database that covered 8 major areas such as information security, information system development and testing and 508 risk control measures. As a result, the Bank's information security and information technology risk management capabilities enjoyed a substantial boost.

The Bank attached great importance to infrastructure construction. Among others, it completed the intergenerational upgrade of its core network in the production center that was consistent with the best practice standards, thereby elevating network reliability, scalability, stability and performance capacity on all fronts. In addition, the Bank constructed a multi-level, three-dimensional and full coverage platform for automatic monitoring, management and control of operation and maintenance, achieving fully automated monitoring, detection and processing of abnormal conducts and suspicious attacks in minutes. As such, the Bank significantly upgraded the automaton level of its operation and maintenance.

8.3.7 Domestic Distribution Channels

8.3.7.1 Physical outlets

As at the end of the reporting period, the Bank had 1,435 outlets in 142 large and medium-sized cities in mainland China, including 38 tier-one branches (directly managed by the Head Office), 112 tier-two branches, and 1,285 sub-branches (including 85 community/small and micro sub-branches), plus 2,656 self-service banks, 9,295 self-service terminals and 4,024 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-bank self-service outlets.

When establishing domestic outlets, the Bank emphasized the expansion of service coverage and at the same time shifted focus to layout optimization and profit improvement. Allocation of outlet construction resources favored places such as Beijing, Shanghai, Guangzhou and Shenzhen, where appropriate. At the same time, as an active response to the national "13th Five-Year Plan", the Bank supported the economic development of key areas such as the Free Trade Zones, Special Economic Zones and New Areas. At the time of the report, the Bank's branches and sub-branches covered all large and medium-sized cities in mainland China.

In terms of its overseas outlets, CNCBI, an affiliate of the Bank, had 41 outlets in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and mainland China; and CNCB Investment set up 3 subsidiaries in Hong Kong SAR and mainland China. In line with its 2017-2020 Plan for Overseas Development, the Bank made active efforts to promote the development of internationalization. In particular, it pushed forward the preparations for establishment of its London, Sydney and Hong Kong branches in an orderly manner and facilitated the acquisition of equity in JSC Altyn Bank in Kazakhstan. In addition, the Bank took advantage of CITIC Group's overseas business advantages and realized the roles of CNCBI and CNCB Investment as internationalized operating platforms and overseas investment banking platforms to strengthen domestic and overseas interaction, vigorously expand cross-border RMB business and achieve integrated development of domestic and foreign currency businesses.

8.3.7.2 Online Outlets

The Bank continued to optimize online service channels such as mobile banking, online banking, and telephone hotlines, strengthened the integration of channels and rapidly enhanced its online financial service capabilities.

The Bank's mobile banking maintained its relatively fast growth. As at the end of the reporting period, the Bank recorded 27.3263 million mobile banking customers, including 6.7419 million active customers, an increase of 39.53% and 26.39% over the end of the previous year, respectively; and the volume and value of mobile banking transactions stood at 128 million and RMB4,232.368 billion, up 36.07% and 55.52%, respectively.

Personal online banking continued to develop steadily. As at the end of the reporting period, personal online banking recorded 27.5095 million users, an increase of 19.18% over the end of the previous year; 86.9340 million transactions, an increase of 10.19% over the end of the previous year; and RMB11.586374 trillion transaction value, up 9.94% over the end of the previous year. With a transaction substitution rate of 98.96% as at the end of the reporting period, the Bank's e-banking became the main transaction channel for its retail customers.

The hotline of the Bank's Credit Card Customer Service Center received 99.1682 million incoming calls, including 47.4520 million automated phone answering service calls and 51.7162 million manual service calls, achieving a 20-second manual response rate of 84.90%, a customer satisfaction rate of 98.43%, and a customer satisfaction rate of 96.89% 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 263,600 person-times in total.

The hotline of the Bank's Debit Card Customer Service Center received 60.7393 million incoming calls, including 55.2812 million automated phone answering service calls and 5.4580 million manual service calls, achieving a 20-second manual response rate of 85.96%, a customer satisfaction rate of 98.64% and a customer satisfaction rate of 98.83% 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 2.8408 million person-times in total.

During the reporting period, the Bank continued to strengthen the construction of its credit card internet platform, expanded the scenario layout of the platform and optimized the platform functionalities and user value conversion. The number of visits to its WeChat applet, the first one of its type in the banking industry, continued to climb. This applet was named the "WeChat Applet of the Year" by WeChat. The Bank got a successful upgrade of its Alipay Lifestyle account, effectively expanding the online access channels of its credit cards and recording a substantial year-on-year increase in the number of card applications. As at the end of the reporting period, the Bank's internet platform roughly covered more than 90% of its credit card customer services, ranking in the industry's first echelon in terms of the cumulative number of internet platform followers.

During the reporting period, the Bank continued to optimize Mobile Card Space V4.0, the proprietary mobile platform owned by its Credit Card Center. Among others, it completed the construction of new functionalities featuring all-network payment, news release, electronic account, smart search and Wonderful 365 and realized the upgrades of important functionalities such as the Youyu Mall, online repayment, points mall and Discounts Around You. As such, the bank built a powerful platform for management of all online users of its credit cards. Mobile Card Space in particular significantly increased the active rate of its users.

8.3.8 Subsidiaries and Joint Ventures

8.3.8.1 CIFH

CITIC International Financial Holdings Limited (CIFH) was incorporated in Hong Kong in 1924. It was acquired by CITIC Group in June 1986 and restructured to become an investment holdings company after its acquisition of the then Hong Kong Chinese Bank Limited in 2002. It is now a wholly-owned subsidiary of the Bank. The business scope of CIFH includes commercial banking and non-banking financial services. CIFH conducts its commercial banking business mainly via its subsidiary CNCBI and conducts its non-banking financial business primarily via CIAM in which CIFH holds 46% equity interest. For the reporting period, CIFH had an issued share capital of HKD7.503 billion; and realized a net profit of HKD2.763 billion, a growth of 9.9% over last year. As at the end of the reporting period, CIFH had total assets of HKD345.43 billion, an increase of 14.3% over the end of the previous year.

- CNCBI: CNCBI is a licensed bank incorporated in Hong Kong. It has 34 branches in Hong Kong SAR and 1 branch in each of Macau SAR, New York, Los Angeles and Singapore. Its wholly owned subsidiary CNCBI (China) Co. Ltd. has branches in Beijing, Shanghai and Shenzhen. On 15 December 2017, CNCBI introduced 5 financial investors, namely, Tianyuan Trading Limited, Hong Kong Guan Sheng Investment Co., Ltd., Anxin Trust Co., Ltd., Clear Option Limited and Elegant Prime Limited, who collectively hold 25% of the equity in CNCBI. CIFH holds the remaining 75% equity, maintaining its absolute control of CNCBI.

  CNCBI always insisted on its "one body two wings" business positioning, i.e., with the Corporate and Cross-border Business Division as the main body and the Personal and Commercial Banking Division and the Treasury and Global Markets Division as the two wings. Backed by the Bank and based in Hong Kong, CNCBI vigorously expanded cross-border business and non-interest income business. For the reporting period, CNCBI achieved operating income of HKD7.87 billion, an increase of 22.8% over last year and net profit of HKD2.808 billion, a growth of 10.2% from last year.

  In terms of corporate and cross-border business, CNCBI maintained a sound trend of business development and income growth. It actively met customer demands, strictly complied with risk control standards, proactively captured the business opportunities available from the privatization of listed companies and effectively raised loan yields. Meanwhile, the Bank actively optimized its asset structure, increased the proportion of loan collaterals and reduced the proportion of high-risk loans. In cooperation with the Bank and CITIC Group, CNCBI tailor created one-stop comprehensive service solutions to its customers. In 2017, income from customer referral and interaction[10] took up 42.0% of the company's total corporate and cross-border business income, 9.4 percentage points higher than the previous year. During the reporting period, corporate and cross-border business realized operating income of HKD4.67 billion, an increase of 17.5% over the previous year; of which interest income amounted to HKD3.79 billion, 23.1% more than the previous year.

10 Mainly including customer referral income brought to CNCBI from customers and related businesses introduced by CITIC Group and the Bank and interaction income generated from the interbank business with the Bank.

In personal and commercial banking business, CNCBI actively expanded its retail deposit and loan businesses, achieving very good results. As at the end of the reporting period, deposits from and loans to retail customers recorded HKD130.8 billion and HKD45.9 billion, an increase of 14.8% and 7.4% from the end of the previous year, respectively. During the reporting period, CNCBI continued to increase its investment in financial technology and meet customer needs through innovative products and services. Among others, it completed upgrades of its stock trading system to support customer trading operations through the platform on four stock markets at the same time. In addition, CNCBI rolled out Apple Pay and Android Pay products in succession, providing customers with faster and more convenient mobile payment platforms. During the reporting period, due to the decline in non-interest income, personal and commercial banking business realized operating income of HKD2.37 billion, a slight drop of 0.5% from the previous year; and interest income of HKD1.65 billion, an increase of 3.8% over the previous year.

In terms of treasury and global markets business, CNCBI established a financial institution marketing team in early 2017 to expand its bond sale channels and launch its treasury product distribution business. The debt capital market business enjoyed a strong momentum of development. During the reporting period, this business segment completed 74 bond underwriting transactions with the underwriting scale reaching USD39.9 billion and business income thereof recording HKD270 million. In May 2017, for the first time in its history, CNBI successfully issued a 3-year Panda bond in the Chinese interbank bond market in the amount of RMB3 billion, becoming the first Hong Kong banking institution to issue a Panda bond in the year. During the reporting period, operating income from the treasury and global markets business jumped from HKD41 million in the previous year to HKD530 million for the current year.

- CIAM: CIAM is an asset management company focusing on private equity investment. Its business mainly includes equity and debt investments, private equity fund management, business consulting, carbon asset management, disposal of non-performing assets and other types of financial services. During the reporting period, CIAM continued to use "shareholder extension" as its main line of development, actively put into play its own structural advantages and dug deeper into synergistic businesses with its shareholders. In line with its business development, CIAM continued to optimize its shareholder structure. CIFH took the 6% CIAM equity from ITOCHU in 2017 and increased its stake in CIAM to 46%.

8.3.8.2 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.

CNCB Investment positions itself as the overseas investment banking platform of the Bank and aspires to develop itself into "the best overseas boutique investment bank". It fully leverages its unique features and advantages that lie in the combination of debt financing and equity investment. Backed by the Bank and supported by the Bank's domestic branches and sub-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 rapidly 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 contributed to higher business profit, ongoing improvement to the corporate governance structure, stronger risk and compliance control capability and better internal management of CNCB Investment.

In the reporting period, CNCB Investment recorded net profit attributable to its equity holders equivalent to RMB848 million, a growth of 298.56% from the previous year. As at the end of the reporting period, it had total assets equivalent to RMB20.210 billion, 19.49% more than last year end and consolidated AUM equivalent to RMB118.280 billion, up 12.76% from the end of the previous year.

8.3.8.3 CITIC Financial Leasing

Wholly owned by the Bank, CITIC Financial Leasing was incorporated in April 2015 with a registered capital of RMB4 billion. As an important strategic layout for the Bank to serve the real economy, CITIC Financial Leasing pursues leasing businesses in the three major areas of "new energy, new materials and new environment" in accordance with the strategy of "professional, market-oriented and international" development. During the reporting period CITIC Financial Leasing harvested steady business scale growth, continuous improvement of profitability and further optimization of industry structure. In the clean energy area, the company continued to maintain its position as an industry leader. In particular, it successfully established an asset valuation system for new energy power plants and owned more than 100 power plants, establishing itself as the largest photovoltaic power plant holding and leasing company in the industry. As at the end of the reporting period, CITIC Financial Leasing took up 47.64%, 10.37%, 16.16% and 25.83% of the four major areas of clean energy, energy conservation and environmental protection, high-end equipment and people's livelihood, respectively. Its influence as a green lease brand continued to increase.

During the reporting period, in conjunction with China Development Bank Leasing, Industrial Bank Finance Leasing and Hengxin Financial Leasing, CITIC Financial Leasing initiated the establishment of the first green leasing development community in China. The purpose of the community is to build a reciprocal mutually-benefiting "symbiosis model" and a platform for consensus and interoperability together with other leasing companies and financial institutions through customer acquisition and asset transactions.

As of the end of the reporting period, CITIC Financial Leasing recorded total assets of RMB51.765 billion, of which the balance of leased assets, total liabilities and net assets stood at RMB46.655 billion, RMB46.857 billion and RMB4.908 billion, respectively. For the reporting period, CITIC Financial Leasing realized net profit of RMB415 million, an increase of 12% over the previous year; and a cumulative lease grant of RMB27.81 billion, 0.75% more than last year.

8.3.8.4 Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, located in Lin'an District, Hangzhou 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.

During the reporting period, Lin'an CITIC Rural Bank adhered to the market positioning of "supporting agriculture and helping small enterprises". Among others, it focused on the market of rural households and personal microfinance, promoted inclusive finance, vigorously carried out publicity activities in villages and enterprises and explored the construction of "Model Villages of Good Credit Standing". As at the end of the reporting period, its rural financial services covered 5 neighborhoods, 13 townships and more than 80 administrative villages in Lin'an District, established credit files for 3,416 rural households, and accumulatively issued RMB1.279 billion loans for such rural households on file. 93.46% of the bank's business involved agriculture. The bank made great efforts to help enterprises address their difficulty in accessing guarantees. For the whole year, the bank handled RMB5 million pledge of receivables, RMB5 million collateral of pollution discharge rights, RMB30 million pledge of mining rights and RMB10 million collateral of forest rights. Efforts were also made to support technological transformation and green finance, as well as the development of manufacturing and high-end equipment manufacturing industries. For the year, Lin'an CITIC Rural Bank granted RMB25 million loans to enterprise technological transformation projects. It also rendered support to eligible new countryside construction projects such as the renovation of old towns, reform of old villages, joint control of five waters (i.e., wastewater, flood water, waterlogging, water supply and water saving) and agriculture-related infrastructure, granting over RMB40 million such loans during the reporting period.

Lin'an CITIC Rural Bank realized a net profit of RMB25 million for the reporting period, a growth of 13.95% over the end of the previous year. As at the end of the reporting period, it recorded RMB1.332 billion total assets, up 27.47% over the end of the previous year; and RMB946 million balance of customer deposits, 30.83% more than last year end. Its capital adequacy ratio stood at 29.02%, allowance coverage ratio 303.90% and the ratio of allowance for impairment of loans to total loans 4.80%.

8.3.8.5 CITIC aiBank

CITIC aiBank officially opened for business on 18 November 2017 with a registered capital of RMB2 billion. A joint venture co-sponsored by the Bank and Baidu, it is the first independent legal entity to practice direct banking in China. As sponsors, the Bank and Fujian Baidu Borui Internet Technology Co., Ltd. subscribed for 1.4 billion and 600 million ordinary shares of CITIC aiBank, corresponding to 70% and 30% of its stake, respectively. CITIC aiBank is an important platform for the Bank to develop internet finance and an experimental field for the Chinese banking industry to respond to national strategies, reforms and innovations. As such, it is of landmark significance. The establishment of CITIC aiBank made to the list of the "10 Major Events of the Chinese Banking Industry in 2017" published by the China Banking Association.

In light of China's strategic arrangements for development of inclusive finance and the actual development of financial technology, CITIC aiBank defined its strategic positioning as "manage wealth for ordinary people, help ordinary people access finance, rely on smart technology and develop inclusive finance". It is committed to becoming the world's leading smart inclusive finance service platform that adheres to the guideline of "market-oriented, differentiated and smart" business operation and upholds the principle of taking finance as the core, innovation as the soul and science and technology as the tool. CITIC aiBank's business covers the whole country. Its main target customer groups are urban young white collars, emerging middle class and small and micro enterprises. Focusing on serving the real economy, ordinary people and "agriculture, farmers and rural areas", CITIC aiBank endeavors to improve the quality and effectiveness of financial services by providing precise, differentiated and intelligent services, and practice digital inclusive finance with high-standard strictly-compliant operation and management.

CITIC aiBank uses technology as a financial enabler and is creating a group of innovative financial products and services that are smart, differentiated and contextualized. It will meet the needs of users for both investment and financing with technology and data as the twin-wheel drivers and smart accounts as the support. In addition to financial services such as savings deposits, payment settlement and interbank business, CITIC aiBank also focuses on the three major businesses of consumer finance, financing for small and micro enterprises and wealth management and adheres to distinctive differentiated operation.


中信银行
CHINA CITIC BANK
私人银行
PRIVATE BANKING
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1987-2017
郑重一诺，
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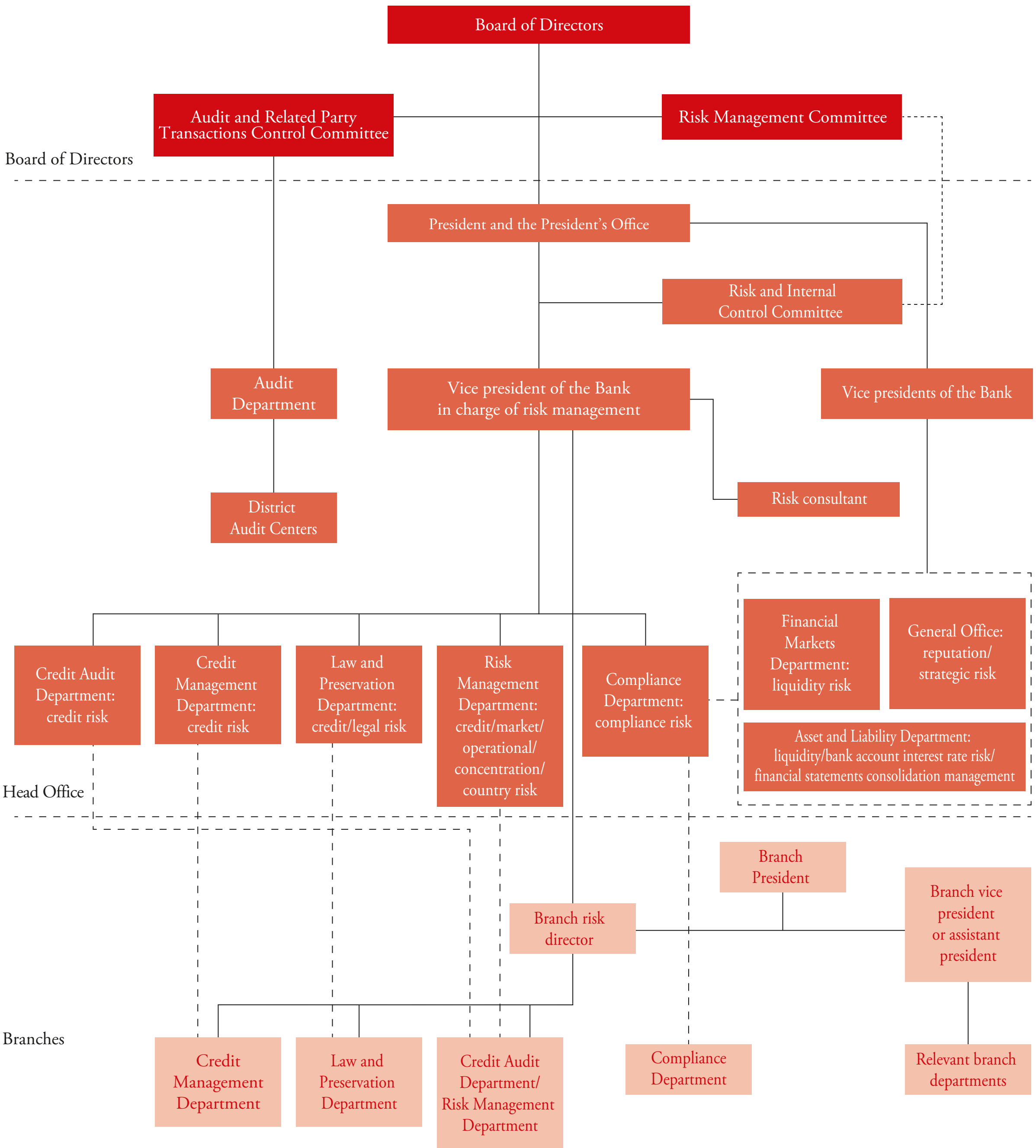
8.4 Risk Management

8.4.1 Risk Management Structure



8.4.2 Risk Management System and Techniques

During the reporting period, the Bank continued to vigorously promote the construction of a risk and compliance culture. It fully implemented the risk culture system that covered "all aspects, all processes and all employees" and worked hard to develop a "safe CITIC Bank". The Bank further optimized the risk management system, strengthened the development of risk management policies and regulations, continued to improve the operational mechanisms of the Risk Management Committee under the Board of Directors and the management's Risk and Internal Control Committee so that the two committees could play their decision making and leadership roles vis-a-vis major risks and internal control matters. At the same time, the Bank made continuous efforts to improve the risk management comprehensive assessment systems at its branches. In addition, the Bank further optimized the organizational structure of risk management for asset management business and standardized the decision-making authorization system for this business segment. Meanwhile, it continued to strengthen risk management of financial statements consolidation and incorporated consolidated subsidiaries into the scope of internal capital adequacy assessment and comprehensive risk stress tests. The depth and breadth of risk management continued to improve.

The Bank strove to enhance risk management technology research and development capabilities and deepen the application of risk quantification results. During the reporting period, self-discretionary optimization and independent verification of the rating models for corporate and retail banking businesses were continuously conducted to effectively control model risks; the credit risk rating model was effectively embedded in the entire process of credit business; and the internal assessment approach for corporate and retail credit businesses achieved full coverage of economic capital assessment. During the reporting period, the Bank's comprehensive risk management system was successfully rolled out, which further promoted the organic integration of risk measurement tools with credit business management.

The new accounting standards effective on 1 January 2018 have strengthened the links between a bank's risk management and its businesses and financials and as such will help push the bank to further improve refined management. Under the new standards, the expected loss model is used for impairment calculation. The Bank's expected loss model uses internal rating results and introduces management predictions of the future macroeconomy via forward-looking adjustment factors and realize transaction-specific daily impairment calculation for financial assets such as credit assets, non-credit assets and off-balance-sheet assets. Application of the new accounting standards in the measurement of allowance for impairment losses generates more accurate results and stronger distinction of risks, which will help the Bank make more targeted adjustments to its asset structure and more optimal allocation of resources.

8.4.3 Credit Risk Management

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

Since 2017, China's major economic indicators have improved and the operation of business entities gradually turned for the better. Banks are still under severe pressure of credit risk prevention and control. At the same time, the Chinese economy has gradually shifted from the high-speed growth stage to the high-quality development stage. It is now in a critical period of transforming the development pattern, optimizing the economic structure and switching growth drivers. This situation benefits the "three large, three high and three new" industries[11], creates a promising future for old-age care, health and high-end manufacturing sectors, and also brings along opportunities for development of the banking industry. The Bank continued to improve the risk management system, vigorously promoted the implementation of its credit extension policies, increased support for the "three large, three high and three new" areas, optimized asset portfolio allocation, promoted light-style development of asset business, enhanced proactive risk control capabilities and strengthened active management of problem assets to ensure safe, steady, healthy and sustainable development.

11 "Three large, three high and three new" refers to "big culture, big health and big environmental protection", "high-tech, high-end manufacturing and high-quality service and consumption industries" and "new materials, new energy and new business models".

8.4.3.1 Credit Risk Management of Corporate Business

During the reporting period, the Bank persisted in its customer positioning of "large industries, large customers, large projects and high-end customers" and guided investment towards areas with new economic growth drivers such as "high tech, high-end manufacturing, high quality service and consumption industries", "big culture, big health and big environmental protection", and "new materials, new energy and new business models" to improve its capacity for sustainable development. It strictly implemented its bank-wide credit extension policy and various rules and regulations, adhered to its sector, regional, customer and product positionings, made optimal selection of industries and customers, implemented strict criteria on credit access, reinforced post-lending management and stringently controlled risk exposures of incremental credit business.

With regard to local government financing vehicle ("LGFV") finance, the Bank carried out relevant businesses according to the principle of "orderly development, structural optimization and categorized management" and placed the total amount of such finance under strict control. It rendered priority support to the implementation of key national strategies and key construction projects, and actively satisfied the financing needs of projects relating to government procurement of services and PPP projects that 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 took 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 RMB125.811 billion, 9.53% lower than last year; and the NPLs thereof was zero.

With regard to real estate financing, the Bank 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 practiced differentiated policies in light of the characteristics of changing market risk trends in different regions and actively implemented the government policy on cutting 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 to tighten access control. It preferred partnership with industry leaders that enjoyed strong group competitiveness, rich development experiences, 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 housing improvement needs, long-rent projects with resourceful shareholders and standard processes and affordable housing projects with shared ownership and favored shanty town renovation projects and projects for renovation of urban-rural transition areas that enjoyed resourceful shareholders, standard processes 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 RMB333.055 billion balance of corporate property loans, a growth of 13.50% over the previous year; and NPLs of corporate property loans recorded RMB855 million, corresponding to an NPL ratio of 0.26%.

With regard to financing for industries suffering severe overcapacity, the Bank followed the general principle of "strict total quantity control, differentiated treatment, optimal solution to existing capacity and risk control". It rendered support to overcapacity industries such as coal and nonferrous metals in their efforts to cut overcapacity and used multiple types of financial services to support premium enterprises that were consistent with the direction of industry development and enjoyed advanced technology and available market but were caught in temporary hardship so that such enterprises could walk out of their difficulties, transform and upgrade. The Bank discontinued its financial support to zombie enterprises and enterprises with backward capacities, eliminated and exited from backward capacity enterprises that failed to comply with national industrial policies and/or environmental protection and safety standards at a quicker pace. For industries suffering severe overcapacity, such as iron/steel, cement, ship building, plate glass and electrolytic aluminum, the Bank practiced differentiated authorization management by name list.

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 so that it could carry out "batch development" and "professional management" of such customers. It also made active use of 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 development and risk control of this particular business segment.

8.4.3.2 Credit Risk Management of Personal Loans

In response to changes in the macroeconomic 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. It implemented the requirements of total risk management by moving risk management to earlier stages. With risk prevention and control elements fully embedded into the course of product creation and process design, and by standardization and rule-based development of products plus centralization and automation of processes, the Bank put business risk under strict control. The Bank used scorecards and other retail credit risk measurement models to effectively identify and manage credit risks in combination with logicalized business rules. In addition, the Bank strengthened in-depth mining of personal credit data and enhanced the ability to manage and control personal loan business risks with the use of reliable internal and external data. During the reporting period, the Bank further toughened the criteria for confirmation of personal NPLs, shortening the criteria for posting personal housing loans as NPLs from 181 days overdue to 91 days overdue.

As at the end of the reporting period, the Bank's balance of personal NPLs (excluding credit card loans) recorded RMB7.257 billion, corresponding to an NPL ratio of 0.83%, a drop of 0.18 percentage point from the end of the previous year.

8.4.3.3 Risk Management of Credit Card Business

The Bank carried out risk management of its credit card business in accordance with the principle of "adjusting structure, controlling risk and increasing profit". Taking the construction of a "Safe CITIC Bank" as an opportunity, the Bank consolidated the foundation for total risk management and built a firm risk bottom line. It also regarded deepening customer and capital management as the main direction of its efforts, whereby it deepened reforms, adjusted structures, strengthened early warnings and prevention/control of risks and strictly controlled the formation of NPLs. Driven by customer big data, the Bank reinforced the deployment of its risk strategy and policy and steadily enhanced the ability to acquire and manage customers. By means of technological innovation, the Bank improved the mechanisms for whole-process risk measurement and full life cycle risk monitoring to ensure that asset quality was controlled within the target range. Its credit card business maintained an overall good momentum of development with steady controllable asset quality.

As at the end of the reporting period, the Bank recorded RMB4.122 billion credit card NPLs, corresponding to an NPL ratio of 1.24%, down 0.24 percentage point from the end of the previous year. The Bank ranked one of the best among major domestic banks in terms of performance on the NPL ratio indicator. According to China UnionPay statistics, as at the end of the reporting period, the Bank's credit card stagnation rate B[12] was 0.40%, lower than the average level of its peers.

8.4.3.4 Credit Risk Management of Financial Markets Business

The Bank prudently conducted its negotiable securities investment business, focusing on premium enterprises in relevant sectors as key targets of Renminbi denominated bond investment, and bonds issued overseas by premium Chinese issuers as key targets of foreign currency denominated bond investment. During the reporting period, the Bank's bond assets enjoyed a good credit standing in the overall sense. The debentures held by the Bank were mainly issued by large companies and institutions with high credit ratings and sound operational profiles. During the reporting period, no bonds held by the Bank had redemption problem; neither was there any default on its bond assets.

8.4.3.5 Risk Management of Asset Management Business

In light of the changes in the external situation of asset management business, the Bank promoted the reform of the risk management system for its wealth management business in all aspects, making preliminary achievements. Its Asset Management Business Center aimed to build a comprehensive management and control mechanism and a total-process management model featuring "ex ante review, in-process monitoring and post inspection". To this end, the center adjusted the organizational structure, established a professional review and approval mechanism and sorted out the processes of bond, debt, equity and other relevant businesses and thereby continuously strengthened the development of a comprehensive risk management system.

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12 The credit card stagnation rate B refers to the rate at which repayments cannot be completed within the set time limit. Its calculation formula is the overdraft balance of the stagnation account (i.e., the balance of accounts receivable from M4 to M6)/overdraft balance of the M0 to M6 account (balance of the account receivable)* 100%.

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.

8.4.4 Loan Monitoring and Post-Lending Management

At present, China's economy has shifted from the high-speed growth stage to the high-quality development stage. The "Belt and Road" strategy is further advanced, the RMB internationalization process is accelerated and the industrial structure further optimized with strategic emerging industries and smart manufacturing industries gaining speed of development. In the context of macroeconomic stabilization and financial "deleveraging", the Bank endeavored to adapt to market and policy changes. It 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 the 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 developed 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 "three defense lines" reform of its risk management system in post-lending risk control. Meanwhile, the innovative online post-lending model "Credit Management APP" was extensively used among its corporate customer managers, further enhancing the quality and efficiency of post-lending inspection work.

The Bank restructured its loan disbursement review system. Final review mandates of loan disbursement previously given to tier-two branches were fully taken back by tier-one branches. In addition, the Bank established the mechanism of designating dedicated personnel to review and approve loan disbursements at tier-one branches, improved authorization and its relevant processes and strove to build a model of concentrated loan disbursement centers at tier-one branches. Moreover, the Bank started to develop its team of internal collateral assessors and endeavored to make the team more centralized and professional, effectively enhancing its capability for monitoring the value of loan collaterals.

The Bank optimized its loan structure, managed proactive exit with greater vigor and supported execution of its credit extension policy. Among others, the Bank formulated its 2017 Guidance on Proactive Exit from Corporate Loan Customers. This document embedded business operation units and management units as "Defense Line 1" into the whole process of risk management, further reinforced the work mechanism for proactive exit, and thereby facilitated the implementation of the reform of its risk management system.

The Bank strengthened its risk early warning and resolution mechanisms. It promoted the effective implementation and enforcement of the post-lending management process with Defense Line 1 embedded therein; pushed the branches to establish and improve a risk early warning dual-line reporting mechanism, so as to reinforce the responsibilities of Defense Line 1 in the identification and handling of risk early warnings and reinforce timely transmission and effective sharing of early warning information between Defense Lines 1 and 2, the Head Office and the branches; and established a financial risk big data laboratory, completed big data application projects such as the risk big data query center and early warning center and used external data to improve the timeliness and effectiveness of early warning.

In November 2017, the Bank successfully launched the comprehensive risk management system, establishing a complete, comprehensive and scalable business support and risk management/control system platform with the use of information technology, applying advanced management concepts, methods and technologies by means of information technology and achieving full coverage of customers, businesses, processes and institutions. The comprehensive risk management system project was a major information project of the Bank and of great significance to the Bank's strategic implementation and business development.

The Bank completed the project for the construction of big data analysis models. Under this project, the Bank developed models such as the loan guarantee community identification model. In addition, the Bank made innovations to the artificial intelligence (AI) customer risk identification and risk early warning approaches based on big data mining.

The Bank rolled out the imaging system. It promoted the scanning work for digitalization of the existing credit business files. The Bank basically completed the filing of more than 100,000 existing credit extension transactions involving approximately 120,000 boxes of electronic files, achieving online review of loan disbursements at the Bank's out-of-town branches and sub-branches as well as image visualization of the credit extension plans.

The Bank completed online operation of the new credit reference system. Online operation of the centralized inquiry and management system for credit reference enabled centralized inquiry of credit reference, centralized verification of authorization information, management of abnormal movements and early warnings and control of information security. The Bank's ability to manage credit reference work enjoyed a significant boost.

8.4.4.1 Distribution of Loans

Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group registered a total loan balance of RMB3,196.887 billion, an increase of RMB318.960 billion or 11.08% 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 RMB967.864 billion, RMB691.183 billion and RMB493.118 billion, and accounting for 30.29%, 21.62% and 15.42% of the Group total, respectively. In terms of growth rate, the Bohai Rim, the Central and the Yangtze River Delta recorded the highest numbers, reaching 25.47%, 12.68% and 8.86%, respectively.

The Group

Unit: RMB million

	31 December 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim[(1)]	**967,864**	**30.29**	771,415	26.79
Yangtze River Delta	**691,183**	**21.62**	634,919	22.06
Pearl River Delta and West Strait	**493,118**	**15.42**	477,683	16.60
Western	**389,152**	**12.17**	379,192	13.18
Central	**421,810**	**13.19**	374,358	13.01
Northeastern	**67,609**	**2.11**	70,967	2.47
Overseas	**166,151**	**5.20**	169,393	5.89
Total Loans	**3,196,887**	**100.00**	2,877,927	100.00

Note: (1) Including the Head Office.

The Bank

Unit: RMB million

	31 December 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim[(1)]	**918,255**	**30.86**	734,300	27.54
Yangtze River Delta	**687,731**	**23.11**	632,071	23.70
Pearl River Delta and West Strait	**491,367**	**16.52**	475,680	17.84
Western	**389,152**	**13.08**	379,192	14.22
Central	**421,160**	**14.16**	374,358	14.04
Northeastern	**67,609**	**2.27**	70,967	2.66
Total Loans	**2,975,274**	**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 RMB1,857.847 billion, an increase of RMB11.573 billion or 0.63% over the end of the previous year; and its balance of personal loans reached RMB1,231.584 billion, an increase of RMB274.978 billion or 28.75% over the end of the previous year. Personal loans grew faster than corporate loans, with their balance proportion further going up to 38.52%. Balance of discounted bills increased by RMB32.409 billion over the end of the previous year.

The Group

Unit: RMB million

	31 December 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**1,857,847**	**58.12**	1,846,274	64.15
Personal loans	**1,231,584**	**38.52**	956,606	33.24
Discounted bills	**107,456**	**3.36**	75,047	2.61
Total loans	**3,196,887**	**100.00**	2,877,927	100.00

The Bank

Unit: RMB million

	31 December 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**1,659,698**	**55.78**	1,659,817	62.25
Personal loans	**1,210,026**	**40.67**	935,198	35.07
Discounted bills	**105,550**	**3.55**	71,553	2.68
Total loans	**2,975,274**	**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 RMB324.029 billion and RMB333.055 billion, respectively, collectively taking up 35.37% of the Group's total corporate loans, down 1.42% from the end of the previous year. In terms of growth rate, loans to the three sectors, namely, rental and business services, water, environment and public utilities management, and production and supply of electric power, gas and water grew faster, up 23.13%, 20.86% and 17.45% over the end of the previous year, respectively, all being higher than the average growth rate of corporate loans.

The Group

Unit: RMB million

	31 December 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**324,029**	**17.44**	385,822	20.90
Real estate	**333,055**	**17.93**	293,429	15.89
Wholesale and retail	**193,818**	**10.43**	238,545	12.92
Transportation, storage and postal service	**152,851**	**8.23**	161,976	8.77
Water, environment and public utilities management	**179,441**	**9.66**	148,476	8.04
Construction	**77,878**	**4.19**	90,666	4.91
Rental and business services	**221,786**	**11.94**	180,124	9.76
Production and supply of electric power, gas and water	**70,523**	**3.80**	60,046	3.25
Public management and social organizations	**18,566**	**1.00**	19,846	1.07
Others	**285,900**	**15.38**	267,344	14.49
Total corporate loans	**1,857,847**	**100.00**	1,846,274	100.00

The Bank

Unit: RMB million

	31 December 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**303,218**	**18.27**	372,152	22.42
Real estate	**292,055**	**17.60**	251,564	15.16
Wholesale and retail	**177,526**	**10.70**	223,118	13.44
Transportation, storage and postal service	**146,574**	**8.83**	157,666	9.50
Water, environment and public utilities management	**170,235**	**10.26**	137,365	8.28
Construction	**76,282**	**4.60**	88,556	5.34
Rental and business services	**218,412**	**13.16**	177,807	10.71
Production and supply of electric power, gas and water	**45,772**	**2.76**	44,743	2.70
Public management and social organizations	**18,173**	**1.09**	19,412	1.17
Others	**211,451**	**12.73**	187,434	11.28
Total corporate loans	**1,659,698**	**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 basically remained stable. The balance of loans secured by collateral and pledge loans stood at RMB1,867.444 billion, an increase of RMB119.223 billion over the end of the previous year, and took up a proportion of 58.42%, 2.32 percentage points lower than the end of the previous year. The balance of unsecured and guaranteed loans together recorded RMB1,221.987 billion, a growth of RMB167.328 billion over the end of the previous year, accounting for 38.22% of the total, up 1.57 percentage points from the end of the previous year.

The Group

Unit: RMB million

Type of Guarantee	31 December 2017 Balance	31 December 2017 Proportion (%)	31 December 2016 Balance	31 December 2016 Proportion (%)
Unsecured loans	**708,164**	**22.15**	548,123	19.05
Guaranteed loans	**513,823**	**16.07**	506,536	17.60
Loans secured by collateral	**1,510,366**	**47.25**	1,417,736	49.26
Pledge loans	**357,078**	**11.17**	330,485	11.48
Subtotal	**3,089,431**	**96.64**	2,802,880	97.39
Discounted bills	**107,456**	**3.36**	75,047	2.61
Total loans	**3,196,887**	**100.00**	2,877,927	100.00

The Bank

Unit: RMB million

Type of Guarantee	31 December 2017 Balance	31 December 2017 Proportion (%)	31 December 2016 Balance	31 December 2016 Proportion (%)
Unsecured loans	**664,288**	**22.33**	515,020	19.31
Guaranteed loans	**449,347**	**15.10**	432,700	16.23
Loans secured by collateral	**1,464,038**	**49.20**	1,337,396	50.15
Pledge loans	**292,051**	**9.82**	309,899	11.62
Subtotal	**2,869,724**	**96.45**	2,595,015	97.32
Discounted bills	**105,550**	**3.55**	71,553	2.68
Total loans	**2,975,274**	**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 was defined by the Group as a specific legal entity, one borrower could be the related party of another borrower.

The Group

Major regulatory indicator	Regulatory Standard	31 December 2017	31 December 2016	31 December 2015
Percentage of loans to the largest single customer (%) [1]	**≤10**	**2.25**	2.71	2.48
Percentage of loans to the top 10 customers (%) [2]	**≤50**	**16.88**	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

		31 December 2017		
	Sector	**Balance**	**Percentage in total loans (%)**	**Percentage in net capital (%)**
Borrower A	Public management, social security and social organizations	**11,297**	**0.35**	**2.25**
Borrower B	Real estate	**11,228**	**0.35**	**2.23**
Borrower C	Information transmission, software and information technology services	**10,000**	**0.31**	**1.99**
Borrower D	Agriculture, forestry, animal husbandry and fishery	**9,763**	**0.31**	**1.94**
Borrower E	Hotel and catering	**9,128**	**0.29**	**1.81**
Borrower F	Rental and business services	**7,520**	**0.24**	**1.50**
Borrower G	Real estate	**6,800**	**0.21**	**1.35**
Borrower H	Other	**6,603**	**0.21**	**1.31**
Borrower I	Manufacturing	**6,383**	**0.20**	**1.27**
Borrower J	Transportation, storage and postal service	**6,176**	**0.19**	**1.23**
Total loans		**84,898**	**2.66**	**16.88**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB84.898 billion, taking up 2.66% of its total loans and 16.88% of its net capital.

8.4.4.2 Loan Quality Analysis

Five-Class Loan Classification

The Group measures and manages the quality of its credit assets pursuant to the 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.

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's process for approving classification of loan risks 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 the branch risk directors 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

	31 December 2017		31 December 2016	
	Balance	Proportion (%)	Balance	Proportion (%)
Pass	3,074,855	96.18	2,753,128	95.66
Special mention	68,384	2.14	76,219	2.65
Substandard	21,931	0.68	20,267	0.70
Doubtful	25,157	0.79	18,021	0.63
Loss	6,560	0.21	10,292	0.36
Total Loans	3,196,887	100.00	2,877,927	100.00
Performing loans	3,143,239	98.32	2,829,347	98.31
Non-performing loans	53,648	1.68	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

	31 December 2017		31 December 2016	
	Balance	Proportion (%)	Balance	Proportion (%)
Pass	2,859,262	96.10	2,545,184	95.45
Special mention	64,430	2.17	74,399	2.79
Substandard	20,807	0.71	19,979	0.75
Doubtful	24,230	0.81	16,735	0.63
Loss	6,545	0.21	10,271	0.38
Total Loans	2,975,274	100.00	2,666,568	100.00
Performing loans	2,923,692	98.27	2,619,583	98.24
Non-performing loans	51,582	1.73	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 RMB321.727 billion over the end of the previous year, and accounted for 96.18% of its total loan balance, representing a growth of 0.52 percentage point over the end of the previous year; and the balance of special mention loans declined by RMB7.835 billion, accounting for 2.14% of its total loan balance, a drop of 0.51 percentage point from the end of the previous year. The balance of special mention loans declined mainly because the Group reinforced its efforts to resolve risks and achieved positive results in implementing comprehensive measures to recover, restructure and transfer the concerned loans during the reporting period.

As at the end of the reporting period, the balance of the Group's NPL recognized in accordance with the regulatory risk classification criteria stood at RMB53.648 billion, representing an increase of RMB5.068 billion over the end of the previous year, indicating a growth rate lower than that of 2016; and its NPL ratio recorded 1.68%, down 0.01 percentage point from the end of the previous year.

During the reporting period, the Group experienced “a rise in NPL balance and a drop in NPL ratio”. The main influencing factors included: (1) some enterprises were still under the pressure of cutting excessive capacity and some others were still high in leverage ratios, which placed the enterprises under mounting pressure in a time of rising financing costs and affected bank exposure to credit risk; (2) the drastic price rise of raw materials and sharp rise of transportation costs in 2017 exerted pressure on downstream industries and the economic restructuring in some regions continued to expose some enterprises to growing credit risk exposure; and (3) some regions and industries had gradually released their risks and their NPLs were actively disposed and gradually resolved, resulting in slower growth in the balances of NPLs and slight drop of the corresponding NPL ratios.

At the beginning of 2017, the Group had already made sufficient projection and preparation regarding the changing trend of loan quality. Thanks to its pertinent measures for risk prevention and resolution, 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 RMB64.485 billion NPL principals by means of recovery 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.

	31 December 2017	31 December 2016	31 December 2015
Migration ratio of pass loans (%)	**1.96**	2.09	2.67
Migration ratio of special mention loans (%)	**35.16**	28.94	31.77
Migration ratio of substandard loans (%)	**46.05**	55.37	59.66
Migration ratio of doubtful loans (%)	**32.05**	43.67	41.39
Ratio of migration from performing to non-performing loans (%)	**1.45**	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 1.45%, a drop of 0.13 percentage point from the end of last year, mainly because asset quality was turning for the better, resulting in less loans migrating from performing to non-performing. For the same reason, the migration ratios of substandard and doubtful loans also went down.

Loans Overdue

The Group

Unit: RMB million

	31 December 2017		31 December 2016	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**3,105,363**	**97.14**	2,784,174	96.74
Loans overdue [(1)]				
1-90 days	**32,842**	**1.03**	36,042	1.25
91-180 days	**13,207**	**0.41**	10,806	0.38
181 days or above	**45,475**	**1.42**	46,905	1.63
Subtotal	**91,524**	**2.86**	93,753	3.26
Total loans	**3,196,887**	**100.00**	2,877,927	100.00
Loans overdue for 91 days and above	**58,682**	**1.84**	57,711	2.01
Restructured loans [(2)]	**23,245**	**0.73**	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 term) have been rearranged.

The Bank

Unit: RMB million

	31 December 2017		31 December 2016	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans repayable on demand	**2,886,823**	**97.03**	2,577,425	96.66
Loans overdue [1]				
1-90 days	**31,372**	**1.05**	32,661	1.22
91-180 days	**12,518**	**0.42**	10,628	0.40
181 days or above	**44,561**	**1.50**	45,854	1.72
Subtotal	**88,451**	**2.97**	89,143	3.34
Total loans	**2,975,274**	**100.00**	2,666,568	100.00
Loans overdue for 91 days and above	**57,079**	**1.92**	56,482	2.12
Restructured loans [2]	**22,797**	**0.77**	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 term) have been rearranged.

During the reporting period, the Group's overdue loans decreased due to the impacts of the external economic environment. As at the end of the reporting period, the Group's balance of overdue loans recorded RMB91.524 billion, a decrease of RMB2.229 billion over the end of the previous year, and the proportion of overdue loans in total loans went down by 0.40 percentage point over the end of last year. Of these overdue loans, 35.88% were short-term temporary loans with a maturity of less than 3 months. Overdue loans decreased mainly because some regions and industries had gradually released their risks and their existing overdue loans were gradually resolved after active disposal.

The Group managed and controlled loan restructuring in a stringent and prudent manner. As at the end of the reporting period, the Group restructured RMB23.245 billion loans, a growth of RMB6.011 billion in amount and a rise of 0.13 percentage point in proportion from the end of the previous year.

Breakdown of NPLs by Product

The Group

Unit: RMB million

	31 December 2017			31 December 2016		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**42,213**	**78.68**	**2.27**	37,926	78.07	2.05
Personal loans	**11,419**	**21.29**	**0.93**	10,621	21.86	1.11
Discounted bills	**16**	**0.03**	**0.01**	33	0.07	0.04
Total	**53,648**	**100.00**	**1.68**	48,580	100.00	1.69

The Bank

Unit: RMB million

	31 December 2017			31 December 2016		
	Balance	Proportion (%)	NPL ratio (%)	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**40,187**	**77.91**	**2.42**	36,380	77.43	2.19
Personal loans	**11,379**	**22.06**	**0.94**	10,572	22.50	1.13
Discounted bills	**16**	**0.03**	**0.02**	33	0.07	0.05
Total	**51,582**	**100.00**	**1.73**	46,985	100.00	1.76

As at the end of the reporting period, the Group's balance and ratio of corporate NPLs (excluding discounted bills) went up by RMB4.287 billion and 0.22 percentage point over the end of the previous year, respectively; its balance of personal NPLs grew by RMB798 million and the corresponding NPL ratio dropped 0.18 percentage point compared with the end of the previous year. The considerable rise in corporate NPLs was caused by the following main reasons: (1) some enterprises in the manufacturing and rental and business services sectors incurred credit risk due to fiercer industry competition and declining profitability that resulted from multiple factors such as overcapacity and insufficient market demand; and (2) the divided real estate market led to mounting risk of property development loans and loans to the construction industry.

Breakdown of NPLs by Geographic Location

The Group

Unit: RMB million

	31 December 2017			31 December 2016		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim [1]	**15,225**	**28.38**	**1.57**	13,321	27.42	1.73
Yangtze River Delta	**9,672**	**18.03**	**1.40**	8,002	16.47	1.26
Pearl River Delta and West Strait	**6,029**	**11.24**	**1.22**	6,564	13.51	1.37
Western	**7,809**	**14.56**	**2.01**	7,121	14.66	1.88
Central	**10,705**	**19.95**	**2.54**	10,312	21.23	2.75
Northeastern	**2,271**	**4.23**	**3.36**	1,953	4.02	2.75
Overseas	**1,937**	**3.61**	**1.17**	1,307	2.69	0.77
Total	**53,648**	**100.00**	**1.68**	48,580	100.00	1.69

Note: (1) Including the Head Office.

The Bank

Unit: RMB million

	31 December 2017			31 December 2016		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim [1]	**15,225**	**29.52**	**1.66**	13,315	28.34	1.81
Yangtze River Delta	**9,652**	**18.71**	**1.40**	7,990	17.01	1.26
Pearl River Delta and West Strait	**5,920**	**11.48**	**1.20**	6,294	13.40	1.32
Western	**7,809**	**15.14**	**2.01**	7,121	15.16	1.88
Central	**10,705**	**20.75**	**2.54**	10,312	21.95	2.75
Northeastern	**2,271**	**4.40**	**3.36**	1,953	4.14	2.75
Total	**51,582**	**100.00**	**1.73**	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, the Central region and the Yangtze River Delta. Their NPL balances summed up to RMB35.602 billion, accounting for a combined 66.36% of the Group total. In terms of incremental NPLs, the Bohai Rim registered the largest amount of RMB1.904 billion but its NPL ratio dropped by 0.15 percentage point; followed by the Yangtze River Delta, which recorded RMB1.67 billion incremental NPLs and a 0.14 percentage point rise in its NPL ratio. Incremental NPLs of these two regions took up 70.52% of the Group's total incremental NPLs.

NPLs increased in the two regions mainly because: (1) drastic price rise of raw materials and sharp increase of transportation costs exerted some pressure on the real economy in the Bohai Rim and the Yangtze River Delta; (2) existing NPLs in coastal and economically developed areas were gradually resolved after active disposal; overcapacity industries, however, were still under the pressure of structural adjustment; and some regions were prone to intensive outbreak of debt risks; and (3) NPL exposures of inland areas such as the Central and Western regions continued to increase.

Breakdown of Corporate NPLs by Sector

The Group

Unit: RMB million

	31 December 2017			31 December 2016		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	**16,843**	**39.90**	**5.20**	14,506	38.25	3.76
Real estate	**855**	**2.03**	**0.26**	147	0.39	0.05
Wholesale and retail	**10,680**	**25.30**	**5.51**	12,425	32.76	5.21
Transportation, storage and postal service	**771**	**1.83**	**0.50**	809	2.13	0.50
Water, environment and public utilities management	**432**	**1.02**	**0.24**	195	0.51	0.13
Construction	**2,063**	**4.89**	**2.65**	1,610	4.25	1.78
Rental and business services	**1,421**	**3.37**	**0.64**	226	0.60	0.13
Production and supply of electric power, gas and water	**683**	**1.62**	**0.97**	621	1.64	1.03
Public and social organizations	**0**	**0.00**	**0.00**	0	0.00	0.00
Others	**8,465**	**20.04**	**2.96**	7,387	19.47	2.76
Total	**42,213**	**100.00**	**2.27**	37,926	100.00	2.05

The Bank

Unit: RMB million

	31 December 2017			31 December 2016		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	**16,095**	**40.05**	**5.31**	14,323	39.37	3.85
Real estate	**826**	**2.06**	**0.28**	29	0.08	0.01
Wholesale and retail	**10,630**	**26.45**	**5.99**	12,322	33.87	5.52
Transportation, storage and postal service	**771**	**1.92**	**0.53**	809	2.22	0.51
Water, environment and public utilities management	**432**	**1.07**	**0.25**	195	0.54	0.14
Construction	**2,061**	**5.13**	**2.70**	1,610	4.43	1.82
Rental and business services	**1,421**	**3.54**	**0.65**	226	0.62	0.13
Production and supply of electric power, gas and water	**683**	**1.70**	**1.49**	621	1.71	1.39
Public and social organizations	**0**	**0.00**	**0.00**	0	0.00	0.00
Others	**7,268**	**18.08**	**3.44**	6,245	17.16	3.33
Total	**40,187**	**100.00**	**2.42**	36,380	100	2.19

As at the end of the reporting period, the Group's NPLs were mainly concentrated in two sectors, i.e., manufacturing and wholesale and retail. Their NPL balances collectively accounted for 65.20% of the Group total, and respectively increased by RMB2.337 billion and decreased by RMB1.745 billion over the end of the previous year, corresponding to a 1.44 and 0.30 percentage point rise in their respective NPL ratios compared with the end of the previous year.

NPLs of the manufacturing sector went up mainly because the drastic price rise of raw materials since 2017 led to rising production and operation costs, worsening credit risk and growing NPLs of the real economy and the relevant upstream and downstream enterprises. However, their NPL growth rates had slowed down and their NPL ratios gone up.

As at the end of the reporting period, the Group's NPL balances in the four sectors, namely, rental and business services, real estate, construction, and water, environment and public utilities management increased by RMB1.195 billion, RMB708 million, RMB453 million and RMB237 million over the end of the previous year, and their corresponding NPL ratios went up by 0.51, 0.21, 0.87 and 0.11 percentage point, respectively.

8.4.4.3 Analysis of Allowance for Loan Impairment

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

The Group

Unit: RMB million

	31 December 2017	31 December 2016
Beginning balance	**75,543**	60,497
Accruals during the period(1)	**50,170**	45,715
Unwinding of discount on allowance(2)	**(555)**	(564)
Transfer in (3)	**(421)**	275
Write-offs	**(35,301)**	(30,952)
Recovery of loans and advances written off in previous years	**1,467**	572
Ending balance	**90,903**	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

	31 December 2017	31 December 2016
Beginning balance	**74,016**	59,682
Accruals during the period(1)	**48,622**	44,965
Unwinding of discount on allowance(2)	**(523)**	(539)
Transfer in(3)	**(343)**	227
Write-offs	**(34,629)**	(30,853)
Recovery of loans and advances written off in previous years	**1,446**	534
Ending balance	**88,589**	74,016

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

(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 RMB90.903 billion, representing an increase of RMB15.360 billion over the end of the previous year. Its ratio of balance of allowance for loan impairment to NPL balance (i.e., the 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 169.44% and 2.84%, respectively. The allowance coverage ratio and the ratio of allowance for impairment of loans to total loans went up by 13.94 and 0.22 percentage point over the end of the previous year, respectively.

During the reporting period, the Group accrued RMB50.170 billion as allowance for loan impairment, an increase of RMB4.455 billion year-on-year. The reasons for increasing the accruals of allowance were: (1) the Group made a proactive response to credit risk 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.

8.4.5 Market Risk Management

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

8.4.5.1 Interest Rate Risk Management

Interest rate risk refers to the risk of bank accounts incurring losses in overall earnings and economic value due to unfavorable changes in factors such as interest rate and maturity structure. It includes re-pricing risk, yield curve risk, benchmark risk and option risk. The Bank manages its interest rate risk for the overall objective of observing 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 was very uneven and the domestic and foreign market environments kept changing. The US Fed entered the interest rate increase corridor at the end of 2015 and announced the "shrinking the balance sheet" strategy in September 2017. "Raising interest rates" and "shrinking the balance sheet" in parallel became the main policy direction in the USA. The policy trends of other major economies such as the Eurozone, Japan and the United Kingdom remained unclear. Interest rate fluctuations at the international market assumed an increasingly complicated trend. In China, under the general trend of deepening interest rate liberalization and promoting RMB internationalization, the fluctuation of the RMB market interest rate intensified in 2017. The domestic regulatory authorities issued the Guidelines for Management of Interest Rate Risk of Bank Books of Commercial Banks (Amendment Exposure Draft) at the end of 2017, which raises management and regulatory requirements regarding interest rate risk of bank books from the perspectives of risk management framework, data, model, system, measurement and regulatory inspection. As such, the financial institutions faced greater challenges in the management of interest rate risk.

The Bank actively responded to changes in the external situation. While continuing to improve the risk management framework and optimizing risk monitoring indicators, the Bank also actively upgraded relevant risk management systems, focusing on elevating dynamic simulation and automated data collection of the systems. At the same time, the Bank made comprehensive use of multiple methods including interest rate sensitivity gap analysis, net interest income sensitivity analysis and stress test to measure various risk types as well as analyze risks and predict 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 for market-oriented, self-discretionary and differentiated pricing. In addition, 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 within the tolerable range.

For relevant information about the Bank's interest rate gaps as at the end of the reporting period, please refer to Note 58 to the financial statements contained in this report.

8.4.5.2 Exchange Rate Risk

Exchange rate risk refers to the risk of on- and off-balance sheet businesses of a bank incurring losses due to unfavorable changes in exchange rates. The Bank mainly measures the magnitude of exchange rate risk through foreign exchange exposure analysis. Its foreign exchange exposure mainly comes from the foreign exchange position formed through foreign exchange transactions and from foreign currency capital and foreign currency profits. The Bank manages exchange rate risk by matching RMB and 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.

The exchange rate risk of the Bank was mainly subject to impacts of the Renminbi exchange rate against the US dollar. In 2017, the devaluation expectation of the Renminbi subsided and the Renminbi appreciated against the US dollar amid volatility, exhibiting a wide-range two-way fluctuation trend. The closing exchange rate of the Renminbi against the US dollar rose by a cumulative 6.72% for the year, the largest annual rise in nine years. Thanks to its proactive response to forex market fluctuations, strict control of the forex risk exposures of relevant businesses, revision and improvement of the regulations and processes relating to the forex trading business, and more intensive routine risk monitoring, early warning and reporting, the Bank was able to control its exchange rate risk within the acceptable range.

For relevant information about the Bank's foreign exchange exposures as at the end of the reporting period, please refer to Note 58 to the financial statements contained in this report.

8.4.6 Liquidity Risk Management

Liquidity risk refers to the risk that a bank is unable to obtain adequate capital in a timely manner and at reasonable cost to repay matured debts, perform other payment obligations or 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 the 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. The central bank adjusted the interest rates of such monetary policy instruments as the open market and MLF three times; regulatory inspections were of more stringent requirements; and the deleveraging process of the financial sector continued to go further. Under this context, short-term money market terminal interest rates rose, while medium to long-term money market interest rates in general remained at a high level.

In the face of such external market conditions, the Bank actively promoted and strengthened liquidity risk management and maintained an overall moderate liquidity level. Its major measures included the following: assessed liquidity risk policies on a regular basis, improved the liquidity risk management system, strengthened liquidity risk measurement and monitoring, continued to implement liquidity risk limit management, and conducted stress tests and emergency drills on a regular basis to ensure the effectiveness of its liquidity risk management contingency plans; improved comprehensive management of assets and liabilities, strengthened the monitoring and management of liquidity regulatory indicators such as liquidity coverage, appropriately increased the holding of high-quality liquid assets, rationalized the structures of assets and liabilities, issued financial bonds and replenished medium and long-term sources of funds; strengthened active liability management, diversified sources of active liabilities, ensured smoothness of financing channels such as central bank loans, money markets, interbank deposit certificates, interbank deposits and large-amount deposit certificates and supported the development of asset business; and improved routine liquidity management, strengthened market analysis and preliminary judgment, dynamically adjusted the liquidity portfolio management strategy 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 below.

Unit: RMB million

	31 December 2017	31 December 2016	Increase/ Decrease	31 December 2015
Liquidity coverage ratio	**97.98%**	91.12%	Up 6.86 percentage point	87.78%
Qualified premium liquid assets	**507,004**	398,555	27.21%	464,437
Net cash outflow in the coming 30 days	**517,472**	437,403	18.31%	529,112

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

For relevant information about the Group's liquidity gap as at the end of the reporting period, please refer to Note 58 to the financial statements contained in this report.

8.4.7 Operational Risk Management

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

During the reporting period, the Bank continued to strengthen its operational risk control and intensified the daily management of operational risk. It organized a re-examination of the key operational risk indicator system, established a stratified hierarchical indicator monitoring system, and improved the capability of in-process monitoring of operational risk. In addition, the Bank continued to strengthen operational risk management and control in key business areas and sorted out the key business processes. At the same time, the Bank reinforced the mechanism for grading and reporting risk incidents and screened some of the areas highly prone to operational risk for early detection, early reporting and early rectification of risk incidents. Moreover, the Bank made further efforts to establish a risk management system for its outsourcing business, achieving systematic management and monitoring of outsourcing management information, effectively standardizing outsourcing behavior and preventing outsourcing risk. The Bank continued to enhance its emergency response capabilities, comprehensively re-examined the business continuity management system and organized emergency drills. It also further strengthened the prevention and control of information technology risks and conducted comprehensive assessment and continuous monitoring of such risks. During the reporting period, the operational risk management system of the Bank enjoyed stable operation, placing operational risk under control in the overall sense.

8.4.8 Anti-Money Laundering

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

During the reporting period, the Bank gave full play to the role of the Head Office anti-money laundering leading group, established the channels for annual reporting and reporting of major events and formulated relevant regulations thereon, improved the administrative rules on risk management and internal control relating to anti-money laundering, and issued 5 internal control measures respectively regarding anti-money laundering confidentiality, co-examination, inspection, assessment and monitoring by name list. In addition, the Bank revised its internal control regulations on reporting of large-amount suspicious transactions and identification of customer identities. All these strengthened unified management of anti-money laundering work. Furthermore, the Bank continued to strengthen the means and control of anti-money laundering risk management and developed a management structure for anti-money laundering monitoring by name list. Among others, it completed the anti-money laundering compliance review of 18 new services and products and 8 sensitive businesses, the annual money laundering risk assessment of existing customers and the due diligence investigation of high-risk customers according to its own work requirements on collection of customer identification information and data quality thereof. The Bank comprehensively promoted the centralized operation model for anti-money laundering at the branch level. 38 branches and the Credit Card Center completed the promotion of the centralized operation model. Anti-money laundering monitoring centers were set up under the branch compliance departments and professional anti-money laundering teams established to take over the duties of anti-money laundering from grassroots outlets within their respective jurisdictions. As a result, the Bank achieved the goal of having "experts do the job in a centralized systematic manner".

8.5 Capital Management

In 2017, in combination with changes in the internal and external situations, the Group insisted on "capital light, asset light and cost light" development, formulated the strategy of "adjusting structure, accelerating turnover and lowering growth rate" and actively improved the efficiency of capital management. The Group practiced total capital management, including capital adequacy ratio management, capital planning, capital allocation and capital evaluation management. The goal of the Group's capital management was to continuously meet the requirements of capital regulatory regulations and policies, maintain a reasonable level of capital adequacy, optimize the business structure and increase the efficiency and return of capital use. The Group calculated, managed and disclosed its own and the Bank's capital adequacy ratios according to the Rules Governing Capital Management of Commercial Banks (Provisional) promulgated by the CBRC in June 2012. In terms of internal capital management, the Group actively established a sound asset turnover system, actively used market funds to meet the financing needs of customers to the maximum extent and effectively saved capital consumption.

The Group continued to strengthen its internal capital accumulation and appropriately increased external capital replenishment. At the same time, it actively optimized its business structure and implemented a capital-light development strategy to ensure that capital adequacy ratios of the Bank and the Group at all levels continue to meet regulatory requirements. In the absence of external capital replenishment during the year, the Group recorded the following capital adequacy profile as at the end of the reporting period: a capital adequacy ratio of 11.65%, which was a decrease of 0.33 percentage point from the end of the previous year; a 9.34% tier-one capital adequacy ratio, 0.31 percentage point lower than the end of the previous year; and an 8.49% core tier-one capital adequacy ratio, down 0.15 percentage point from the end of the previous year, indicating a 0.33 percentage point narrowing of decline in comparison with last year.

During the reporting period, the Group continued to reinforce its capital constraint and allocation mechanisms for continuing implementation of its capital-light development strategy. In its efforts to enhance the capital allocation and evaluation system with "economic profit" and "return on capital" at the core, the Group steadily promoted the application of the internal rating approach in capital evaluation. In addition, it strengthened capital constraints and limit management/control, and guided the business units to rationalize their asset structures under the capital constraints. The Group continued to increase its asset turnover, provided space for capital savings and enhanced its ability to serve the real economy. The Group continued to maintain its investment in low-capital-occupation personal loan business. During the reporting period, personal loans increased by RMB274.978 billion, accounting for 86.21% of the Group's total incremental loans. The Group proactively controlled the asset scale and capital occupation of its interbank business, reducing the balance of interbank assets by RMB195.608 billion during the reporting period. As at the end of the reporting period, the Group's risk-weighted assets increased by RMB353.054 billion or 8.91% over the end of the previous year, indicating a 5.40 percentage point reduction of the growth rate.

Capital adequacy ratios

Unit: RMB million

Item	31 December 2017	31 December 2016	Increase (%)/ Decrease	31 December 2015
Net core tier-one capital	**366,567**	342,563	7.01	316,159
Net tier-one capital	**403,378**	382,670	5.41	317,987
Net capital	**502,821**	475,008	5.86	411,740
Risk-weighted assets	**4,317,502**	3,964,448	8.91	3,468,135
Core tier-one capital adequacy ratio	**8.49%**	8.64%	Down 0.15 percentage point	9.12%
Tier-one capital adequacy ratio	**9.34%**	9.65%	Down 0.31 percentage point	9.17%
Capital adequacy ratio	**11.65%**	11.98%	Down 0.33 percentage point	11.87%

Leverage ratio

Unit: RMB million

Item	31 December 2017	31 December 2016	Increase (%)/ Decrease	31 December 2015
Leverage ratio	**6.18%**	5.47%	Up 0.71 percentage point	5.26%
Net tier-one capital	**403,378**	382,670	5.41	317,987
Adjusted balance of on-and off-balance sheet assets	**6,527,276**	6,994,025	(6.67)	6,044,069

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

8.6 Material Investments, Material Acquisitions and Disposal and Restructuring of Assets

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

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

8.7 Information about Structured Vehicles Controlled by the Bank

For relevant information about structured vehicles beyond the scope of the Bank's consolidation of financial statements, please refer to Note 62 to the financial statements contained in this report.

8.8 Outlook

8.8.1 Development Trends, Risks and Challenges of the Banking Sector

At present, the development of commercial banks faces new opportunities. The process of China's comprehensive economic opening up is pacing up. It will accelerate the formation of a new pattern of full-range opening up characterized by land and sea linkage, onshore and offshore interaction and two-way mutual help between the Eastern and Western regions. "Inward introduction" will assume greater vigor and access to financial and other service industries will be further relaxed. Domestic enterprises will speed up their "going global" process for in-depth participation in international capacity cooperation, focusing on the construction of the "Belt and Road". China will promote its top-level design for high-quality development at a quicker pace and push forward the transformation from "Made in China" to "Created in China", from "China Speed" to "China Quality" and from a "a big manufacturing country" to "a manufacturing power". These provide a broad space for structural adjustment, transformation and development of commercial banks. Guided by the regional strategies, the development of the domestic regions will be more coordinated, and many city clusters with a central city as their core will come into being. In the future, the city cluster economy will give an increasingly significant boost to overall economic growth. Market-oriented reform of the financial sector will accelerate; interest rate and exchange rate reforms will go further; the multi-layer capital market will gain more improvements; and the development of equity finance will enter a new phase. As such, commercial banks will embrace broad prospects for development of their investment banking and custody businesses. Financial technology revolutions such as the internet, big data, artificial intelligence and cloud computing are booming on a global scale. As they will gradually penetrate into and apply to all aspects of bank operation and management, improve marketing efficiency and reduce operating costs, such revolutions will become an important power source for bank innovation.

On the other hand, the banking sector faces severe challenges in its development. Although the performance of major domestic economic indicators has improved, the endogenous kinetic energy for economic growth remains weak. The Financial Stability and Development Commission will strengthen the professionalism, uniformity and penetration of regulation over the entire financial system. "Risk prevention and strong compliance" will become the priority of operation and management for the financial industry in 2018. It is a major responsibility of commercial banks to proactively prevent and resolve systemic financial risks. They must prevent both "black swans" and "gray rhinos". Along with the marked trend of returning to the basics of financial services, the banking industry should coordinate with economic and social development and take the initiative to undertake social responsibilities. Banks should focus more on their core businesses, improve their professional proficiency and pursue high-quality cost-effective development. Only by doing so may the banks be able to continuously improve the quality and efficiency of their service to the real economy and become faithful service providers for the real economy.

8.8.2 Implementation Review of the 2015-2017 Development Strategy

The 2015-2017 Strategic Plan of China CITIC Bank was deliberated and adopted by the Board of Directors of the Bank in March 2015 and officially implemented thereafter. Within the plan period, the Bank continued its customer focus, oriented towards value creation and light-style development, and persevered in its series of positionings, i.e., the customer positioning of large corporate customers, medium to high-end retail customers and extensive coverage of interbank customers; the "One Body Two Wings" business positioning with corporate banking as the main body and retail banking and financial markets business as the two wings; the regional positioning that focused on Beijing-Tianjin-Hebei Integration, the "Belt and Road" Initiative, the Yangtze River Economic Belt and mega cities of Beijing, Shanghai, Guangzhou and Shenzhen; the sector positioning that emphasized the new economy, the service sector and strategic emerging industries; and the channel positioning that included diversification of physical outlets, mobile development of e-channels and transformation of third-party channels into platforms. With all these, the Bank aspired to become the bank offering the best comprehensive financing services with distinctive business characteristics, outstanding profitability and robust asset quality. Over the course of the past three years, the strategy was well implemented in the overall sense[13].

Business development assumed greater strength and business layout became more coordinated. The Bank's business scale grew steadily; asset quality was controllable in the overall sense; and both the NPL ratio and the provision coverage ratio maintained the medium-to-upper level in the industry. Light-style development gained outstanding accomplishments, as was seen in not only the consolidated and upgraded market position of the corporate banking business but also in the formation of a group of strategic customers that led the market with their cooperation models and exceeded RMB10 billion in deposits and finance each. The "second transformation" of retail banking business progressed solidly; and the competitiveness of financial markets business enjoyed a continuous boost, with the Bank ranking one of the best among its peers in businesses such as spot forex trading and international balance of payments forex receipt and payment.

Market image stood out more distinctively and development became more innovative and dynamic. Group synergy stepped up to a new level with the creation of the CITIC Alliance Fleet. Integrated operation started a new chapter, featuring the establishment of CITIC Financial Leasing, acquisition of CIFH equity, additional holding of equity in CNCB Investment, incorporation of CITIC aiBank and establishment of the Asset Management Business Center. Net profit of subsidiaries increased its share in the Group total from 5.90% to 7.96%. Development of internationalization opened up a new pattern. The Bank set up its representative offices in London and Sydney and prepared to upgrade them to branches. It also started the preparation for establishing its Hong Kong branch and basically completed the acquisition of a majority equity in JSC Altyn Bank in Kazakhstan. In addition, the Bank established the Innovation Management Committee and the financial IT product innovation laboratory, created a group of innovation bases at the branch level, innovatively developed the marketing service model for its strategic customers and took the lead to set up the "Commercial Bank Network Financial Alliance".

The risk defense lines got a firmer footing and internal control and compliance gained more solid ground. The Bank promoted the construction of a risk culture, strengthened the risk management system, reinforced management of problem assets, strictly enforced accountability for risk control and upgraded the construction of a risk control system, all in a comprehensive manner. In addition, the Bank newly added or revised 1,027 internal management regulations and amended the Measures for Handling Employee Violations, reinforcing implementation of regulations and pursuit of liability in all aspects. In addition to the establishment of the accountability system, the Bank earnestly executed special rectification programs such as the "Two Strengthening and Two Curbing" program (strengthening internal management and control and strengthening external regulation, curbing illegal business operation and curbing illegal and criminal activities), the "Looking Back" program (reassessment and re-examination) and the "3340" program (rectifying the Three Violations, Three Arbitrages, Four Improper and Ten Market Chaos), effectively implementing the regulatory requirements. Moreover, the Bank built the audit framework of "one department and eight centers" and stripped audit functions from the branches, which effectively enhanced audit independence.

Security and safeguard measures became more comprehensive and vigorous and social responsibility was better fulfilled. The Bank further optimized its finance and accounting models as well as its asset and liability management models and promoted the transformation to the "capital light, asset light and cost light" model across the board. It rolled out the new core system for all businesses and the entire organization right the first time and smoothly launched the total risk management system. Other remarkable achievements included: remote centralized authorization, use of electronic seals at the counters, paperless pledge of deposit certificates and automated management of collaterals. In addition, the Bank boosted management and exchange of cadres, opened up diversified development paths for employees, established a value-oriented compensation and performance system and conducted trainings by 1.74 million person-times. In cooperation with multiple subsidiaries of the Group, the Bank invested in 178 key projects of the "Belt and Road" initiative and 34 key projects for "Beijing-Tianjin-Hebei Integration". The Bank developed a plan for development of inclusive finance and piloted it at its branches. In parallel with the Bank's green credit, CITIC Financial Leasing augmented the market influence of its green leasing brand. Fixed-point poverty alleviation projects were carried out in Gansu, Tibet and Sichuan.

13 All relevant comparative data are comparisons between year ends of 2017 and 2014.

Party building work went further and corporate culture exhibited greater strength. The Bank formulated its Rules on the Work of the Party Committee and Regulations on "Three-Important One-Large" Decision Making (i.e., decision making on important issues, appointment and dismissal of important officials, arrangements for important projects and operation of large sums), achieved full coverage of all grassroots Party organizations and established the Party member education system. In addition to vigorously promoting the implementation of the "two responsibilities" (i.e., in the process of implementing the responsibility system for the construction of the Party's work style and clean government, the Party committees shall bear the main responsibility, and the disciplinary inspection committees shall assume the supervisory responsibility), the Bank also intensified supervisory and disciplinary enforcement. It formulated and issued more than 20 regulations regarding the execution of the Eight-Point Code and comprehensively rectified problems found in the inspections. The Bank built a corporate culture system, issued a corporate culture manual, and promoted solid implementation of corporate cultural values through various forms such as special training, reading on corporate culture and storytelling about corporate culture. It also introduced and promoted employee support programs, organized special lectures and online/offline psychological counseling and tutoring, cared about the physical and mental health of employees and helped employees in need to overcome difficulties.

8.8.3 2018-2020 Development Strategy

In the past three years, the Bank conscientiously implemented various national policies and effectively promoted the execution of its 2015-2017 Strategic Plan, achieving positive results. The Board of Directors built on these to conduct in-depth analysis of the economic and financial situations in the new era and prepared the 2018-2020 Strategic Plan of China CITIC Bank on a rolling basis according to the principle of heritage, adaptability and forward-looking and officially put the plan into effect. The Bank will keep its mission in mind, return to the basics of financial services, deepen reforms, develop with sure steps and aspire to become "the enterprise offering the best comprehensive financial services".

According to the 2018-2020 development plan, the Bank will gradually shift its business positioning from "One Body Two Wings" to "Troika", i.e., strive to develop "light and strong" corporate business by optimizing structure, strengthening distinctive features, laying a good foundation and consolidating competitive advantages; strive to develop "big and strong" retail business by expanding scale, enhancing services, improving experience and significantly increasing retail AUM size and profit contribution; and strive to develop "active and strong" financial markets business by sizing up the situation, riding on trends, capturing opportunities, activating markets, penetrating into customers and strengthening platforms.

In terms of regional positioning, the Bank will adhere to differentiated echelon-specific development. It will classify its 38 tier-one branches into three categories and make corresponding differentiated arrangements for them in areas such as resource allocation and return rate requirements. The Bank's customer positioning will place return for high-value customers and inclusive services on an equal footing. Specifically, corporate banking will deepen the "Three Large and One High" customer positioning, i.e., build its brand with services to large customers, expand its influence with new customers, grow together with small and medium-sized customers and consolidate its corporate customer base. In retail banking, the Bank will continue to expand its basic customers, focus on mid- to high-end customers and further develop unique customer groups such as the middle-aged, senior citizens, women, youth and going abroad finance customers. The interbank business will focus on the financial industry leaders, mainly developing business with large and medium-sized national commercial banks, local commercial banks and mainstream non-bank institutions.

The 2018-2020 development plan is the program of action for various work of the Bank in the next three years. Focusing on the positionings and objectives of the development plan, the Bank will scientifically formulate supporting programs, rationally allocate resources, optimize the evaluation systems and reinforce publicity, training and implementation assessment to ensure that the plan is effectively executed.

8.8.4 Business Plan

In 2018, the Bank will uphold the goal of stable healthy development, adhere to value creation and light-style development, further promote business transformation and follow the path of "capital light, asset light and cost light" development. It will strive to increase customer deposits to RMB3.71 trillion at a growth rate of about 9% and loans to customers to RMB3.46 trillion yuan at a growth rate of about 8%. The Bank will also continue to adjust and optimize the business structure, endeavor to achieve a steady growth in net operating income, further increase the proportion of non-interest income, improve input-output efficiency, continuously enhance profitability and upgrade the quality of development.

The future plans and development strategies involved in the above prediction 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 prediction and understand the differences between plans, forecasts and commitments.

8.9 Management of Corporate Social Responsibility

For details of social responsibility and public benefit activities of the Bank in the reporting period, please refer to the 2017 Social Responsibility Report the Bank disclosed on the official websites of the SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this report.

9.1 Principal Business

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

9.2 Major Customers

For the reporting period, the top five corporate customers of the Bank contributed RMB51.42 billion or 1.44% to the Bank's operating income. None of these top five customers was a related party of the Bank.

9.3 Profit and Dividend Distribution of Ordinary Shares

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

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

Unit: RMB million

Year for which dividends were distributed	Cash dividends every ten shares (RMB yuan) (pre-tax)	Total amount of cash dividends (pre-tax)	Net profit attributable to shareholders of the Bank as indicated in consolidated statements	Distribution ratio (Note)
2014	—	—	40,692	—
2015	2.120	10,374	41,158	25.21%
2016	2.150	10,521	41,629	25.27%

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

After-tax profit as shown on the Bank's audited 2017 onshore and offshore financial statements respectively prepared in accordance with the PRC Accounting Standards and IFRS were both RMB39.196 billion.

The Bank transferred 10% of its after-tax profit as shown on the financial statements prepared in accordance with the PRC Accounting Standards to the statutory surplus reserve, with the accrual thereof recording RMB3.92 billion as at the end of the current period.

In comprehensive consideration of the overall interests of all shareholders, its own need for safeguarding sustainable development and the regulatory requirements on capital adequacy ratios and other factors, the Bank proposed to distribute RMB12.77 billion dividends for 2017 in total, which accounts for 30.01% of the consolidated net profit attributable to the shareholders of the Bank. Based on the total share capital of A shares and H shares, the cash dividends will be RMB2.61 (pre-tax) for every 10 shares and shall be denominated and declared in Renminbi and paid to A shareholders in Renminbi and to H shareholders in Hong Kong dollar. The dividends to be paid in Hong Kong dollar shall have their amounts calculated in accordance with the average benchmark exchange rate of Renminbi to Hong Kong dollar as released by the PBOC one week preceding the convening of the general meeting (inclusive of the date of the general meeting). No scheme for transfer of capital reserve to share capital will be applied for the current year. Retained undistributed profit after dividend payment shall be carried forward to the next financial year and continue to be used to replenish the Bank's capital, support implementation of the Bank's development strategy, improve the Bank's risk resilience, and satisfy regulatory requirements on capital adequacy ratios. The Bank recorded a 11.67% return on weighted average equity attributable to its shareholders in 2017 and is expected to maintain a certain level of return and contribution in 2018.

This profit distribution plan ("the Plan") complies with relevant provisions of the Articles of Association of the Bank and follows clear criteria and proportions of dividend payment. After sufficient discussion and consideration at the Strategic Development Committee of the Board of Directors of the Bank, the Plan was submitted for deliberation at the meetings of the Board of Directors and the Board of Supervisors convened on 26 March 2018 and adopted afterward. It shall be submitted to the 2017 Annual General Meeting to be convened on 25 May 2018 for deliberation. The Bank is expected to pay the 2017 dividends to its shareholders within two months after the approval of the Plan at the annual general meeting. For H shareholders, the Bank will pay the 2017 dividends on 23 July 2018. If there is any change to the expected dividend distribution date, the Bank will publish an announcement regarding such changes. For A shareholders, the base day and specific date of dividend distribution will be announced in due course.

The Bank's independent non-executive directors have collectively expressed their independent opinion on the Plan as follows: The 2017 profit and dividend distribution plan of the Bank is consistent with the reality of the Bank and has taken the overall interests of both the Bank and its shareholders into consideration. We hereby endorse the Plan and agree to have the Plan submitted to the 2017 Annual General Meeting for deliberation.

When the Plan is submitted to the 2017 Annual General Meeting for deliberation, the Bank will, as required by relevant regulatory requirements, offer investors online voting facilities and disclose voting results in accordance with the shareholding percentages of the voting A shareholders. The shareholding percentages are placed in the three ranges of below 1%, 1-5%, and above 5%. The shareholders with less than 1% shareholding will be further classified into the two categories of above and below RMB500,000 market value of shareholdings and their voting results shall be further disclosed accordingly. The preparation and implementation of this Plan fully protects the legitimate rights and interests of minority investors.

9.4 Material Litigations and Arbitrations

The Group was involved in several litigation and arbitration cases in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Group for loan recovery, and there were also litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, there were 122 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Group's ordinary and usual course of business where the Group acted as defendant/respondent with an aggregate disputed amount of RMB748 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 of the Group.

9.5 Appropriation of Funds by the Controlling Shareholder and Other Related Parties

There was no appropriation of the Bank's funds by either the controlling shareholder or other related parties. PricewaterhouseCoopers ZT has issued the Special Explanations on Non-Operating Fund Appropriation and Other Related Fund Transactions of China CITIC Bank Corporation Limited with regard to appropriation of the Bank's funds by the controlling shareholder and other related parties in 2017. Please refer to the relevant announcements the Bank disclosed on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for relevant information.

9.6 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 transactions, please refer to Note 61 to the financial statement contained in this report, of which the transactions constituting related party transactions as per the Hong Kong Listing Rules all complied with the requirements of these listing rules.

9.6.1 Related Party Transactions Involving Disposal and Acquisition of Assets

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

9.6.2 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 its 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 that all credit extension continuing related party transactions of the Bank were carried out in compliance with regulatory requirements. With the approvals of 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 those 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 terms 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 RMB35.690 billion, including RMB33.440 billion to CITIC Group and its associates, RMB2.250 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 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 or appropriation in violation of the provisions of the Notice on Several Issues Concerning the Standardization of Fund Exchange between Listed Companies and Their Related Parties and External Guarantees Provided by Listed Companies (as amended in 2017) (CSRC Announcement [2017] No.16) and the Notice on Standardization of External Guarantees Provided by Listed Companies (CSRC Release [2005] No.120). The related loans between the Bank and CITIC Group and its 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.

9.6.3 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 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 increased 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.

During the reporting period, the Bank, Xinhu Zhong Bao and its related parties, and China Tobacco and its related parties did not apply for caps on non-credit extension continuing related party transactions. None of the transactions between them reached the SEHK disclosure threshold, and all of them followed general commercial terms and complied with applicable regulatory requirements.

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 Hong Kong Listing Rules and Chapter 10 of the Rules of the Shanghai Stock Exchange for the Listing of Stocks. Particulars thereof are described as follows:

9.6.3.1 Third-Party Escrow Services

According to the Third-Party Escrow Services Framework Agreement entered into between the Bank and CITIC Group in December 2014, third-party escrow services between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined on the basis of relevant market rates and subject to periodic 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 RMB13 million, which did not exceed the approved annual cap.

9.6.3.2 Asset Custody Services

According to the Asset Custody Services Framework Agreement entered into between the Bank and CITIC Group in December 2014, asset custody services, account management services and third-party regulatory services provided between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to each other shall be determined on the basis of relevant market rates and the categories of assets or funds under custody, subject to periodic review. 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 RMB442 million, which did not exceed the approved annual cap.

9.6.3.3 Financial Consulting and Asset Management Services

According to the Financial Consulting and Asset Management Services Framework Agreement entered into between the Bank and CITIC Group in December 2014, the financial consulting and asset management services provided between the Bank and CITIC Group and its associates have no fixed prices or rates. The price and rate applicable to a particular service 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 RMB427 million, which did not exceed the approved annual cap.

9.6.3.4 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 and other business, 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: RMB96 million for gains and losses, RMB108 million for fair value recorded as assets and RMB18 million for fair value recorded as liabilities, none of which exceeded the corresponding approved annual caps of the Bank.

9.6.3.5 Comprehensive Services

According to the Comprehensive Services Framework Agreement entered into between the Bank and CITIC Group in March 2016, CITIC Group and its associates shall provide the Bank with comprehensive services including but not limited to medical insurance and enterprise annuity, procurement of goods and services, outsourcing services, value-added services, advertising services, technological services and property lease. The Bank and CITIC Group and its associates shall apply prevailing market prices or applicable rates of independent third-party transactions to the services provided under the Comprehensive Services Framework Agreement and shall determine prices and rates of particular services through fair and reciprocal negotiations and on normal commercial terms. In 2017, the Bank's annual cap for transactions under the framework agreement was RMB3 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB1.284 billion, which did not exceed the approved annual cap.

9.6.3.6 Asset Transfer

According to the Asset Transfer Framework Agreement entered into between the Bank and CITIC Group in December 2014 and approved by the Bank's Annual General Meeting in January 2015, the transactions involving asset transfer between the Bank and CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The transfer prices payable by the transferee shall be determined according to the following principles: (1) for transfer of general assets, as per regulatory requirements, credit assets shall be transferred on the principle of entirety. When transferring a credit asset, the transferor shall use the loan principal as the transaction price, and prioritize its consideration of 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 there are no prices available at present 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 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB47.819 billion, which did not exceed the Bank's approved annual cap.

9.6.3.7 Wealth Management and Investment Services

According to the Wealth Management and Investment Services Framework Agreement entered into between the Bank and CITIC Group in December 2014 and approved by the Bank's Annual General Meeting in January 2015, the Bank and CITIC Group and its associates shall apply general market practices and normal commercial terms in their ordinary and usual course of business. The Bank shall provide CITIC Group and its associates with wealth management and investment services including non-principal-protected wealth management and agency services, principal-protected wealth management, and proprietary fund investment, while CITIC Group and its associates shall provide the Bank with intermediary services of wealth management, such as trust services and management services. The transactions between the two parties shall be made through fair and reciprocal negotiations, on terms no more favorable than those available to independent third parties, 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 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: RMB795 million for fees relating to non-principal-protected wealth management and agency services, RMB924 million for period-end balance of principal in principal-protected wealth management services for customers, RMB52 million yields on wealth management for customers, RMB17.584 billion for period-end balance of investment funds, and RMB245 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.

9.6.4 Related Party Transactions in Joint External Investment

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

9.6.5 Related Party Debt Transactions and Guarantees

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

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

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

(2) followed general commercial terms; and

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

The auditor obtained the list of continuing related party transactions from the Bank's management. After completing relevant work in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and Hong Kong Institute of Certified Public Accountants (HICPA) Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules", the auditor did not find any of the following issues regarding the disclosed continuing related party transactions of the Bank:

(1) continuing related party transactions not approved by the Board of Directors of the Bank;

(2) pricing of related party transactions involving the provision of goods and services not compliant with the Group's pricing policy in all material aspects;

(3) execution of related party transactions not compliant with the terms and conditions of the concerned transaction contracts in all material aspects; and

(4) aggregate value of various continuing related party transactions exceeding their respective annual caps disclosed in the announcements dated 8 December 2014, 23 December 2014, 28 January 2015 and 23 March 2016.

9.6.6 Transaction Balances and Risk Exposures of Related Natural Persons

For details of the transaction balances and risk exposures relating to the transactions between the Bank and its related natural persons, please refer to Note 61 to the financial statements contained in this report.

9.7 Material Contracts and Their Performance

9.7.1 Custody, Contracting or Lease of Material Assets

During the reporting period, the Bank did not 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.

9.7.2 Material Guarantees

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

Special Explanations and Independent Opinions of Independent Non-Executive Directors Concerning the Guarantees Provided by the Bank to External Parties

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

We have verified that the guarantees hitherto provided by the Group to external parties were mainly letters of guarantee (LG), which is one of the regular banking businesses within the approved business scope of the Group. As at the end of the reporting period, the value balance of the letters of guarantee issued by the Group was equivalent to RMB195.746 billion.

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

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

9.7.3 Entrusted Wealth Management

During the reporting period, the Bank did not have any entrusted wealth management transactions beyond its normal scope of business.

9.7.4 Other Material Contracts

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

9.8 Undertakings by the Company and Its Relevant Stakeholders

On 16 April 2012, CITIC Corporation Limited undertook that, within five years as of the delivery of its acquisition of CITIC Bank equity, it will not transfer such acquired stake in the Bank (except for circumstances where CITIC Corporation Limited transfers its equity in the Bank to CITIC Limited's related parties in accordance with applicable laws and regulations, or as approved by the regulatory authorities, or where the shares are assigned as stated-owned assets for free pursuant to the state-owned assets supervision and administration procedures); if CITIC Corporation Limited transfers its shares in the Bank upon expiry of the lock-up period, it shall obtain prior consent from the regulatory authority in terms of the transfer and the qualification of the transferee as a shareholder of the Bank. On 25 February 2013, CITIC Corporation Limited's acquisition of the Bank's shares was delivered. The above-mentioned undertakings of CITIC Corporation Limited came into effect on 25 February 2013. On 16 March 2018, the Bank was notified by CITIC Limited that the lock-up period of the above-mentioned undertakings made by CITIC Corporation Limited had expired.

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

To deliver the above undertaking, CITIC Group's controlled subsidiary CITIC Limited notified the Bank on 22 January 2016 that it (including its subsidiaries) planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding did not exceed 5% of the Bank's total issued share capital (including the already completed additional shareholding). As at 21 January 2017, CITIC Limited had 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 had performed the above-mentioned undertakings.

During the reporting period, the Bank was not aware of any violation of the above-mentioned undertakings. Save and except for these undertakings, the Bank was not aware of any other undertakings that were performed during the reporting period or not yet performed as at the end of the reporting period by its shareholders, de factor controller, acquirers, directors, supervisors, senior management members or other related parties.

9.9 Appointment and Dismissal of Auditors

As per the resolution adopted by the 2016 Annual General Meeting, the Bank continued to engage PricewaterhouseCoopers Zhong Tian LLP as its domestic auditor and PricewaterhouseCoopers as its overseas auditor for the year 2017. The Bank has engaged these two accounting firms as its auditors since the 2015 annual audit. The two accounting firms have both provided audit services to the Bank for 3 consecutive years. Zhu Yu and Hu Yan were the signing CPAs for the audit report regarding the Bank's 2017 financial statements prepared in accordance with the PRC Accounting Standards, respectively recording 1 and 3 consecutive years' audit service for the Bank. Chen Guangde was the signing CPA for the audit report regarding the Bank's 2017 financial statements prepared in accordance with the IFRS, recording 1 consecutive year's audit service for the Bank.

The Group paid about RMB18.81 million audit fees (including fees for auditing the financial reports of its subsidiaries) in total to PricewaterhouseCoopers Zhong Tian LLP who audited its 2017 financial report prepared in accordance with the PRC Accounting Standards and its internal control report as at 31 December 2017 and to PricewaterhouseCoopers who audited its 2017 financial report prepared in accordance with the IFRS. This amount included RMB1 million fee for auditing the internal control report. The statements of PricewaterhouseCoopers ZT and PricewaterhouseCoopers regarding their responsibilities pertaining to the financial reports are set out in the audit reports contained in the A-share and H-share annual reports, respectively.

Except for the above-mentioned audit fees, the Group paid approximately RMB12.18 million to PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers for their non-audit services (including professional services rendered for bond issuance and asset securitization).

9.10 Amendment to the Articles of Association

In March 2017, in line with its actual situations, the Bank amended the provisions of its Articles of Association regarding the assistant president and the authority to handle emergencies. The relevant proposals concerning these amendments were reviewed and adopted at the 2016 Annual General Meeting held on 26 May 2017. The revised Articles of Association was approved by the CBRC on 18 September 2017 and officially came into effect on the same day.

In August 2017, in line with relevant laws and regulations, regulatory requirements and the general requirements on incorporating Party building work into the articles of association, the Bank added the provisions on Party building in state-owned enterprises to its Articles of Association in combination with its actual situations, and at the same time amended the provisions on the balance of general reserve and the internal audit system. The relevant proposals regarding these amendments were reviewed and adopted at the 2nd Extraordinary General Meeting of 2017 held on 30 November 2017, and the amended Articles of Association will come into effect upon approval by the CBRC.

Please refer to the relevant announcements published by the Bank on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 27 May, 27 September and 1 December respectively for relevant details about the amendments. Investors may check against the full text of the prevailing Articles of Association of the Bank on the above websites.

9.11 Equity Incentive Scheme

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

9.12 Use of Funds Raised and Material Investments with Non-Raised Funds

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

9.13 Penalties and Remedial Actions of the Company and Its Relevant Stakeholders

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members, controlling shareholder, de facto controller or acquirers 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, case 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 or request for correction within prescribed time limits by other regulators that may have any material impact on the business operation of the Bank.

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

9.14 Integrity of the Company and Its Relevant Stakeholders

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

9.15 Reserves

For details on changes in the reserves of the Bank as at the end of the reporting period, please refer to Notes 47-50 to the financial statements contained in the report.

9.16 Distributable Reserves

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

9.17 Donations

In the reporting period, the Group paid back to the society with enthusiasm in strict accordance with the newly promulgated PRC Charity Law and other applicable laws and regulations. As at the end of the reporting period, the Group had made total donation of RMB27.6849 million and HKD2.4621 million, the combination of which was equivalent to RMB29.7430 million, a growth of 30.15% over the end of the previous year. These donations were mainly used for poverty alleviation, disaster relief and financial aid to the vulnerable groups. As at the end of the reporting period, the Group had organized 164 volunteer activities, recording employee participation of 3,100 person-times.

9.18 Fixed assets

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

9.19 Retirement and Benefits

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

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

9.20 Share Capital and Public Float

For details on changes in the Bank's share capital during the reporting period, please refer to Note 45 to the financial statements contained in the report. Pursuant to publicly available information, the Board of Directors of the Bank was of the view that the Bank had sufficient public float as at the disclosure date of the report.

9.21 Purchase, Sale or Redemption of Shares

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

9.22 Pre-emptive Rights

Neither the PRC laws, administrative regulations and departmental rules, nor the Articles of Association of the Bank contains any mandatory provisions on pre-emptive rights for purchase of shares of listed companies. According to its Articles of Association, the Bank may increase its registered capital by way of public offering or private offering, rights issue or bonus issue to the existing shareholders, transfer of capital reserve to share capital, or other means permitted by laws and administrative regulations or as approved by relevant authorities.

9.23 Issuance of Shares

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

9.24 Issuance of Debentures

Please refer to Chapter 10 "Changes in Ordinary Share Capital and Information on Ordinary Shareholders" for information about the Bank's issuance of debentures.

9.25 Equity Linked Agreements

Save for what is disclosed in Chapter 11 "Preference Shares" of the report, the Bank neither entered into nor continued any equity linked agreements during the reporting period.

9.26 Equity Interest of Substantial Shareholders

Please refer to Chapter 10 "Changes in Ordinary Share Capital and Information on Ordinary Shareholders – Interests and Short Positions Held by Substantial Ordinary Shareholders and Other Persons" of the report for detailed information.

9.27 Tax Matters

A Shareholders

For individual investor shareholders, the Notice on Issues Relating to the Implementation of the Differentiated Individual Income Tax Policy on Dividends Obtained from Listed Companies (Cai Shui [2012] No.85), and the Notice on Issues Relating to the Differentiated Individual Income Tax Policy on Dividends Obtained from Listed Companies (Cai Shui [2015] No.101), both issued jointly by the Ministry of Finance, the State Administration of Taxation and CSRC provide that, for shares of listed companies that an individual investor obtains from public offering and/or the transfer market, if the duration of shareholding is less than 1 month (inclusive), the full amount of his or her dividend income shall be calculated as taxable income; if the duration of shareholding is between 1 month and 1 year (inclusive), 50% of the dividend income shall be calculated as taxable income for the time being; and if the duration of shareholding lasts more than one year, the dividend income shall be exempted of individual income tax for the time being. All the above-mentioned dividend income shall be taxed at a uniformly applicable tax rate of 20%.

For securities investment funds that are shareholders of listed companies, the computation and payment of dividend income tax shall be made in accordance with the aforementioned Notice on Issues Relating to the Differentiated Individual Income Tax Policy on Dividends Obtained from Listed Companies (Cai Shui [2015] No.101) and Notice on Issues Relating to the Implementation of the Differentiated Individual Income Tax Policy on Dividends Obtained from Listed Companies (Cai Shui [2012] No.85).

Resident enterprise shareholders (including institutional investors) shall pay income tax on their cash dividends on their own accord pursuant to relevant taxation requirements of the government.

For Qualified Foreign Institutional Investors (QFII), listed companies are required to withhold and pay enterprise income tax at the rate of 10% pursuant to the requirements of the Notice of the State Administration of Taxation Concerning the Relevant Issues on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonuses and Interests by PRC Resident Enterprises to QFIIs (Guo Shui Han [2009] No.47). Where the dividend paid to a QFII is entitled to relevant treatments under a tax agreement (arrangement), the QFII may apply to the competent tax authority for such treatment. The latter shall implement the treatment as stipulated in the tax agreement after verifying the validity of the application. Where a tax refund is involved, the QFII shall promptly submit a tax refund application to the competent tax authority on its own accord after receiving the dividend.

H Shareholders

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

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

Tax matters in relation to the Shanghai-Hong Kong Stock Connect shall be handled according to the provisions of the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Taxation Policies in Connection with the Pilot Shanghai-Hong Kong Stock Connect Mechanism (Cai Shui [2014] No. 81).

Shareholders of the Bank shall be taxed and/or access tax credits, reliefs and exemptions in accordance with the aforementioned regulations.

9.28 Environment-Related Performance and Policies

The Bank strictly abided by the requirements of applicable laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Energy Conservation Law of the People's Republic of China. In particular, the Bank clarified its industrial positioning in the 2015-2017 Strategic Planning of CITIC Bank, i.e., a persistent focus on the following priority support areas: new economy, service industry and strategic emerging industries represented by energy conservation and environmental protection, new energy, new-generation information technology, biology and high-end equipment manufacturing.

During the reporting period, the Bank formulated the 2017 Credit Policy of CITIC Bank defining green credit as its credit policy. In accordance with the Opinions of the CPC Central Committee and the State Council on Accelerating the Construction of Ecological Civilization and the Overall Plan on Institutional Reform for the Construction of Ecological Civilization, the Bank adhered to the development concept of innovation, coordination, green, open and sharing. Among others, it strictly implemented relevant regulatory requirements, built a green financial management system, increased its support to green economy, low-carbon economy and circular economy, prevented environmental and social risks, and improved its own environmental and social performance so as to optimize its credit structure, enhance its service level and promote the transformation of its development pattern. The 2017 Credit Policy of CITIC Bank defined the priority support areas of green credit and set forth the requirements for the construction of a green financial management system.

During the reporting period, the Bank stepped up its efforts to reduce loans to and exit from the "high energy consumption, heavy pollution and overcapacity" industries and classified the different enterprises in these industries for implementation of different policies. Continuing support was rendered to premium leading enterprises that were characterized by advanced technology, high efficiency, good potentials and ready market. With regard to other enterprises, the Bank gradually reduced its support or made an exit. For those enterprises where it was hard for the Bank to exit or reduce its support in a short period of time, the Bank maintained its credit grant but would reduce support and make an exit under the premise of preserving its rights and interests.

During the reporting period, the Bank formulated the Administrative Measures of CITIC Bank for the Classification of Environmental and Social Risks. According to the levels of environmental and social risks, the Bank classified its corporate loan customers or projects into A, B and C categories. For Category A or B customers or projects, the Bank carried out dynamic assessment of the movement of environmental and social risks in areas such as loan application, review and approval of loan applications and post-lending management. Such assessment covered the management of customer environmental and social risks, liquidity situations and external communication. The assessment results were used as an important basis for customer access, management and exit. In addition, the Bank integrated management of customer environmental and social risks into its business processes such as pre-lending investigation, review and approval of loan applications, contract management, review of loan use and post-lending management.

9.29 Events Relating to Bankruptcy and/or Re-engineering

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

9.30 Major Risks

For details on major risks of the Bank, please refer to Chapter 8 "Management Discussion and Analysis" of the report.

9.31 Changes to Accounting Policies and Accounting Estimates or Correction of Significant Accounting Errors

In 2017, the Ministry of Finance promulgated the Accounting Standard for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations and the revised Accounting Standard for Business Enterprises No. 16 – Government Subsidies and the Notice of MOF on Amending and Issuing the Formats of Financial Statements for General Enterprises (Cai Kuai [2017] No. 30). The Group prepared its 2017 financial statements applying the above standards and notice. The impacts thereof on the Group's financial statements are set out as follows:

The Group had neither non-current assets or disposal groups held for sale nor components of discontinued operations. As such, Accounting Standard for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations had no effect on the Group's financial statements.

As per the revised Accounting Standard for Business Enterprises No. 16 – Government Subsidies and in line with the prospective application approach, the Group, as of 1 January 1 2017, directly posted a total amount of RMB200 million from deferred income, including asset-related government subsidies, value-added tax rebate and other government subsidies relating to routine business activities, to other income items. The comparative financial statements for 2016 were not restated.

As per the Notice on Amending and Issuing the Formats of Financial Statements for General Enterprises, the Group included in the profit or loss on disposal of assets a loss of RMB9 million recognized in the 2017 disposal of long-term assets including fixed assets, added to the comparative 2016 financial statements RMB63 million profit or loss on disposal of assets, and restated non-operating income from RMB387 million to RMB310 million and non-operating expenses from RMB408 million to RMB394 million.

9.32 Performance of Social Responsibility for Poverty Alleviation

9.32.1 Financial Services for Precision Poverty Alleviation

During the reporting period, the Bank continued to follow the relevant call of the Chinese government and implement the work arrangements of the regulators such as the PBOC and the CBRC. It regarded financial services for precision poverty alleviation as an important political and social responsibility and a historic mission and made innovations to its products and service models. As such, the Bank continued to improve the accuracy and effectiveness of its across-the-board efforts relating to financial services for precision poverty alleviation, kept consolidating the foundation for such precision poverty alleviation, and gradually harvested the fruits of such poverty alleviation efforts.

The foundation of financial services for precision poverty alleviation continued to be consolidated. The Bank continued to improve the work mechanism on financial services for precision poverty alleviation, defined the credit policy on poverty alleviation with financial services, detailed the work plan on poverty alleviation with financial services, and formulated and issued the 2017 Work Plan of CITIC Bank on Financial Services for Precision Poverty Alleviation, which elaborated the requirements on alleviating poverty alleviation with financial services from the perspectives of platform construction, product innovation, business synergy and foundation consolidation. The Bank revised and issued the Special Statistical Requirements of CITIC Bank on Loans Granted in relation to Financial Services for Precision Poverty Alleviation (version 2.0, 2017), which set up the mechanism for reporting statistical data on financial services for precision poverty alleviation, required all branches to follow relevant regulations including requirements of local PBOC branches and the data and statistical requirements of the CNCB Head Office, enhanced data quality management, improved the data collection process and ensured accurate, timely and complete submission of poverty alleviation data. In addition, the Bank increased incentives for poverty alleviation with financial services by incorporating the effectiveness of such poverty alleviation into the performance evaluation of its branches in 2017.

As at the end of the reporting period, the Bank's balance of loans for precision poverty alleviation with financial services stood at RMB4.225 billion, an increase of RMB1.420 billion or 50.62% over the previous year. In terms of borrowers, personal loans for precision poverty alleviation recorded RMB2.780 billion, up 24.67% from the previous year; and institutional loans for precision poverty alleviation stood at RMB1.444 billion, up 151.34% from the previous year.

9.32.2 Other Precision Poverty Alleviation Initiatives

The Bank helped the poverty-stricken areas to shake off poverty and become better off by multiple means, including long-term fixed-point assistance in villages, supporting infrastructure construction in poor areas, assisting sales of agricultural products and improving education and medical environments. In addition, the Bank dispatched its cadres to villages or have its cadres serve temporary positions in villages for poverty alleviation purpose. In 2017, the Bank donated RMB15.1777 million for poverty alleviation purpose, focusing on four directions: agricultural development for poverty alleviation, infrastructure construction for poverty alleviation, education for poverty alleviation and pro bono efforts for poverty alleviation, benefiting about 100,000 poor people.

During the reporting period, the Bank's fixed-point poverty alleviation work in Xietongmen County, Shigatse City, Tibet Autonomous Region continued to focus on the "CITIC Bank Water Channels" project with a total investment of RMB3.007 million. Water channels were built for Garuchong Village and Xugui Village of Danada Township, Kaga Village of Kaga Township, and Longxia Village of Rongma Township, which were supplemented by the construction of 7 agricultural bridges, 10 water diversion outlets and 1 aqueduct. The construction of "CITIC Bank Water Channels" raised the unit farmland yield of the above four villages from the original average 210 kg/mu to 235kg/mu, increased annual grain output by 15,400 kg and annual per capita income by RMB425 yuan on average. In addition, in its fixed-point poverty alleviation work in Dangchang County of Gansu Province, the Bank completed the construction of a wall for Poli Village, built a fitness and cultural square for Poli Village, Zhayu River Village and Rushu Village-Pingtao She, and opened up a high way to connect Poli Village and Guanjie Village, which effectively addressed the real hardships of the villages such as difficulty in moving agricultural machinery and equipment into and out of the poor villages.

During the reporting period, after assisting 850 poor high school students in completing their secondary education in the 2013-2017 school year, the Bank continued to work with the China Foundation for Poverty Alleviation. The partners opened 20 "CITIC Bank • New Great Wall High School Self-Development Classes" nationwide, providing 1,000 poor high school students with RMB1,800 living allowance per year per person. In addition, the Bank also donated RMB2 million in the past two years to establish the "CITIC Bank Education Development Fund" in Xietongmen County of Tibet for education assistance. The fund accumulatively assisted university/college students, technical secondary school students and students enrolled by Tibet classes in other mainland places outside Tibet by a total of 580 person-times since 2015.

9.32.3 Work Plan on Financial Services for Precision Poverty Alleviation

In 2018, the Bank will continue to improve its work mechanism for poverty alleviation with financial services and develop a work layout of "Head Office + branches and point efforts + non-point efforts" to reduce poverty with financial services. The Bank will also continue to improve the accuracy and effectiveness of the bank-wide efforts for poverty alleviation with financial services and elevate the levels of financial services in poverty-stricken areas, focusing on product innovation, platform construction and business synergy.

The Bank will render greater support to poverty alleviation. It will help develop infrastructures such as transportation, water conservancy, electricity, energy and ecological environment construction as well as basic public services including culture, medical care and health in poverty-stricken areas by precisely targeting the financing needs of key projects and key areas of poverty alleviation. Based on the resource endowments and industrial characteristics of poverty-stricken areas, the Bank will support the development of unique local industries that are capable of employing members of registered impoverished households and increasing income of the poor population by precisely targeting the financing needs of such local industries. In addition, the Bank will provide registered impoverished households with lending support and payment services relating to their production, business start-up and education by precisely targeting the financial needs of such households in employment and education. In addition, the Bank will actively promote the innovation of personal loan products and services, broaden the financing channels in poor areas, strengthen inter-bank channel cooperation, and actively seek to enhance the scope and intensity of cooperation with financial institutions in poor areas.

The Bank will build a more solid management foundation for poverty alleviation with financial services. For better policy guidance and stronger credit support, the Bank will open up green channels, prioritize the approval of key agriculture-related poverty alleviation loans or projects, and research how to support poverty alleviation with loan interest rate pricing in line with specific business situations. Meanwhile, the Bank will improve its performance evaluation system. Branches will be assessed vis-à-vis their institutional construction, organizational promotion, business development and risk control relating to financial services for precision poverty alleviation, with points appropriately added or subtracted in comprehensive performance evaluation. Furthermore, the Bank will improve its data statistics and submission, strengthen data quality management, improve the data collection process and ensure accurate, timely and complete submission of poverty alleviation data.

The Bank will organize financial education activities. Ongoing publicity campaigns on financial consumer rights protection will be launched both at physical outlets and via electronic channels. Employees from branches and sub-branches will be actively organized to access communities, businesses and shopping districts for dissemination of financial knowledge. Representative case studies will be publicized more extensively. All these will help people in poverty-stricken areas improve their financial knowledge and develop their awareness of financial risk prevention. The Bank will also continue to follow up on the latest developments in financial services for precision poverty alleviation and fully mobilize its branches to tap into the grassroots level for representative case studies, advanced models and advanced deeds in precision poverty alleviation with financial services and select outstanding cases for publicity series in the mainstream media.

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

9.33 Business Review

For details of the Group's business profile, major risks and uncertainties in 2017 and outlook for 2018, please refer to Chapter 8 "Management Discussion and Analysis" of this report. In addition, for the Group's environment-related performance and policies, compliance with relevant laws and regulations that had significant impact on the Group, and the Group's relations with its employees, suppliers and customers in 2017, please refer to Chapter 8 "Management Discussion and Analysis", Chapter 9 "Report of Board of Directors" and Chapter 12 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

9.34 Relevant Information of Directors, Supervisors and Senior Management

As to remunerations of directors, supervisors and senior management members, interests and short positions in the shares, underlying shares and debentures of the bank held by the Bank's directors, supervisors and senior management members, interests of directors and supervisors in material contracts, relationships among directors, supervisors and senior management members, and interests of directors in businesses competing with the Bank, please refer to Chapter 12 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

9.35 Other Significant Events

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

By order of the Board of
China CITIC Bank Corporation Limited

Chairperson


中信银行
CHINA CITIC BANK
只为重要的你
7x24 小时陪伴
别让工作把时间填满
也别忘记生命中最重要的Ta
中信银行 手机银行
让陪伴 形影不离
与家人一起 遇见 美好未来
扫一扫
把指尖上的银行带回家

10.1 Changes in Ordinary Share Capital

10.1.1 Table on Changes in Shareholdings

Unit: share

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

10.1.2 Shares Subject to Restrictions on Sale

On 20 January 2016, the Bank completed the registration and custody formalities relating to its private offering of 2,147,469,539 A shares to China Tobacco Corporation, upon which time the Bank's total share capital increased to 48,934,796,573 shares, including 2,147,469,539 shares subject to restrictions on sale, about 4.39% of the Bank's total.

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

10.2 Issuance and Listing of Securities

10.2.1 Equity Financing

During the reporting period, the Bank did not issue any new shares.

10.2.2 Issuance of Bonds

With the approval of the CBRC and the PBOC, the Bank successfully completed bookkeeping and issued RMB50 billion financial bonds at the national interbank bond market on 13 April 2017. It was a 3-year fixed-rate bond with an annual coupon rate of 4.20%. Total proceeds from the issue were fully transferred to the Bank's account to replenish its working capital.

During the reporting period, with the approval of the CBRC and the PBOC, the Bank successfully issued USD1.8 billion senior unsecured bonds on the SEHK to replenish its working capital. The bonds successfully completed delivery on 14 December 2017 and registration for listing on the SEHK on 15 December 2017. The bonds included four varieties and were issued to be held in book entry form. The 3-year floating-rate bond in the amount of USD700 million was issued at a coupon rate of 3-month Libor + 90bps and a price of 100%; the 3-year fixed-rate bond in the amount of USD300 million was issued at a coupon rate of 2.875% and a price of 99.658%; the 5-year floating-rate bond in the amount of USD550 million was issued at a coupon rate of 3 months Libor + 100bps and a price of 100%; and the 5-year fixed-rate bond in the amount of USD250 million was issued at a coupon rate of 3.125% and a price of 99.537%. The Bank's corporate credit ratings were Baa2 (Moody's), BBB+ (S&P) and BBB (Fitch). The bond's credit ratings were Baa2 (Moody's) and BBB+ (S&P).

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) for detailed information thereof.

10.2.3 Issuance of Convertible Bonds

The Bank proposed to make a public offering of up to RMB40 billion A-share convertible corporate bonds. The plan on this public offering and its associated proposals were deliberated and adopted at the meetings of the Board of Directors respectively convened on 25 August 2016, 19 December 2016 and 18 January 2017, and were adopted via voting by poll at the 1st Extraordinary General Meeting in 2017, the 1st A Shareholders Class Meeting in 2017, and the 1st H Shareholders Class Meeting in 2017 convened on 7 February 2017.

The CBRC issued the Reply of the China Banking Regulatory Commission on Approving the Relevant Matters relating to CITIC Bank's Issuance of A-Share Convertible Corporate Bonds (CBRC Reply [2017] No.193) in July 2017. After submitting the application documents to the CSRC, the Bank received, on 28 September 2017, from the CSRC the Notification of the CSRC on Its One-Time Feedback regarding the Review of the Administrative Licensing Project (No. 171748) in connection with the Bank's proposed issuance of A share convertible corporate bonds. On 24 November 2017, the Bank disclosed the Announcement of China CITIC Bank Corporation Limited on Its Rely to the Feedback on the Application Documents relating to Its Public Issuance of A-share Convertible Corporate Bonds (Provisional No. 2017-48) and submitted to the CSRC its reply to the CSRC feedback. The Bank convened a meeting of the Board of Directors on 21 December 2017, and reviewed and adopted the Proposal Regarding the Extension of the Validity Period of the Resolution of the General Meeting in Respect of Public Issuance of A Share Convertible Corporate Bonds and the Proposal to the General Meeting Regarding the Extension of the Authorization period to the Board of Directors for Handling Matters in Relation to the Issuance and Listing of A Share Convertible Bonds at the 1st Extraordinary General Meeting in 2018, the 1st A Shareholders Class Meeting in 2018 and the 1st H Shareholders Class Meeting in 2018 convened on 6 February 2018. The aforementioned convertible corporate bonds may only be issued with approval of the 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) for details of the relevant documents on the proposed public issuance of A-share convertible corporate bonds.

10.2.4 Internal Employee Shares

There were no internal employee shares issued by the Bank.

10.3 Information on Ordinary Shareholders

10.3.1 Total Number of Shareholders

As at the end of the reporting period, the Bank had 193,141 accounts of ordinary shareholders in total, including 161,644 accounts of A shareholders and 31,497 accounts of registered H shareholders, and no preference shareholders with restored voting right.

As at the close of the month preceding the disclosure date of this report (i.e. 28 February 2018), the Bank recorded 176,586 accounts of ordinary shareholders in total, including 146,059 accounts of A shareholders and 30,527 accounts of registered H shareholders, and no preference shareholders with restored voting right.

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

Unit: Share

No.	Name of shareholder	Nature of 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	12,119,354,162	24.77%	0	6,145,940	Unknown
3	China Tobacco Corporation	State-owned legal person	A share	2,147,469,539	4.39%	2,147,469,539	0	
4	China Securities Finance Corporation Limited	State-owned legal person	A share	1,032,669,817	2.11%	0	139,773,257	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	46,210,260	0.09%	0	16,642,960	0
8	Macao Monetary Authority-proprietary fund	Foreign entity	A share	36,971,203	0.08%	0	36,971,203	0
9	Mao Tian Capital Limited	State-owned legal person	A share	31,034,400	0.06%	0	31,034,400	0
10	Zhuhai Hengqin Liangxing Investment Management Co., Ltd.	Other	A share	31,000,000	0.06%	0	31,000,000	0

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

(2) Hong Kong Securities Clearing Company Nominees Limited is a wholly owned subsidiary of Hong Kong Securities Clearing Company Limited. The total number of shares held by Hong Kong Securities Clearing Company Nominees Limited is the aggregate number of H shares it held in its capacity as nominee on behalf of all institutional and individual investors registered with the company as at 31 December 2017. Hong Kong Securities Clearing Company Limited is an institution that is designated by others to hold shares, including the Shanghai Stock Connect shares held by Hong Kong and overseas investors, on behalf of others in its capacity as nominee shareholder.

(3) 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.

(4) 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 4.685% of the Bank's total share capital. Summit Idea Limited is a wholly owned affiliate of Xin Hu Zhong Bao. In addition to the afore-mentioned stake, Xin Hu Zhong Bao also directly owned 153,686,000 H shares of the Bank via its wholly owned subsidiary Hong Kong Xin Hu Investment Co., Ltd, taking up 0.314% of the Bank's total share capital.

(5) Note on connected relations or concerted actions of the above shareholders: Hong Kong Securities Clearing Company Nominees Limited is a wholly owned subsidiary of Hong Kong Securities Clearing Company Limited. As per information disclosed on the Third Quarterly Result of China Construction Bank, as at 30 September 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. Except for these, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.

10.3.3 Shareholdings of the Top 10 Shareholders Not Subject to Restrictions on Sale (as at the end of the reporting period)

Unit: Share

No.	Name of shareholder	Number of shares not subject to restrictions on sale held	Class and number of shares Class	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	12,119,354,162	H Share	12,119,354,162
3	China Securities Finance Corporation Limited	1,032,669,817	A Share	1,032,669,817
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	46,210,260	A Share	46,210,260
7	Macao Monetary Authority-proprietary fund	36,971,203	A Share	36,971,203
8	Mao Tian Capital Limited	31,034,400	A Share	31,034,400
9	Zhuhai Hengqin Liangxing Investment Management Co., Ltd.	31,000,000	A Share	31,000,000
10	China Poly Group Corporation	27,216,400	A Share	27,216,400

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

As at the end of the reporting period, interests and short positions in the ordinary shares and underlying shares of the Bank held by substantial shareholders and other persons as recorded in the register that the Bank maintained pursuant to Section 336 of the Securities and Futures Ordinance were 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	2,398,165,000(L)	16.11(L)	H share
Hong Kong Xin Hu Investment Co., Ltd.	2,398,165,000(L)	16.11(L)	H share
Zhejiang Heng Xing Li Holdings Group Limited	2,398,165,000(L)	16.11(L)	H share
Zhejiang Xin Hu Group Corporation Limited	2,398,165,000(L)	16.11(L)	H share
UBS SDIC Fund Management Co., Ltd.	2,292,579,000(L)	15.40(L)	H share
Huang Wei	2,398,165,000(L)	16.11(L)	H share
Xin Hu Zhong Bao Co., Ltd.	2,398,165,000(L)	16.11(L)	H share
Ningbo Jiayuan Industrial Development Limited	2,398,165,000(L)	16.11(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 shares or underlying shares of the Bank recorded in the register that the Bank maintained pursuant to Section 336 of the Securities and Futures Ordinance requiring disclosure in accordance with Sections II and III of Part XV of the Securities and Futures Ordinance.

10.5 Controlling Shareholder and De Facto Controller of the Bank

As at the end of the reporting period, CITIC Corporation Limited was the controlling shareholder of the Bank; CITIC Limited was the single direct controlling shareholder of CITIC Corporation Limited; CITIC Group was the controlling shareholder of CITIC Limited, and 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 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 CITIC Limited. The former CITIC Limited was renamed 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's total share capital increased to 48,934,796,573 shares and the proportion of shares owned by CITIC Corporation Limited went down to 64.18%.

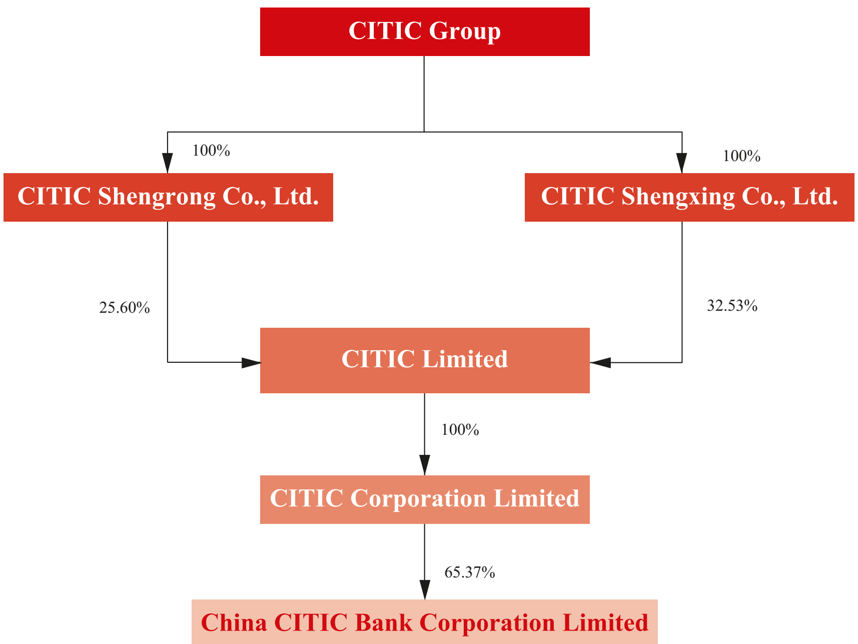
In January 2016, CITIC Limited notified the Bank that it planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding did not exceed 5% of the Bank's total issued share capital. As at 21 January 2017, the implementation of the additional shareholding 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 Mr. 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. (The entity shall discretionally choose its business projects and conduct its business activities according to the law; 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; and may not engage in business activities of the projects that are prohibited or restricted by the municipal industrial policy).

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 changed 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, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) held 32,284,227,773 shares of the Bank in aggregate, representing 65.97% of the total issued shares of the Bank, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares in the Bank, accounting for 65.37% of the total share capital of the Bank, including 28,938,928,294 A shares and 3,049,800,479 H shares.

As at the end of the reporting period, the ownership structure between the Bank, its controlling shareholder and its de facto controller was as follows[14]:



14 CITIC Shengrong Co., Ltd. and CITIC Shengxing Co., Ltd. are both wholly-owned affiliates of CITIC Group. CITIC Corporation Limited directly owned 65.37% of the total share capital of the Bank, in addition to which, CITIC Limited also held part of the Bank's equity via its subsidiaries and CITIC Corporation Limited's subsidiaries.

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

Name of shareholder	Name of listed company	Place of listing	Stock code	Shareholding percentage (%)
CITIC Corporation Limited 16.50%	CITIC Securities Co., Ltd.	Shanghai Hong Kong	600030.SH 6030.HK	16.50%
CITIC Corporation Limited 60.49% CITIC Investment Holdings Limited 4.52% CITIC Automobile Limited 2.26%	CITIC Heavy Industries Co., Ltd.	Shanghai	601608.SH	67.27%
CITIC Offshore Helicopter Limited 38.63%	CITIC Offshore Helicopter Corporation Limited	Shenzhen	000099.SZ	38.63%
Keentech Group Ltd 49.57% CITIC Australia 9.55% Extra Yield International Ltd. 0.38%	CITIC Resources Holdings Limited	Hong Kong	1205.HK	59.50%
Bowenvale Ltd 74.43%	Asia Satellite Telecommunications Holdings Limited	Hong Kong	1135.HK	74.43%
Highkeen Resources Limited 34.39% APEXHILL INVESTMENTS LIMITED 9.07%	CITIC Dameng Mining Industries Ltd	Hong Kong	1091.HK	43.46%
Richtone Enterprises Inc. 3.80% Ease Action Investments Corp. 35.03% Silver Log Holdings Ltd 17.25% Cuixin Holdings Corporation Limited 4.00%	CITIC Telecom International	Hong Kong	1883.HK	60.08%
Numerous subsidiaries of CITIC Pacific jointly 56.35%	Dah Chong Hong Holdings Limited	Hong Kong	1828.HK	56.35%
CITIC Pacific (China) Investment Limited 28.18% Hubei Xinye Steel Co., Ltd. 29.95%	Daye Special Steel Co., Ltd.	Shenzhen	000708.SZ	58.13%
CKM (Cayman) Company Limited 62.91%	CITIC Envirotech Ltd	Singapore	U19.SG	62.91%
CITIC Industrial Investment Group Co., Ltd. 8.71% CITIC Construction Limited 6.72% Shenzhen Xin Nong Investment Center (Limited Partnership) 3.36%	Longping High-tech Co., Ltd.	Shenzhen	000998.SZ	18.79%
Man Gui Investment Co., Ltd. 10%	China Overseas Land & Investment Limited	Hong Kong	688.HK	10%

Notes: (1) The table only lists the major listed subsidiaries where CITIC Corporation Limited and CITIC Limited held or controlled equity interests.
(2) The shareholding percentages listed in the table were those of the direct shareholders.

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

Name of Invested Company	Stock Code	Shareholding (%)	Shareholder(s)
CITIC Limited	0267.HK	58.13%	CITIC Shengxing Co., Ltd. 32.53% CITIC Shengrong Co., Ltd. 25.60%

Notes: (1) The above table only lists the major listed subsidiaries where CITIC Group held or controlled equity interests.
(2) The shareholding percentages listed in the table were those of the direct shareholders.

10.6 Information on Other Substantial Shareholders

As per the relevant provisions of the CBRC Provisional Measures for the Management of Equity in Commercial Banks, in addition to CITIC Corporation Limited, the major shareholders of the Bank also include Summit Idea Limited and China Tobacco.

Summit Idea Limited is a company incorporated in Hong Kong. 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 4.685% of the Bank's total share capital. Summit Idea Limited is a wholly owned affiliate of Xin Hu Zhong Bao. In addition to the afore-mentioned stake, Xin Hu Zhong Bao also directly owned 153,686,000 H shares of the Bank via its wholly owned subsidiary Hong Kong Xin Hu Investment Co., Ltd, taking up 0.314% of the Bank's total share capital. Xinhu Zhong Bao (SH.600208) was listed on the Shanghai Stock Exchange in 1999. Its principal business is real estate and finance. As at the end of September 2017, the company recorded registered capital of RMB8.599 billion, total assets of RMB126.9 billion yuan and net assets of RMB31.9 billion. The company is an industry leader in terms of the size, strength and quality of its real estate business. At the time of the report, it has developed more than 40 real estate projects in more than 30 cities across the country with aggregate development area reaching over 30 million square meters. In terms of financial business, Xinhu Zhong Bao has formed a financial investment pattern that covers securities, banking, insurance and futures, etc. At the same time, out of its commitment to build an integrated financial service eco-sphere, it has made forward-looking investment and deployment in internet-based finance companies with leading market shares such as u51.com and Wind.

China Tobacco is a mega state-owned enterprise established with approval from the State Council and a registered capital of RMB57 billion. It is an enterprise owned by the whole people. The main business scope of China Tobacco includes the production, operation and import and export of tobacco monopoly products, as well as management and operation of state-owned assets. As at the end of the reporting period, China Tobacco held 2,147,469,539 A shares of the Bank, 4.39% of the total share capital.

10.7 Other Legal-Person Shareholders Holding 10% or More Shares of the Bank

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

Chapter 11 Preference Shares

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

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

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

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

11.2 Number of Preference Shareholders and Their Shareholdings

As at both the end of the reporting period and the close of the month preceding the disclosure date of this report (i.e. 28 February 2018), the Bank recorded 31 accounts of preference shareholders. Information on the top 10 preference shareholders is set out in the table below.

Unit: shares

No.	Name of shareholder (full name)	Nature of Shareholder	Changes in shareholding in the reporting period (+, -)	Number of shares held at the end of the period	Shareholding percentage (%)	Class of shares held	Number of shares subject to restrictions on sale	Shares pledged or frozen Status	Shares pledged or frozen Quantity
1	China Mobile Communications Group Corporation[15]	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 – Shanghai – SPDB – Shanghai Pudong Development Bank Shanghai Branch	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	–	–	–

15 China Mobile Communications Corporation has changed its name to China Mobile Communications Group Corporation Limited.

Notes: (1) The shareholdings of preference shareholders were calculated based on the information contained in the preference-share register of the Bank.
(2) Note on connected relations or concerted actions of the above preference shareholders: Based on publicly available information, the Bank came to the preliminary conclusion that there was connected relation between China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai and China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai and between China Ping An Life Insurance Co., Ltd. – Universal – Individual Universal Insurance and China Ping An Life Insurance Company Limited – Dividends – Dividends for Individual Insurance. Except for these, the Bank was not aware of any connected relation or concerted action between the above-mentioned preference shareholders or between the above-mentioned preference shareholders and the top 10 ordinary shareholders.

11.3 Dividend Distribution for Preference Shares

11.3.1 Policy on profit distribution of preference shares

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

Cash dividends shall be paid for the above-mentioned preference shares on an annual basis, with the interest-bearing principal calculated as the total par value of the issued ongoing preference shares and the interest start date being the payment date of the subscribed shares (i.e. 26 October 2016). Dividends on the above preference shares shall not be cumulative, i.e., the shortage from a full-amount dividend payout in the current year will not be accumulated to the next interest-bearing year. Except for access to the dividends agreed upon in accordance with the issuance plan, the above-mentioned preference shareholders shall not participate in the distribution of surplus profits together with the ordinary shareholders.

11.3.2 Payment of dividends on preference shares during the reporting period

The Bank adopted the 2017 Plan on Payment of Dividends on Preference Shares at the Board meeting convened on 24 August 2017, approving that the preference share dividends accrued between 26 October 2016 and 25 October 2017 would be paid on 26 October 2017. On 26 October 2017 the Bank paid dividends on the preference shares to all the shareholders of "CITIC Excellent 1" (preference share code: 360025) registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch at the close of trading on the SSE on 25 October 2017. The Bank paid out a preference dividend of RMB3.80 per share (tax inclusive), which was calculated at a nominal dividend rate of 3.80%, with total dividend payment for the 350 million preference shares amounting to RMB1.330 billion (pre-tax).

11.3.3 Amount and ratio of dividend distribution for preference shares in the recent three years

Unit: RMB million

Item	2017	2016	2015
Distribution amount	**1,330**	—	—
Distribution ratio	**100%**	—	—

Notes: (1) Distribution ratio is the ratio of the total amount of dividends paid out to the dividends payable for the current year.
(2) The interest start date shall be the payment date of the subscribed shares, i.e. 26 October 2016.

11.4 Redemption or Conversion of Preference Shares

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

11.5 Restoration of Voting Right of Preference Shares

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

11.6 Accounting Policies for Preference Shares and the Underlying Reasons

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

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

12.1.1 Board of Directors

Name	Position	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties)
Li Qingping	Chairperson, Executive Director	Female	Oct. 1962	Mar. 2014 – May 2018	0	0	–	Yes
Zhu Gaoming	Non-executive Director	Male	Jan. 1965	Aug. 2017 – May 2018	0	0	–	Yes
Sun Deshun	Executive Director, President	Male	Nov. 1958	Mar. 2014 – May 2018	0	0	259.68	No
Huang Fang	Non-executive Director	Female	May 1973	Nov. 2016 – May 2018	0	0	–	Yes
Wan Liming	Non-executive Director	Male	May 1966	Jun. 2016 – May 2018	0	0	–	Yes
Wu Xiaoqing	Independent Non-Executive Director	Female	Oct. 1953	Oct. 2012 – May 2018	0	0	30.00	No
Wong Luen Cheung Andrew	Independent Non-Executive Director	Male	Aug. 1957	Nov. 2012 – May 2018	0	0	30.00	No
He Cao	Independent Non-Executive Director	Male	Sep. 1955	Jun. 2016 – May 2018	0	0	30.00	No
Chen Lihua	Independent Non-Executive Director	Female	Sep. 1962	Jun. 2016 – May 2018	0	0	30.00	No
Qian Jun	Independent Non-Executive Director	Male	Jul. 1970	Dec. 2016 – May 2018	0	0	30.00	No

Notes: (1) The starting time of the terms of office of the re-elected/re-engaged directors, supervisors and senior management members is the time of their respective initial appointment/engagement. The same applies below.

(2) The final remunerations for the year 2017 for those executive directors who received remunerations from the Bank are still undergoing confirmation, of which the remaining amounts shall be disclosed upon completion of the confirmation process.

12.1.2 Board of Supervisors

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties)
Wang Xiuhong	External Supervisor	Female	Oct. 1946	Jan. 2014 – May 2018	0	0	30.00	No
Jia Xiangsen	External Supervisor	Male	Apr. 1955	May 2015 – May 2018	0	0	30.00	No
Zheng Wei	External Supervisor	Male	Mar. 1974	May 2015 – May 2018	0	0	30.00	No
Cheng Pusheng	Employee Representative Supervisor	Male	Feb. 1968	May 2015 – May 2018	0	0	322.05	No
Chen Panwu	Employee Representative Supervisor	Male	Jan. 1964	Sep. 2017 – May 2018	0	0	311.34	No
Zeng Yufang	Employee Representative Supervisor	Female	Dec. 1970	Sep. 2017 – May 2018	0	0	309.84	No

Notes: The performance bonuses for the medium-rank and senior management members of the Bank are subject to deferred payment. Such deferred payment for the year 2017 involving the employee representative supervisors of the Board of Supervisors of the Bank was in the total amount of RMB2.3641 million and remained pending at the time of the report.

12.1.3 Senior Management Members

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties)
Sun Deshun	Executive Director, President	Male	Nov. 1958	Since Dec. 2011	0	0	259.68	No
Fang Heying	Vice President & CFO	Male	Jun. 1966	Since Nov. 2014	0	0	167.23	No
Guo Danghuai	Vice President	Male	May 1964	Since Nov. 2014	0	0	167.23	No
Yang Yu	Vice President	Male	Dec. 1962	Since Dec. 2015	0	0	163.15	No
Mo Yue	Secretary of the Committee for Disciplinary Inspection	Male	Oct. 1959	Since May. 2017	0	0	76.94	No
Hu Gang	Vice President of the Bank & President of Shanghai Branch	Male	Mar. 1967	Since May 2017	0	0	283.65	No
Yao Ming	Chief Risk Officer	Male	Sep. 1960	Since May 2017	0	0	323.52	No
Lu Wei	Secretary to the Board of Directors	Male	Oct. 1971	Since Jan. 2017	0	0	306.80	No

Notes: (1) The final remunerations for the year 2017 for the senior management members (except the Chief Risk Officer and the Secretary to the Board of Directors) that received remunerations from the Bank are still undergoing confirmation, of which the remaining amounts shall be disclosed upon completion of the confirmation process.

(2) The performance bonuses for the medium-rank and senior management members of the Bank are subject to deferred payment. Such deferred payment for the Chief Risk Officer and the Secretary to the Board of Directors for the year 2017 was in the total amount of RMB1.5876 million and remained pending at the time of the report.

12.1.4 Non-incumbent Directors, Supervisors and Senior Management Members

Name	Position prior to departure from office	Gender	Date of birth	Departure time	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties) during the term of office with the Bank Remaining 2016 remuneration before tax
Wang Kang	Secretary to the Board of Directors	Male	Jun. 1972	Jan. 2017	16,800	16,800	–	No
Qiao Wei	Secretary of the Committee for Disciplinary Inspection	Male	Sep. 1966	Mar. 2017	0	0	52.58	No
Zhu Xiaohuang	Non-executive Director	Male	Jul. 1956	Mar. 2017	0	0	–	Yes
Wen Shuping	Employee Representative Supervisor	Female	Apr. 1957	Sep. 2017	0	0	102.22	No
Ma Haiqing	Employee Representative Supervisor	Male	Dec. 1970	Sep. 2017	0	0	76.27	No
Zhu Jialin	Vice President	Male	Oct. 1964	Sep. 2017	0	0	125.68	No
Chang Zhenming	Non-executive Director	Male	Oct. 1956	Jan. 2018	0	0	–	Yes
Zhang Qiang	Vice President	Male	Apr. 1963	Jan. 2018	0	0	173.68	No
Shu Yang	Supervisor	Male	May. 1965	Feb. 2018	0	0	–	Yes
Cao Guoqiang	Chairman of the Board of Supervisors	Male	Dec. 1964	Mar. 2018	0	0	187.36	No

Notes: (1) The final remunerations for 2017 for the non-incumbent Chairman of the Board of Supervisors and vice presidents listed in the table are still undergoing confirmation, of which the remaining amounts shall be disclosed upon completion of the confirmation process.

(2) The performance bonuses for the medium-rank and senior management members of the Bank are subject to deferred payment. Deferred payment of remunerations for 2017 for the non-incumbent employee representative supervisors listed in the table was in the amount of RMB629,300 and remained pending at the time of the report.

12.2 Resumes of Directors, Supervisors and Senior Management Members

12.2.1 Directors

Ms. Li Qingping

Chinese Nationality

Chairperson and executive director of the Bank. Ms. Li is concurrently Party Committee Member, executive director/deputy general manager of CITIC Group, executive director/deputy general manager/executive committee member of CITIC Limited, executive director/deputy general manager of CITIC Corporation Limited, chairperson of CIFH, and vice chairperson of CITIC Prudential Life Insurance Co., Ltd. (formerly Pa Hsin-cheng Life Insurance Co., Ltd.). Ms. Li has been chairperson and executive director of the Bank since 20 July 2016. Prior to that, Ms. Li was executive director and president of the Bank from July 2014 to July 2016; Party secretary of the Bank since May 2014; non-executive director of the Bank between March and May 2014; Party committee member of CITIC Group and concurrently deputy general manager of CITIC Corporation Limited since September 2013; and deputy general manager and executive committee member of CITIC Limited since September 2014. She has been an executive director of CITIC Group, CITIC Corporation Limited and CITIC Limited since December 2015; deputy general manager of CITIC Group since December 2017; chairperson of CIFH since September 2015; and vice chairperson of Pa Hsin-cheng Life Insurance Co., Ltd. (now CITIC Prudential Life Insurance Co., Ltd.) since March 2014. Earlier, she was head of retail banking and concurrently general manager of personal finance department of Agricultural Bank of China (ABC) from May 2009 to September 2013, head of retail banking and concurrently general manager of personal banking and personal credit departments of ABC from January 2009 to May 2009, and Party secretary and president of ABC Guangxi Branch from January 2007 to December 2008. Prior to these, she was a cadre, deputy division chief, division chief, deputy general manager and general manager of the International Business Department at the ABC Head Office from August 1984 to January 2007. Ms. Li is a senior economist with over 30 years' professional experience in the Chinese banking industry. She graduated from Nankai University majoring in international finance with a master's degree in economics.

Mr. Zhu Gaoming

Chinese nationality

Non-executive directors of the Bank. Mr. Zhu joined the Bank's Board of Directors in August 2017. Mr. Zhu is concurrently Party committee member and deputy general manager of CITIC Group, and deputy general manager and executive committee member of CITIC Limited. From May 2014 to April 2015, Mr. Zhu was Secretary to the Board of Directors of Agricultural Bank of China Corporation Limited (ABC). From December 2009 to May 2014, he was general manager of the Corporate Banking Department and general manager of the Credit Review and Approval Department of ABC. From February 2004 to December 2009, he served as Party committee member and vice president of ABC Shanghai Branch, deputy Party secretary and vice president of ABC Jiangsu Provincial Branch, and Party secretary and president of ABC Jiangsu Provincial Branch. From August 1990 to February 2004, he held numerous positions at ABC Shanghai Branch, including cadre in the office of the international business department, deputy general manager and general manager of the international business department, and general manager of the foreign exchange business department. Mr. Zhu graduated from Fudan University and the University of Sheffield in the UK with a master's degree in economics and a master's degree in business administration. He is a senior economist with rich professional experiences in the banking industry.

Mr. Sun Deshun

Chinese Nationality

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

Ms. Huang Fang

Chinese Nationality

Non-executive director of the Bank. Ms. Huang joined the Board of Directors of the Bank in November 2016. She is a director of Xinhu Zhong Bao Co., Ltd. since November 2015, a director of Zhejiang Xinhu Group Co., Ltd. since August 2013, and vice president and chief financial officer of Zhejiang Xinhu Group Co., Ltd. since July 2011. Previously, Ms. Huang was vice president and chief financial officer of Xinhu Holdings Limited from October 2010 to July 2011. From August 1992 to September 2010, she worked for Agricultural Bank of China (ABC) Zhenjiang Provincial Branch, holding various positions, including deputy general manager of the international business department of the branch, deputy general manager of Hangzhou Baojiao sub-branch (in charge of work), as well as deputy general manager of the corporate banking unit as well as deputy general manager (in charge of work) and general manager of the personal finance unit at the business department of the branch. Ms. Huang has a wealth of financial experience, outstanding leadership and organizational/coordinative capability. Ms. Huang graduated from Zhejiang University with a bachelor of law degree. She holds multiple qualifications including an intermediate economist title, financial planner & wealth manager, international financial planner, and certified private banker.

Mr. Wan Liming

Chinese Nationality

Non-executive director of the Bank. Mr. Wan joined the Board of Directors of the Bank in June 2016. He has been Director of the Financial Management and Supervision Division (Audit Division) of the State Tobacco Monopoly Administration since November 2011. He was deputy director of the Financial Management and Supervision Division (Audit Division) of the State Tobacco Monopoly Administration between December 2009 and November 2011, and chief accountant of Yunnan Tobacco Monopoly Bureau (company) from February 2007 to December 2009. Between August 1996 and February 2007, he served multiple positions at Yunnan Tobacco Monopoly Administration (Company), including deputy chief and chief of the finance division, chief of the financial management and audit division, deputy chief accountant and chief of the financial management division. From May 1996 to August 1996, he was a cadre at Yunnan Tobacco Travel Company. From July 1988 to May 1996, he worked as a lecturer and deputy teaching & research director at Yunnan Finance and Trade College. Mr. Wan has worked in economic areas for 29 years, with a wealth of financial management experience. He graduated from the Department of Industrial Economics at Renmin University of China with a bachelor's degree in economic management of capital construction.

Ms. Wu Xiaoqing

Chinese Nationality

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

Mr. Wong Luen Cheung Andrew

Chinese nationality

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

Mr. He Cao

Chinese nationality

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

Ms. Chen Lihua

Chinese nationality

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

Mr. Qian Jun

Chinese nationality

Independent non-executive director of the Bank. Mr. Qian joined the Board of Directors in December 2016. Mr. Qian has been professor of finance and executive dean of Fanhai International School of Finance at Fudan University since July 2017. He was 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 between July 2014 and June 2017. He was an associate editor of the Review of Finance from December 2013 to December 2016. He was professor of finance and a Ph.D. tutor at Shanghai Advanced Institute of Finance (SAIF) and co-director of the EMBA program of Shanghai Jiao Tong University from July 2013 to June 2017. Mr. Qian served as a special-term professor of finance at Shanghai Jiaotong University from May 2009 to June 2013. Prior to joining SAIF, he taught finance at the Carroll School of Management of Boston College between July 2000 and June 2013, being an assistant professor from July 2000 to February 2006 and an associate professor of finance with tenure between March 2006 and June 2013. He worked as a Haub family researcher from September 2011 to June 2013. Since April 2011, Mr. Qian is an associate editor of the Frontiers of Economics in China. He was a special-term professor of finance at the School of Economics and Management of Tsinghua University between July 2007 and June 2009, a visiting associate professor at MIT's Sloan School of Management between July 2007 and June 2008, and a research fellow at the Wharton School of University of Pennsylvania since September 2002. Mr. Qian did his undergraduate program at the Department of International Economics of Fudan University between 1988 and 1991 and obtained his bachelor's degree in economics from the University of Iowa in May 1993 and his Ph.D. from the University of Pennsylvania in May 2000. Mr. Qian's research interests span many topics of theoretical and empirical corporate finance and financial institutions, including business and investment banking, mutual and hedge funds, credit rating agencies, mergers and acquisitions, legal systems related to finance, comparison of financial systems in emerging markets, development of financial systems during China's economic transformation, and financial risk prevention and control. His research papers have been published on top academic journals including the American Economic Review, Journal of Finance, Journal of Financial and Quantitative Analysis and Journal of International Economics. He also contributed chapters of several books on developing financial systems, including China's Great Economic Transformation, Emerging Giants in the World Economy: China and India, China's Emerging Financial Markets: Challenges and Opportunities, and Global Perspectives of Rule of Law.

12.2.2 Supervisors

Ms. Wang Xiuhong

Chinese Nationality

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

Mr. Jia Xiangsen

Chinese Nationality

External supervisor of the Bank. Mr. Jia has been an independent director of China Life Insurance Company Limited since March 2016. He was concurrently chief audit executive and director general of the audit bureau at the Agricultural Bank of China ("ABC") Head Office between March 2010 and March 2014 and headed the ABC Head Office audit bureau between April 2008 and March 2010. From December 1983 to April 2008, Mr. Jia was deputy general manager of the Fengtai District sub-branch of PBOC Beijing Branch, and held various positions at ABC Beijing Branch, including, among others, deputy head of Fengtai District sub-branch, deputy division chief (in charge of work) at the branch, head of Dongcheng District sub-branch, and eventually vice president and deputy Party secretary of the branch. He was also general manager of the corporate banking department of ABC Head Office and president of ABC Guangdong Provincial Branch. Prior to that, he worked at Chaoyang and Fengtai District offices of PBOC Beijing Branch. Mr. Jia graduated from the graduate school of the Chinese Academy of Social Sciences majoring in monetary banking.

Mr. Zheng Wei

Chinese Nationality

External supervisor of the Bank. Mr. Zheng is a professor and dean of risk management and insurance science at the School of Economics of Peking University. Mr. Zheng has been working at the School of Economics of Peking University since July 1988, holding various positions including assistant lecturer, lecturer, associate professor, professor and Ph.D. tutor, and has been assistant dean, deputy dean and dean of risk management and insurance science since March 1999. He is an independent director of Xinhua Life Insurance Co., Ltd. since March 2016 and an independent director of Donghai Shipping Insurance Co., Ltd. since June 2016. Since May 2017, he has been an independent director of PICC Reinsurance Co., Ltd. Between August 1999 and January 2000, Mr. Zheng was a visiting scholar to the Business School of the University of Wisconsin—Madison. Mr. Zheng graduated from the School of Economics of Peking University with a doctoral degree in finance.

Mr. Cheng Pusheng

Chinese Nationality

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

Mr. Chen Panwu

Chinese Nationality

Employee representative supervisor of the Bank. Mr. Chen has been executive vice chairman of the trade union of the Bank since December 2014 and concurrently general manager of the Culture, Labor Union Office & Security Department of the Bank since April 2015. He was deputy general manager and general manager of the Human Resources Department of the Bank from June 2005 to November 2014, during which period he concurrently served as head of the organization department of the Party Committee of the Bank from October 2012 to November 2014. From May 1994 to June 2005, he worked at the Bank's Hangzhou Branch, successively serving as deputy head of the planning and credit unit, head of Fengqi office, general manager of the personnel department, and assistant to the general manager & general manager of the human resources unit. Mr. Chan graduated from Suzhou University with a doctoral degree in finance.

Ms. Zeng Yufang

Chinese Nationality

Employee representative supervisor of the Bank. Ms. Zeng has been vice president of the Bank's Shenzhen Branch since May 2011. She was assistant president of the Bank's Shenzhen Branch from July 2008 to May 2011, deputy general manager and general manager of the accounting department of the branch from December 2003 to July 2008. Between August 2001 to November 2003, she was deputy general manager of Shenzhen Gaoyou Industrial Co., Ltd. (now renamed "Shenzhen Honemark Information Technology Co., Ltd."). From December 1998 to July 2001, she was assistant chief of the finance and accounting division of State Development Bank Shenzhen Branch. From March 1996 to November 1998, she worked at Shenzhen Branch of China Investment Bank, successively serving as deputy chief of the accounting section and assistant general manager of the accounting unit of Futian sub-branch. Ms. Zeng graduated from East-West University of the USA with a master's degree in business administration.

12.2.3 Senior Management

Mr. Sun Deshun

Chinese Nationality

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

Mr. Fang Heying

Chinese Nationality

Vice President and CFO of the Bank. Mr. Fang has been Party committee member of the Bank since August 2014, vice president of the Bank since November 2014 and concurrently CFO of the Bank since January 2017. At the moment, Mr. Fang is also concurrently a director of CNCB Investment, CNCBI and CIFH. Prior to that, Mr. Fang headed the Bank's financial markets business from May 2013 to November 2014. He was concurrently Party secretary and president of the Bank's Hangzhou Branch between May and September 2014 and served as Party secretary and president of the Bank's Suzhou Branch from March 2007 to May 2013. From September 2003 to March 2007, he successively held various positions at the Bank's Hangzhou Branch, including party committee member, assistant president, and vice president. From December 1996 to September 2003, he worked at the Bank's Hangzhou Branch, successively holding the positions of section chief and deputy general manager of the credit department, general manager and Party secretary of Fuyang sub-branch, deputy general manager of the international settlement department, deputy general manager of the retail business department, and general manager of the business department. From July to December 1996, he was deputy director of Hangzhou Chengdong office of Shanghai Pudong Development Bank. From December 1992 to July 1996, he worked at the credit department of the experimental urban credit cooperative of Zhejiang Banking School, successively holding the positions of credit clerk, manager, and assistant general manager. From July 1991 to December 1992, he was a teacher at Zhejiang Banking School. Mr. Fang is a senior economist and a graduate of Peking University with a master's degree in business administration. He has over 20 years of experience in the Chinese banking industry.

Mr. Guo Danghuai

Chinese Nationality

Vice President of the Bank. Mr. Guo has been Party committee member of the Bank since August 2014 and vice president of the Bank since November 2014. Prior to that, from May 2013 to August 2014, he was chief auditor of the Bank. From March 2010 to May 2013, he served as Party secretary and general manager of the Business Department at the Bank's Head Office. From July 2006 to March 2010, he was Party secretary and president of the Bank's Tianjin Branch. From January 2005 to July 2006, he was general manager of the International Business Department of the Bank. From August 2001 to January 2005, he was assistant president of the Bank. From November 2000 to August 2001, he was designated by CITIC Group to be chairman of CITIC Guo'an Group and lead the project on acquisition of Shantou Commercial Bank. From September 1999 to November 2000, he was Party secretary and president of the Bank's Shenyang Branch. From August 1986 to September 1999, he worked for the Bank, successively holding the positions of staff, deputy section chief and section chief, and also served as section chief, deputy general manager and general manager of the Bank's business department at Capital Mansion, assistant president and vice president of the Bank's Beijing Branch, and deputy general manager of the Business Department at the Bank's Head Office. Mr. Guo is a senior economist and a graduate of Peking University with a master's degree in business administration. He has over 30 years of experience in the Chinese banking industry.

Mr. Yang Yu

Chinese Nationality

Vice President of the Bank. Mr. Yang has been Party committee member of the Bank since July 2015 and vice president of the Bank since December 2015. At the moment, Mr. Yang is concurrently chairman of CITIC Financial Leasing Co. Ltd. Prior to that, he was Party secretary and president of China Construction Bank (CCB) Jiangsu Branch between March 2011 and June 2015, and Party secretary and president of CCB Hebei Branch between July 2006 and February 2011. Between August 1982 and June 2006, Mr. Yang worked at CCB Henan Branch, holding various positions, including deputy head of the branch's budget and finance division, head of the budget and finance division as well as vice president and Party committee member of Xinyang Branch, Party secretary and general manager of Zhengzhou municipal railway branch, Party secretary and president of Zhengzhou Branch, and deputy Party secretary and vice president (in charge of work) of Henan Provincial Branch. Mr. Yang is a senior economist with a master's diploma and a doctorate degree in management. He has over 30 years of experience in the Chinese banking industry.

Mr. Mo Yue

Chinese Nationality

Secretary of the Committee for Disciplinary Inspection. Mr. Mo has been Secretary of the Committee for Disciplinary Inspection and member of the Party committee of the Bank since May 2017. Mr. Mo was deputy director of the Supervision Department of CITIC Group from October 2015 to May 2017. Earlier, Mr. Mo served as special inspector (deputy departmental head level) and deputy director of the office of the leading group for touring inspection under the Party committee of CITIC Group from June 2010 to October 2015. From July 2007 to June 2010, he worked at CITIC Bohai Aluminum Industries Holding Company Limited, serving successively as member of the Party committee, chief accountant and deputy general manager. He was deputy director and director of the Audit Department of CITIC Corporation between November 2000 and July 2007, and chief auditor of the Audit Department of CITIC Corporation from May 1997 to November 2000. From August 1984 to May 1997, Mr. Mo worked at Tongxian County Audit Office in Beijing. Mr. Mo is a senior economist and a graduate from Beijing College of Economics with a bachelor's degree in economics.

Mr. Hu Gang

Chinese Nationality

Vice President of the Bank. Mr. Wu has been vice president of the Bank since May 2017 and Party committee member of the Bank since November 2017. Mr. Hu is Party secretary of the Bank's Shanghai Branch since December 2014, and concurrently president of Shanghai Branch since May 2015. Prior to that, Mr. Hu was head of the wholesale business of the Bank from May 2014 to May 2017; Chief Risk Officer of the Bank from May 2013 to May 2014; Party committee member, vice president, Party secretary, vice president (in charge of work) and president of the Bank's Chongqing Branch from May 2005 to May 2013. He served successively as deputy head of the preparatory team for establishment of the Bank's Changsha Branch, Party committee member and vice president of Changsha Branch from June 2000 to May 2005; and chairman of Changsha Xiangcai Urban Credit Cooperative in Hunan Province from October 1997 to June 2000. From August 1993 to October 1997, he worked for Hunan Zhongli Industrial Group Co., Ltd. and served successively as assistant general manager and general manager of Beihaixiang Properties Development Company and vice president of the company's affiliated Hongdu Enterprise Company. From March to August 1993, Mr. Hu was deputy section chief at the personnel department of Hunan Provincial Party Committee Office; and from June 1989 to March 1993, he worked for the Political Department of Hunan Provincial Procuratorate. Mr. Hu is a senior economist and a graduate of Hunan University with a doctoral degree in economics. He has over 10 years of experience in the Chinese banking industry.

Mr. Yao Ming

Chinese Nationality

Chief Risk Officer of the Bank. Mr. Yao has been general manager of the Credit Approval Department of the Bank since October 2014 and Chief Risk Officer of the Bank since May 2017. Prior to that, Mr. Yao was general manager of the Risk Management Department of the Bank from July to October 2014; Party secretary and president of the Bank's Wenzhou Branch from March 2013 to June 2014; assistant president, chief risk officer, Party committee member and vice president of the Bank's Nanjing Branch from April 2004 to March 2013; associate, deputy general manager and general manager of the credit review department of Nanjing Branch from April 1999 to April 2004; staff member, deputy section chief and section chief of the credit business department of Nanjing Branch from October 1996 to April 1999. From February 1995 to September 1996, he was deputy head of the domestic cooperation department of Nanjing Bole Group Corporation; from March 1993 to February 1995, he served as deputy chief of the finance division at the state-owned No. 924 Factory; from April 1991 to March 1993, he was manager of the financial department of Shenzhen Hualianfa Company; from August 1984 to April 1991, he was an accountant at the state-owned No. 924 Factory. Mr. Yao is a senior economist and a graduate from Hangzhou Institute of Electronic Industry with a bachelor's degree. He has over 20 years of professional experience in the Chinese banking industry.

Mr. Lu Wei

Chinese Nationality

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

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

12.3.1 Directors

In March 2017, due to age reason, Mr. Zhu Xiaohuang resigned his non-executive directorship at the Bank and membership of both the Strategic Development Committee and the Risk Management Committee of the Board of Directors of the Bank, with effect from 3 March 2017.

In May 2017, the 2016 Annual General Meeting of the Bank adopted the resolution on electing Mr. Zhu Gaoming as a non-executive director of the fourth session of the Board of Directors of the Bank. On 18 August 2017, with CBRC approval of his qualification for office, Mr. Zhu Gaoming assumed office as a non-executive director of the Bank.

In January 2018, Mr. Chang Zhenming resigned his non-executive directorship at the Bank and membership of the Strategic Development Committee of the Board of Directors of the Bank due to work rearrangements, with effect from 5 January 2018.

12.3.2 Supervisors

In September 2017, due to age reason, Ms. Wen Shuping resigned from the positions of employee representative supervisor and member of the Nomination Committee of the Board of Supervisors of the Bank, with effect from 12 September 2017.

In September 2017, due to work rearrangements, Mr. Ma Haiqing resigned from the positions of employee representative supervisor and member of the Supervision Committee of the Board of Supervisors of the Bank, with effect from 12 September 2017.

In September 2017, Mr. Chen Panwu and Ms. Zeng Yufang were elected employee representative supervisors of the fourth session of the Board of Supervisors based on voting by all employee representatives at the Bank's employee representative assembly. In accordance with relevant regulatory requirements and the Articles of Association of the Bank, Mr. Chen Panwu and Ms. Zeng Yufang became employee representative supervisors of the fourth session of the Board of Supervisors of the Bank as of 12 September 2017.

In February 2018, Mr. Shu Yang resigned his positions as supervisor of the Bank, chairman of the Supervision Committee and member of the Nomination Committee of the Board of Supervisors of the Bank due to work rearrangements, with effect from 27 February 2018.

In March 2018, the Board of Supervisors deliberated and adopted the proposal on appointing Mr. Jia Xiangsen as the chairman of the Supervision Committee of the fourth Session of the Board of Supervisors, adding Mr. Chen Panwu as a member to the Nomination Committee of the fourth Session of the Board of Supervisors and adding Ms. Zeng Yufang as a member to the Supervision Committee of the fourth Session of the Board of Supervisors of the Bank.

In March 2018, due to work adjustment reason, Mr. Cao Guoqiang resigned from the position of chairman of the Board of Supervisors of the Bank and supervisor. Mr. Cao Guoqiang's resignation took effect on 23 March 2018.

12.3.3 Senior Management Members

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 of the Bank and hold other relevant positions 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 on engaging Mr. Yao Ming to be Chief Risk Officer of the Bank. Upon CBRC approval thereof on 9 May 2017, Mr. Yao Ming assumed office as Chief Risk Officer of the Bank.

In March 2017, the meeting of the Board of Directors of the Bank adopted the proposal on engaging Mr. Hu Gang to be vice president of the Bank. Upon CBRC approval thereof on 15 May 2017, Mr. Hu Gang assumed office as vice president of the Bank.

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 assumed office as Secretary of the Committee for Disciplinary Inspection of the Bank.

In September 2017, Mr. Zhu Jialin resigned his vice presidency of the Bank due to work rearrangements, with effect from 28 September 2017.

In January 2018, Mr. Zhang Qiang resigned his vice presidency of the Bank due to work rearrangements, with effect from 19 January 2018.

12.4 Remunerations of Directors, Supervisors and Senior Management Members

The scheme of allowances for the Bank's directors and remunerations of senior management members shall be drafted by the Nomination and Remuneration Committee under the Board of Directors and reviewed and approved by the Board of Directors. Thereafter the scheme of allowances for the Bank's directors shall be submitted to the general meeting for approval. The scheme of allowances for the Bank's supervisors shall be drafted by the Nomination Committee under the Board of Supervisors, and after its approval by the Board of Supervisors shall be submitted to the general meeting for approval. The Bank offers remunerations to directors, supervisors and senior management members who are at the same time employees of the Bank. Such remunerations shall correspond to the positions held by the payees and include salary, bonus, allowance, subsidy, employee welfare and insurance contributions, housing provident fund and annuity. An allowance system is implemented for independent non-executive directors and external supervisors. The Bank does not pay any salary or allowance to any other directors or supervisors. Pursuant to relevant PRC laws and regulations, the Bank has joined various mandatory contributory retirement schemes set out in PRC laws and regulations for all employees (including the executive directors, supervisors, and senior management members that are also employees of the Bank). Actual pre-tax remunerations paid to the directors, supervisors and senior management members (both incumbent and non-incumbent) who received remunerations from the Bank was in the amount of RMB36.4922 million for the reporting period. As at the end of the reporting period, the Bank had not provided any share incentives to directors, supervisors or senior management members.

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

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

12.6 Interests of Directors and Supervisors in Material Contracts

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

12.7 Service Contracts of Directors and Supervisors

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

12.8 Relationships among Directors, Supervisors and Senior Management Members

There was no material financial, business, family or other relationship among directors, supervisors or senior management members of the Bank.

12.9 Interests of Directors in Businesses Competing with the Bank

None of the directors of the Bank had any interest in businesses that directly or indirectly competed or may compete with the Bank.

12.10 Liability Insurance for Directors, Supervisors and Senior Management Members

In 2017, the Bank bought liability insurance for all of its directors, supervisors and senior management members. In 2017, the Bank did not benefit any of its directors with any permitted indemnity provisions that had been or were in force.

12.11 Profile of Staff and Affiliates

As at the end of the reporting period, the Bank (including its subsidiaries) had 56,724 employees, including 52,235 under labor contracts with the Bank and 4,489 dispatched to the Bank or hired with letters of engagement by the Bank. Of all the employees, 10,706 served as managerial function, 42,003 as technical function and 4,015 as supporting function. 11,164 employees, 19.68% of the total, held post-graduate degrees or above; 39,555 employees, 69.73% of the total, held bachelor's degrees; and 6,005 employees, 10.59% of the total, held junior diplomas and qualifications below junior diploma level. The Bank paid for 1,151 retirees.

The following are the detailed profile of staff and affiliates.

Affiliates	Staff number	Scale of Assets (RMB million)	Affiliates	Staff number	Scale of Assets (RMB million)
Head Office	1,542	2,311,809	Business Department of the Head Office	3,052	753,875
Tianjin Branch	995	79,331	Shijiazhuang Branch	1,811	73,376
Jinan Branch	1,568	101,191	Qingdao Branch	1,738	108,176
Shanghai Branch	1,660	357,426	Nanjing Branch	3,093	317,613
Suzhou Branch	1,055	130,369	Hangzhou Branch	3,294	393,378
Ningbo Branch	873	91,065	Fuzhou Branch	1,523	88,501
Xiamen Branch	513	37,790	Guangzhou Branch	2,506	296,702
Shenzhen Branch	1,435	414,863	Dongguan Branch	911	56,937
Haikou Branch	333	22,507	Hefei Branch	1,100	95,972
Zhengzhou Branch	2,351	178,607	Wuhan Branch	1,382	162,110
Changsha Branch	1,241	71,420	Nanchang Branch	656	60,096
Taiyuan Branch	922	60,774	Chongqing Branch	1,049	118,670
Nanning Branch	556	36,337	Guiyang Branch	428	31,137
Hohhot Branch	946	76,341	Yinchuan Branch	262	13,760
Xining Branch	228	12,754	Xi'an Branch	1,106	66,190
Chengdu Branch	1,218	118,685	Urumqi Branch	348	27,257
Kunming Branch	836	53,349	Lanzhou Branch	347	12,886
Lhasa Branch	120	9,431	Harbin Branch	532	26,610
Changchun Branch	475	29,075	Shenyang Branch	1,205	39,351
Dalian Branch	1,163	62,376	London Representative Office	6	—
Sydney Representative Office	4	—			

Notes: (1) The numbers of staff and entities above do not include that of subsidiaries and joint ventures. Except the above numbers, the Bank also have 460 staff in the Data Center and Software Development Center, which are units directly under the Head Office, and 6,503 staff in the Credit card center.

(2) The above scale of assets of the Head Office and branches are unaudited internal numbers, and internal fund exchanges are not offset. The assets of both London and Sydney Representative Office are not consolidated to the Head Office.

(3) Please refer to Chapter 17 of this report for detailed information of domestic and overseas outlets, addresses and contacts.

12.11.1 Human Resources Management

During the reporting period, the Bank kept reforming and improving its human resource management according to the principle of combining effective incentives with strict constraints. Great efforts were made to strengthen the building of a human resources system and comb the relevant processes, improve the job system and sequence of positions, further clarify job responsibilities, and formulate and amend rules and regulations to promote a stronger foundation for human resources management. In addition, the Bank strengthened its leadership team building at all levels, promoted job exchanges, cultivated reserve talents, supplemented and adjusted managers at the branches and the Head Office departments to promote a more reasonable structure and higher quality of the core talent team. Meanwhile, the Bank reasonably determined its staffing level and a scientific market-based staffing model to promptly and effectively recruit various types of talents and enhance the efficiency of human resources allocation. Other areas of improvement included a better remuneration system centered on job value, promotion of differentiated remunerations, a better remuneration structure, standard distribution of remunerations and benefits and payment of contributions to insurance schemes, a more vigorous role of performance evaluation, supervision and incentives, and protection of employee rights and interests. The Bank also sought to enhance management by means of information technology. As a result, the new-generation IT system for human resource management was optimized, and express, convenient and accurate information on human resources provided for business operation and management, all of which facilitated business development.

12.11.2 Training and Development of Human Resources

The Bank deepened the stratified categorized employee training system. Eight professional training guidelines were issued at the beginning of the reporting period to strengthen unified management of the Bank's training work across the board.

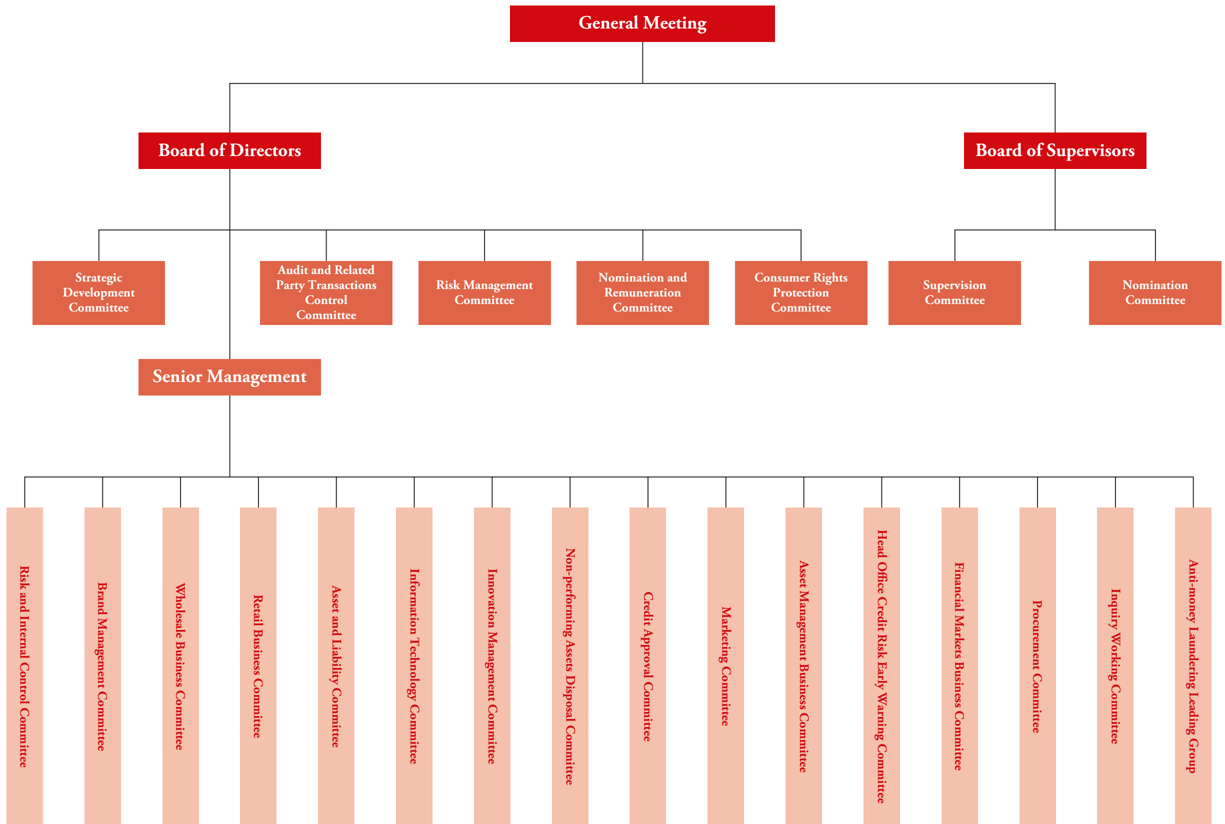
During the reporting period, the Bank held 5,800 face-to-face training sessions, recording participation of 600,000 person-times. It focused on completing rotational training of senior executive leaders, started the "Voyage Plan" for senior executive deputies, cultivated internationalized talents with domestic and overseas job-related follow-up arrangements, deepened training of internal trainers, boosted "CNCB Lectures" and created its sister brand "Business Recharging Station".

During the reporting period, the Bank developed an all-employee job qualification training system with its own unique characteristics and intellectual property right. For professional staffs, a training mode of "training + exam + certification + promotion" was created focusing on must-knows and must-dos of different jobs. In addition, the Bank completed the system planning, resource development, online learning and exam certification for qualification with business lines such as corporate banking, retail banking and risk management, covering more than 30,000 employees.

中信银行
CHINA CITIC BANK
每天爱你多一点！
中信
天天煲
PR2稳健型
5万起购
按月分红
主动管理：中信银行优秀团队主动管理
风险可控：PR2，稳健型
实时赎回：支持7*24小时主动赎回，实时到账
收益稳健：预期收益率提前公布，按月进行分红
【理财非存款，产品有风险，投资需谨慎】

Chapter 13 Corporate Governance Report

13.1 Corporate Governance Structure



13.2 Overall Profile of Corporate Governance

During the reporting period, the Bank made continuous efforts to improve its operational mechanism for corporate governance, effectively incorporated leadership of the Party into corporate governance, coordinated the operation and relations of different governance bodies, and reinforced support and safeguard measures for duty performance and operation of the Board of Directors and the Board of Supervisors. The Board of Directors, the Board of Supervisors and their specialized committees effectively performed their functions and standardized their operation. The channels for directors and supervisors to perform their duties were further broadened and their performance capability further strengthened.

The Board of Directors strengthened its role in strategic guidance and continued to strengthen the assessment and supervision in relation to the implementation of the strategies. It further promoted the preparation of the year 2018-2020 development plan, proactively implemented the national strategies, and sped up the promotion of business transformation. In addition, the Board of Directors earnestly implemented the government policy orientation on financial risk prevention and control, vigorously promoted the development of "Safe CITIC Bank" and continued to improve the total risk management system and long-term internal control mechanism for comprehensive elevation of the Bank's total risk management and internal control.

The Board of Supervisors earnestly performed duties, strengthened financial supervision and further enhanced the Bank's financial management level and capital management efficiency. It also intensified supervision over internal control to further improve the effectiveness of the Bank's internal control system and promote a more optimal internal control mechanism. In addition, the Board of Supervisors reinforced risk oversight, further improved the Bank's risk management level. It also refined institutional development, promoted the use of supervisory achievements and effectively elevated its own supervisory effectiveness.

During the reporting period, the Bank organized the directors and supervisors and the board secretary to participate in trainings sponsored by external organizations such as the SSE, CSRC Beijing Bureau and PWC and carry out surveys of its affiliates and subsidiaries in the reporting period, recording 13 and 65 person-times participation, respectively.

The organizational setup and operation of the Bank's corporate governance were not significantly different from the relevant provisions of the PRC Company Law and the requirements of the CSRC and the SEHK. There were no significant corporate governance issues that the regulators requested to resolve but remained pending at the time of the report.

13.3 Information on the General Meeting, Board of Directors and Board of Supervisors

During the reporting period, the Bank held 1 annual general meeting, 2 extraordinary general meetings, 1 A shareholders class meeting, 1 H shareholders class meeting, 10 meetings of the Board of Directors (including 9 on-site meetings and 1 meeting for voting by correspondence), 9 meetings of the Board of Supervisors (including 8 on-site meetings and 1 meeting for voting by correspondence) and 32 meetings of the specialized committees under the two boards. These meeting were all convened in compliance with the procedures specified in the Articles of Association of the Bank.

13.4 The General Meeting

13.4.1 The General Meeting and Shareholders' Rights

Responsibilities of the general meeting

The general meeting is the Bank's organ of power. It is responsible for making decisions on the Bank's business guiding principles and investment plans; deliberating and approving the Bank's annual financial budget plans, final accounts plans, profit distribution plans and loss remedy plans; deliberating and approving the use of financing proceeds for other than set purposes; electing and replacing directors as well as shareholder representative supervisors and external supervisors, and deciding on the remunerations of directors and supervisors; deliberating and approving work reports of the Board of Directors and Board of Supervisors; approving the increase or decrease of the Bank's registered capital; producing resolutions on plans of the Banks for merger, division, dissolution, liquidation or change in the corporate form of the Bank, issue of debt securities or other valuable papers for the purpose of capital replenishment of the Bank as well as the listing thereof, and repurchase of the Bank's ordinary shares; amending the Bank's Articles of Association; engaging and dismissing accounting firms and deciding on their remunerations or the ways to determine their remunerations; deliberating proposals put forward by shareholders who individually or collectively hold 3% or more of the voting shares of the Bank; deliberating matters involving major investments and purchase and disposal of major assets within one calendar year that exceed 10% of the audited net asset value of the latest reporting period of the Bank; deliberating share incentive plans, if any; and deciding on or authorizing the Board of Directors to decide on matters relating to the issued preference shares of the Bank, including but not limited to determining whether to repurchase or convert preference shares or pay dividends; deliberating related party transactions that shall be reviewed and approved by the general meeting pursuant to relevant laws, administrative regulations, rules and the securities regulatory rules of the place where the Bank's shares are listed; and deliberating other matters that shall be decided by the general meeting in accordance with relevant laws, administrative regulations, rules, requirements of the securities regulators at the places where the Bank's shares are listed and relevant provisions of the Articles of Association of the Bank.

Annual general meeting

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

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

Extraordinary general meeting

In accordance with the Articles of Association of the Bank, extraordinary general meetings may be convened upon written request of at least 50% of the independent directors or external supervisors, the Board of Directors, the Board of Supervisors, or shareholders that individually or jointly hold 10% or more of the Bank's voting shares (actual numbers of shares shall be calculated as per the shareholdings of the requesting shareholders on the date when such a written request is made). The Board of Directors, the Board of Supervisors and ordinary shareholders (including preference shareholders with restored voting rights) that individually or jointly hold 3% or more of the Bank's shares are entitled to present to the Bank their proposals for the general meeting.

Submitting proposals to the general meeting

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

Convening of extraordinary meetings of the Board of Directors

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

Making inquiries to the Board of Directors

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

13.4.2 Convening of General Meetings during the Reporting Period

During the reporting period, the Bank convened 1 annual general meeting, 2 extraordinary general meetings, 1 A shareholders class meeting and 1 H shareholders class meeting, where 27 proposals were adopted after deliberation. The Bank disclosed the resolutions of the general meetings on the websites designated by the stock exchanges where the Bank is listed as well as the Bank's website.

On 7 February 2017, the Bank convened its 1st Extraordinary General Meeting of 2017, the 1st A Shareholders Class Meeting of 2017 and the 1st H Shareholders Class Meeting of 2017. The Bank's executive director and President Mr. Sun Deshun presided over the meetings. Its independent non-executive directors Ms. Wu Xiaoqing, Mr. Wong Luen Cheung Andrew, Mr. He Cao and Mr. Qian Jun attended the meetings.

On 26 May 2017, the Bank held its 2016 annual general meeting. The Bank's executive director and President Mr. Sun Deshun presided over the meeting. Its independent non-executive directors Mr. Wong Luen Cheung Andrew, Mr. He Cao, Ms. Chen Lihua and Mr. Qian Jun attended the meeting.

On 30 November 2017, the Bank convened its 2nd Extraordinary General Meeting of 2017. The Bank's chairperson and executive director Ms. Li Qingping presided over the meeting. Its independent non-executive directors Ms. Wu Xiaoqing, Mr. Wong Luen Cheung Andrew and Ms. Chen Lihua attended the meeting.

13.5 Board of Directors

13.5.1 Composition and Responsibilities of the Board of Directors

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

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

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

13.5.2 Meetings of the Board of Directors

During the reporting period, the Board of Directors convened 10 meetings (including 9 on-site meetings and 1 meeting for voting by correspondence). The meetings deliberated and adopted 69 proposals including the proposals respectively regarding the Bank's 2016 Annual Report, 2016 Report on Internal Control Assessment and 2017 Plan on Institutional Development and listened to 33 presentations including those regarding the Bank's 2016 operating results, 2017 business plan, risk management in 2016 and assessment of strategic implementation in 2016. Significant events were all submitted to the on-site board meetings for deliberation under the premise of compliance. Matters requiring voting by correspondence and eligible for the same as per the Corporate Governance Code were deliberated at the meetings for voting by correspondence. The attendance records of the directors at the board meetings in the reporting period are set out in the table below.

Members of the Board of Directors	In-person attendance/number of meetings	Attendance by proxy/number of meetings
Li Qingping	7/10	3/10
Zhu Gaoming	4/5	1/5
Sun Deshun	8/10	2/10
Huang Fang	10/10	0/10
Wan Liming	7/10	3/10
Wu Xiaoqing	9/10	1/10
Wong Luen Cheung Andrew	10/10	0/10
He Cao	10/10	0/10
Chen Lihua	10/10	0/10
Qian Jun	7/10	3/10
Non-incumbent Directors		
Chang Zhenming	4/10	6/10
Zhu Xiaohuang	1/1	0/1

13.5.3 Responsibility Statement of the Directors on the Financial Report

The following statement, which sets out the responsibility of the Directors to the financial report, should be read in conjunction with, but distinguished from, the review opinions as set out in the audit report contained in this annual report.

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

13.5.4 Independence of Independent Non-Executive Directors and Their Performance of Duties

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

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

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

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

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

13.5.5 Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of SEHK (the "Model Code") and has complied with Rules 13.67 and 19A.07B of the Listing Rules to regulate the securities transactions of its directors and supervisors. All the directors and supervisors were consulted specifically for this matter and all of them confirmed that they had strictly complied with the relevant provisions of the Model Code throughout the reporting period.

13.5.6 The Board of Directors' Deliberation of the Social Responsibility Report

The Board of Directors deliberated the 2017 Social Responsibility Report of China CITIC Bank Corporation Limited as a separate proposal and had no objections to the content of the report.

13.6 Specialized Committees under the Board of Directors

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

13.6.1 Strategic Development Committee

The Bank's Strategic Development Committee comprised 3 directors, with chairperson and executive director Ms. Li Qingping as committee chairperson, and Mr. Sun Deshun and Mr. Qian Jun as members. Its principal responsibilities include: to study the Bank's operation and management targets, long-term development strategies, and special strategic development plans respectively regarding human resources, information technology and other areas, and make recommendations thereon to the Board of Directors; to study programs on major cooperation, investment, financing, and merger and acquisition, and make recommendations thereon to the Board of Directors; and to supervise and examine the implementation of annual business plans and investment programs as authorized by the Board of Directors.

During the reporting period, the Strategic Development Committee convened 8 meetings which deliberated and adopted 17 proposals including the proposals respectively regarding the Bank's 2017 Business Plan, 2017 Financial Budget Plan, 2017 Plan for Institutional Development and 2017-2020 Plan for Overseas Development and listened to 1 presentation regarding the Bank's assessment of strategic implementation in 2016. The attendance records of the Strategic Development Committee members at the committee meetings during the reporting period are set out in the table below.

Incumbent Members	**In-person attendance/number of meetings**	**Attendance by proxy/number of meetings**
Li Qingping	6/8	2/8
Sun Deshun	8/8	0/8
Qian Jun	8/8	0/8
Non-incumbent Members		
Chang Zhenming	6/8	2/8
Zhu Xiaohuang	1/1	0/1

13.6.2 Audit and Related Party Transactions Control Committee

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

During the reporting period, the Audit and Related Party Transactions Control Committee convened 9 meetings. At the meetings, the committee reviewed and adopted 26 proposals including the proposals regarding the Bank's periodic reports, credit extension to related parties, engagement of accounting firms for 2017 and their fees, and amendment to the Regulations on the Work of the Independent Directors in relation to the Annual Report, and listened to 4 presentations respectively regarding the Bank's operating results of the 1st quarter, first half and 3rd quarter of 2017 and rectification of the problems found in the audits of three branches including Nanjing Branch. The attendance records of the Audit and Related Party Transactions Control Committee members at the committee meetings during the reporting period are set out in the table below.

Incumbent Members	**In-person attendance/number of meetings**	**Attendance by proxy/number of meetings**
Wu Xiaoqing	8/9	1/9
Wong Luen Cheung Andrew	7/9	2/9
He Cao	9/9	0/9
Qian Jun	7/9	2/9

During the preparation and audit of the Bank's 2017 Annual Report, the Audit and Related Party Transactions Control Committee reviewed the audit time frame and progress schedule of the external auditors and checked on and supervised external auditors' work by means of listening to presentations and arranging symposiums. The Audit and Related Party Transactions Control Committee reviewed the Bank's financial statements twice, the first time before the certified public accountants (CPAs) responsible for the annual audit arrived at the premise, and the second time after the CPAs produced their preliminary audit opinion. In addition, the Audit and Related Party Transactions Control Committee carried out multiple rounds of adequate communication with the CPAs responsible for the annual audit. The Audit and Related Party Transactions Control Committee convened a meeting on 20 March 2017, opining that the financial statements gave a true, accurate and complete view of the overall situation of the Bank. Based on its review of the external auditor's summary report on the annual audit plus its comprehensive objective assessment of the performance and professional quality of the annual audit assignment, the committee gave the consent that the Bank continue to engage PricewaterhouseCoopers Zhong Tian LLP as its domestic auditor and PricewaterhouseCoopers as its overseas auditor for 2018 and decided to submit these matters to the Board of Directors for deliberation.

13.6.3 Risk Management Committee

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

During the reporting period, the Risk Management Committee convened 4 meetings where it deliberated and adopted 12 proposals including the proposals respectively regarding the Bank's 2016 Report on Management of Capital Adequacy Ratios, 2016 Report on Internal Assessment of Capital Adequacy and 2017 Risk Preference Statement, and listened to 6 presentations respectively regarding the Bank's total risk management in the 1st quarter and first half of 2017, reinforcement of outsourcing management and other relevant matters. The attendance records of the Risk Management Committee members at the committee meetings during the reporting period are set out in the table below.

Incumbent Members	In-person attendance/number of meetings	Attendance by proxy/number of meetings
Sun Deshun	3/4	1/4
Li Qingping	4/4	0/4
Wu Xiaoqing	4/4	0/4
Qian Jun	3/4	1/4
Non-incumbent Member		
Zhu Xiaohuang	0/0	0/0

13.6.4 Nomination and Remuneration Committee

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

During the reporting period, the Nomination and Remuneration Committee convened 5 meetings which deliberated and adopted 10 proposals including the proposals respectively regarding the nomination of the following: candidates for independent non-executive directors of the fourth session of the Board of Directors, and vice president and Chief Risk Officer of the Bank, and the proposals respectively regarding the plan for the final accounts of employee remunerations for 2016 and the plan for payment of remunerations to senior management members for 2015. The attendance records of the Nomination and Remunerations Committee members at the committee meetings during the reporting period are set out in the table below.

Incumbent Members	In-person attendance/number of meetings	Attendance by proxy/number of meetings
Wong Luen Cheung Andrew	5/5	0/5
Wu Xiaoqing	4/5	1/5
Chen Lihua	5/5	0/5
Qian Jun	4/5	1/5

During the reporting period, the Nomination and Remuneration Committee under the Board of Directors reviewed the remuneration scheme for the Bank's senior management and supervised its implementation. The Nomination and Remuneration Committee was of the view that the senior management of the Bank performed its fiduciary duties and due diligence in 2017 within its scope of mandate as specified in relevant laws and regulations and the Bank's Articles of Association, and as guided and authorized by the Board of Directors and supervised by the Board of Supervisors, which in turn further increased corporate value and shareholder value of the Bank. Upon review, the Nomination and Remuneration Committee held that the remunerations for directors, supervisors and senior management members as disclosed by the Bank were consistent with relevant remuneration policies and schemes and in compliance with applicable information disclosure standards required of listed issuers by domestic and overseas regulators. The committee confirmed that the Bank did not have any share incentive scheme in effect as at the end of the reporting period.

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

13.6.5 Consumer Rights Protection Committee

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

The Consumer Rights Protection Committee convened 1 meeting during the reporting period, where its deliberated and adopted the proposal on its 2017 annual work plan and listened to the presentation regarding the Bank's service quality and consumers rights protection in 2016. The attendance records of the Consumer Rights Protection Committee members at the committee meetings during the reporting period are set out in the table below.

Incumbent Members	In-person attendance/number of meetings	Attendance by proxy/number of meetings
Chen Lihua	1/1	0/1
Wu Xiaoqing	1/1	0/1
He Cao	1/1	0/1

13.7 Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank accountable to the general meeting. The Board of Supervisors comprised 6 members, including 3 external supervisors, namely, Ms. Wang Xiuhong, Mr. Jia Xiangsen and Mr. Zheng Wei; and 3 employee representative supervisors, namely, Mr. Cheng Pusheng, Mr. Chen Panwu and Ms. Zeng Yufang.

During the reporting period, the Board of Supervisors held 9 meetings which deliberated 21 proposals including the proposals regarding the Bank's periodical reports, profit distribution plan, internal control assessment report, social responsibility report, annual report on assessment of duty performance of the directors, supervisors and senior management members, amendment to the rules of procedures of the Board of Supervisors and changes to the accounting policies, and listened to 11 presentations mainly regarding the Bank's report on operating results, assessment of strategic implementation, report on total risk management, report on internal control and compliance, and rectification of regulatory issues notified by the CBRC. As such, the Board of Supervisors effectively supervised key proposals and important items, and thereby successfully performed its duty of deliberation and supervision. Meanwhile, members of the Board of Supervisors attended 8 on-site meetings of Board of Directors and some meetings of special committees of Board of Directors, reviewed 125 proposals, listened to 44 presentations and voiced their opinions so as to ensure full supervision during major decision-making process. In addition, the Board of Supervisors carried out supervisory inspections of the Bank's operation and management activities by attending senior management meetings as non-voting delegates and reviewing various documents.

During the reporting period, the Board of Supervisors continuously enriched survey approaches and improved the quality and effectiveness of the surveys, focusing on key bank-wide issues such as operation and management, strategic implementation, internal control of risks and disposal of problem assets, in combination with its key issues of concern. The Board of Supervisors organized its supervisors for 3 collective surveys throughout the year, covering a total of 6 branches and subsidiaries. After the surveys, the Board of Supervisors put forward a series of highly pertinent and operable suggestions, and effectively transmitted them to the Board of Directors, the senior management and various business lines and branches in accordance with the actual situations and by means such as survey reports, thus giving full play to its supervisory duties. While succeeding in its routine supervisory work, the Board of Supervisors also further improved its institutional development, refined the mechanism for following up its resolutions and supervisory opinions, strengthened the implementation of its decision making, promoted the use of supervisory achievements and effectively improved its supervisory effectiveness.

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

Incumbent Members	In-person attendance/number of meetings	Attendance by proxy/number of meetings
Wang Xiuhong	6/9	3/9
Jiang Xiangsen	9/9	0/9
Zheng Wei	9/9	0/9
Cheng Pusheng	9/9	0/9
Chen Panwu	3/3	0/3
Zeng Yufang	3/3	0/3

Non-incumbent Members	In-person attendance/number of meetings	Attendance by proxy/number of meetings
Cao Guoqiang	9/9	0/9
Shu Yang	7/9	2/9
Wen Shuping	3/6	3/6
Ma Haiqing	3/6	3/6

13.8 Specialized Committees under the Board of Supervisors

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

13.8.1 Supervision Committee

The Supervision Committee of the Bank's Board of Supervisors comprised 3 supervisors, with Mr. Jia Xiangsen as chairman, and Mr. Zheng Wei and Ms. Zeng Yufang as members. Primary responsibilities of the committee include the following: to draft programs on supervision of the Bank's financial activities and inspect the implementation thereof, to supervise the Board of Directors in the establishment of prudent business concepts and value propositions and the formulation of development strategies consistent with the Bank's real situations, and to carry out supervisory inspections of the Bank's business decisions, risk management and internal control.

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

Incumbent Members	In-person attendance/number of meetings	Attendance by proxy/number of meetings
Jia Xiangsen	4/4	0/4
Zheng Wei	4/4	0/4
Zeng Yufang	0/0	0/0

Non-incumbent Members	In-person attendance/number of meetings	Attendance by proxy/number of meetings
Shu Yang	4/4	0/4
Ma Haiqing	2/3	1/3

13.8.2 Nomination Committee

The Nomination Committee of the Bank's Board of Supervisors comprised 3 supervisors, with Ms. Wang Xiuhong as chairperson, and Mr. Cheng Pusheng and Mr. Chen Panwu as members. Primary responsibilities of the committee include the following: to draft procedures and standards on selecting and appointing candidate supervisors elected by the general meetings, and to carry out preliminary review of the qualifications for office of such candidate supervisors and put forward corresponding recommendations. The employee representative supervisors of the Bank are democratically elected or dismissed by employees of the Bank.

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

Incumbent Members	In-person attendance/number of meetings	Attendance by proxy/number of meetings
Wang Xiuhong	1/1	0/1
Cheng Pusheng	1/1	0/1
Chen Panwu	0/0	0/0

Non-incumbent Members	In-person attendance/number of meetings	Attendance by proxy/number of meetings
Shu Yang	1/1	0/1
Wen Shuping	0/1	1/1

13.9 Independent Opinions of the Board of Supervisors on Relevant Matters

13.9.1 Compliance of Business Operation

The Bank conducted its business in accordance with the PRC Company Law, the PRC Law on Commercial Banks and its own Articles of Association. Its decision-making procedures were lawful and valid. Neither violations of laws or regulations or the Articles of Association nor acts that would impair interests of the Bank and its shareholders were identified on the part of the directors or senior management members in their course of duty performance.

13.9.2 Truthfulness of the Financial Report

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

13.9.3 Use of Proceeds

During the reporting period, the actual uses of the proceeds were consistent with the purposes stated in the Bank's prospectuses for its IPOs, rights issue and issue of preference shares.

13.9.4 Acquisition and Disposal of Assets

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

13.9.5 Related Party Transactions

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

13.9.6 Implementation of Resolutions Adopted at the General Meetings

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

13.9.7. Internal Control

The Board of Supervisors deliberated the 2017 Internal Control Assessment Report of China CITIC Bank Corporation Limited and had no objections to the content of the report.

13.9.8 Social Responsibility Report

The Board of Supervisors deliberated the 2017 Social Responsibility Report of China CITIC Bank Corporation Limited and had no objections to the content of the report.

13.9.9 Profit Distribution Plan

The Board of Supervisors deliberated the 2017 Profit Distribution Plan of China CITIC Bank Corporation Limited and was of the view that the profit distribution plan complied with relevant laws, regulations and provisions of the Bank's Articles of Association, and was in the interests of all shareholders and conducive to promoting long-term development of the Bank.

13.9.10 Dividend Distribution Plan for Preference Shares

During the reporting period, the dividend distribution plan for preference shares of the Bank complied with applicable laws and regulations, the Bank's Articles of Association and the terms of issuance for the preference shares.

13.9.11 Changes to the Accounting Policies

The changes to the accounting policies that the Bank completed during the reporting period were reasonable changes made in accordance with relevant documents of the MOF and in line with applicable regulations of the regulatory authorities such as the MOF, CSRC and SSE and were capable of giving a more objective and fair view of the Bank's financial position and operating results. As such, these changes were in the interests of the Bank and its shareholders.

Except for the above disclosed matters, the Board of Supervisors had no objections to other supervisory issues during the reporting period.

13.10 Senior Management

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

The Bank's senior management comprised 8 members. For details thereof, please refer to Chapter 12 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

13.11 Establishment and Implementation of Performance Evaluation and Incentive Mechanisms for Senior Management Members

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

13.12 Chairman and President

During the reporting period, the Bank separated the positions of its chairperson and president. Ms. Li Qingping was chairperson and executive director of the Bank, responsible for presiding over the general meeting, convening and presiding over meetings of the Board of Directors and examining the implementation of board resolutions and other relevant matters. Mr. Sun Deshun was president and executive director of the Bank, responsible for implementing board resolutions and leading the Bank in its business operation and management and other relevant matters. The division of duties between the chairperson and president of the Bank was clearly defined and in compliance with the Hong Kong Listing Rules.

13.13 Company Secretary

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

13.14 Management of Related Party Transactions

In the reporting period, the Bank continued to attach great importance to the management of related party transactions and further consolidated the foundation for such management pursuant to the regulatory requirements of the CBRC, CSRC, SSE and SEHK. The overall level of management and the degree of refinement both enjoyed further enhancement, which effectively promoted synergy of the Bank and improvement of shareholder value and effectively protected the interests of shareholders and investors.

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

The Bank strictly implemented quota management of related party transactions. With review and approval by the Board of Directors and the general meeting, the Bank completed the applications for the caps on related-party transactions with its major shareholder related parties for 2018-2020 under the rules of the concerned stock exchanges, involving eight categories and over 100 business types, and therefore achieving a fairly comprehensive coverage of its related party transactions, ensuring compliant conduct of related party transactions. During the reporting period, the Bank continuously reinforced the statistics, monitoring and analysis of related party transactions, and filed relevant information with the Audit and Related Party Transactions Control Committee under the Board of Directors on a regular basis. Categorized management and dynamic maintenance of information about related parties were carried out to ensure effective identification of related party transactions and effective prevention of the non-compliance risk of related party transactions.

The Bank continued to promote the development of its related party transactions management system, which went online at the end of March 2017. The system achieved numerous functions such as statistics and update of the related party name list, reporting of related party transaction data for record, and statistics on the caps of related party transactions. In addition, by connecting with the Bank's corporate banking CRM and comprehensive risk management system, the system achieved automatic introduction and information sharing of the related party name list, and, with the help of the electronic platform, further strengthened the statistics and monitoring of related parties and related party transaction data, and continuously improved management efficiency and refinement level. All these were conducive to effective risk control and compliant conduct of related party transactions.

13.15 Explanations on Independence from the Controlling Shareholder

The Bank is fully independent from the controlling shareholder in terms of business, personnel, assets, institutional set-up and financials, maintains independent and complete business separate from that of the controlling shareholder and is capable of independent business operation.

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

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

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

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

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

13.16 Independent Non-Executive Directors' Statement on Undertakings Made by CITIC Group and CIFH under the Non-Competition Deed

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

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

13.17 Development and Review of Corporate Governance Policies and Practices

The Board of Directors of the Bank attached great importance to the establishment and improvement of internal rules and regulations relating to corporate governance. In the reporting period, the Bank amended some of these rules and regulations in light of its own real situations and relevant regulatory requirements, including the Bank's Articles of Association, Rules of Procedures of the General Meeting, Measures on Accountability for Material Errors in Information Disclosure of the Annual Report, Administrative Measures on Internal Reporting of Material Information as a Listed Company, Regulations on the Work of the Independent Directors in relation to the Annual Report, Protocols on the Work of the Audit and Related Party Transactions Control Committee of the Board of Directors in relation to the Annual Report, Regulations on the Work of the Independent Directors and Administrative Measures on Investor Relations. These further improved the Bank's corporate governance regulations and helped lay a sound foundation for the Board of Directors and its specialized committees to engage in scientific operation and make better information disclosure.

13.18 Review and Supervision of Training and Continuing Professional Development of Directors, Supervisors and Senior Management Members

The Board of Directors kept urging the directors and senior management members to participate in relevant trainings for better professional development in general and for directors to enhance their comprehensive quality and capacity for duty performance in particular. During the reporting period, the Board of Directors organized relevant directors to participate in relevant trainings for directors in accordance with the applicable requirements of the CSRC, Hong Kong Securities Regulatory Commission, SEHK and CBRC. These trainings achieved very good results.

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

Name	Title	Trainer	Training Model	Training Duration (day)
Li Qingping	Chairperson, Executive director	CSRC Beijing Bureau	Concentrated lecturing	1
Zhu Gaoming	Non-executive director	CSRC Beijing Bureau	Concentrated lecturing	1
Sun Deshun	Executive director, President	CSRC Beijing Bureau	Concentrated lecturing	1
Wu Xiaoqing	Independent non-executive director	PWC China Finance Academy	Concentrated lecturing, workshop	2
Wong Luen Cheung Andrew	Independent non-executive director	SSE	Concentrated lecturing	2
Chen Lihua	Independent non-executive director	PWC China Finance Academy	Concentrated lecturing, workshop	2
Wang Xiuhong	External supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Zheng Wei	External supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Ma Haiqing	Employee representative supervisor (non-incumbent)	CSRC Beijing Bureau	Concentrated lecturing	1
Cheng Pusheng	Employee representative supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Chen Panwu	Employee representative supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Zeng Yufang	Employee representative supervisor	CSRC Beijing Bureau	Concentrated lecturing	1
Lu Wei	Secretary to the Board of Directors	PWC China Finance Academy	Concentrated lecturing, workshop	2

In addition, all the directors and supervisors of the Bank watched the SEHK short videos "Duties of Directors and Role and Function of Board Committee" and "Directors and Company Secretary's Roles" for learning purpose.

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

Name	Trainings on business, director duties and corporate governance	Monthly updates and other reading materials on latest developments in the Bank's business operation and the banking industry as well as relevant legal and regulatory requirements
Li Qingping *(Chairperson, executive director)*	✓	✓
Zhu Gaoming *(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)*	✓	✓

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

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

Under the guidance of the Board of Directors, the Bank solidly implemented the special governance program of the CBRC regarding rectification of chaos at the banking market to upgrade its management of internal control. The Bank continued to improve its internal control oversight system, strengthened the development of its internal control regulations and long-term mechanisms, reinforced authorization management and refined the case prevention and control system. In addition, the Bank intensified its anti-money laundering efforts on all fronts, reinforced the means of management and vigor of control, optimized its management system and data governance, and actively promoted the development of internal control in its overseas institutions to ensure regulatory compliance. The Board of Directors periodically reviewed internal control and compliance reports, guided comprehensive promotion of a compliance and risk culture, and further elevated all-employee recognition of the value of compliance.

13.20 Formulation and Review of the Code of Conduct for Employees and Directors of the Bank and the Compliance Supervision thereof

To regulate employee conduct and improve employee quality, the Bank formulated its Employee Code of Conduct under the guidance of the Board of Directors, stipulating professional ethics, professional discipline, professional image, office environment, and work atmosphere for its employees. The CITIC Bank Must-Knows Handbook on Internal Control and Compliance was issued and the Guidelines for CITIC Bank Employees on Personal Case Prevention implemented, so as to strengthen the control of abnormal employee conduct, promptly fulfill requirements of the regulatory authorities and guide the employees to abide by their professional ethics.

In the reporting period, the Bank re-examined and amended its Regulations on the Work of Independent Directors. In light of the latest regulatory requirements, the amended regulations further defined the requirements on independent directors regarding their duty performance and facilitated the independent directors to play a better professional role. In addition, the Bank enhanced management of directors and supervisors regarding their duty performance in accordance with the corresponding provisions thereon.

13.21 Compliance with the Corporate Governance Code under the Hong Kong Listing Rules

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the Corporate Governance Code set out in Appendix 14 to the Listing Rules of SEHK throughout the year ended 31 December 2017, except for the following:

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

According to Code A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend the general meetings. Some directors were unable to attend the general meetings of the Bank due to other work arrangements. Please refer to Chapter 13 "Corporate Governance Report: Convening of General Meetings during the Reporting Period" of this report for detailed information.

According to Code A.5.6 of the Corporate Governance Code, the Nomination and Remuneration Committee (or the Board of Directors) should have a policy on membership diversity of the Board of Directors and should disclose the policy or a summary of the policy in the corporate governance report. The current session of the Board of Directors of the Bank comprises members of different gender, age, culture, education background and professional experience. For relevant information about the Directors, please refer to Chapter 12 of this report, "Directors, Supervisors, Senior Management Members, Staff and Affiliates". The Board of Directors has formulated the Policy on Diversification of Board Membership to comply with the requirement of Code A.5.6 of the Corporate Governance Code.

As at the end of the reporting period, the Bank was in compliance with all the requirements on the composition of specialized committees of the Board of Directors as set out in the Hong Kong Listing Rules and the Corporate Governance Code.

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

13.22 Management of Investor Relations

The Bank has built a multi-layer investor communication and service system. To begin with, the Bank maintained comprehensive in-depth interactions with its investors through channels and approaches such as results releases, road shows, meetings with visiting investors, investor forums, shareholders' general meetings, the investor hotline and the SSE e-interaction platform. In addition, the Bank responded enthusiastically to regulatory calls by boosting publicity on investor protection and fulfilling its social responsibility as a listed company through such platforms as its official WeChat account and investor meetings.

During the reporting period, the Bank further strengthened its communication with the capital market, and actively publicized the Bank's business strategies on accelerating business transformation, strengthening risk prevention and control and consolidating its development foundation, so as to promote investor understanding of the Bank. At the same time, the Bank transmitted useful market opinions inward to achieve sustained and effective interactions with the capital market. During the reporting period, the Bank held annual results releases in Beijing and Hong Kong SAR, hosted an interim-results release in Beijing, and organized road shows in mainland China, Hong Kong SAR and other countries and regions. The senior management communicated with more than 300 important institutional investors at home and abroad to guide reasonable market expectation of the Bank's outlook and in-depth understanding of the Bank's investment value. In addition, the Bank hosted capital market participants for more than 1,800 person-times cumulatively by offline and online means of interaction such as meeting with visiting investors. All these helped the Bank upgrade the quality and level of communication with its investors.

13.23 Information Disclosure and Management of Insider Information

The Bank attached great attention to information disclosure and management of insider information. It published periodic reports and interim announcements in strict compliance with the legal and regulatory provisions on information disclosure required by its listing venues. During the reporting period, the Bank published over 400 periodic reports and interim announcements at the SSE and the SEHK, providing investors with timely, adequate and effective information.

During the reporting period, in order to fully enhance corporate transparency and improve the pertinence and effectiveness of information disclosure, the Bank continued to strengthen the development of regulations on information disclosure. Among others, it re-examined and revised 6 regulations relating to information disclosure, including operational protocols and special management regulations on information disclosure in light of the new regulatory requirements and its own practices, so as to safeguard institutionalization of systematic standard information disclosure with sound regulations. In the meantime, the Bank continued to enhance refined management of information disclosure, strengthened process management and quality control, and improved the compilation of information for disclosure. In addition, the Bank actively optimized the framework and content of periodic reporting, integrated topical capital market concerns into the periodic reports and further enhanced market match of its periodic reports, thus effectively protecting the right of shareholders and investors to information.

The Bank managed insider information and information insiders, standardized the process of information transmission and strengthened the management of insider information in strict accordance with regulatory requirements of the places where it is listed and its own internal rules, in a view to proactively preventing the divulgence of insider information and the risk of insider trading. During the reporting period, the Bank was not aware of any incident of trading the Bank's securities by information insiders prior to the disclosure of the periodic reports nor was there any incident of regulatory measures or administrative penalties being imposed on the Bank by regulatory authorities for insider trading.

13.24 Internal Control Assessment

The purpose of the Bank's internal control is to reasonably ensure lawfulness and compliance of business and management, safety of assets, and truthfulness and completeness of financial reports and other relevant information, improve business efficiency and effectiveness, and promote implementation of the development strategy. The Board of Directors authorized the internal audit function to self-assess the effectiveness of the internal control design and operation in accordance with relevant requirements such as the Basic Standards for Enterprise Internal Control, Guidelines for Assessment of Enterprise Internal Control and Guidelines for Internal Control of Commercial Banks, and in combination with the Bank's rules and assessment measures on internal control. The internal audit function produced the 2017 Internal Control Assessment Report of China CITIC Bank Corporation Limited ("the Internal Control Assessment Report"), holding that the Bank's internal control was valid as at 31 December 2017 (record date). In the course of the self-assessment exercise, the Bank was not aware of any material defects in its internal control. The Board of Supervisors of the Bank reviewed the Internal Control Assessment Report and had no objections to the content of the report.

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) for the Internal Control Assessment Report (including the statements of the Board of Directors and the Board of Supervisors on their respective responsibilities in relation to internal control).

13.25 Development of Internal Control and Major Measures Adopted

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

The Bank promoted the construction of a compliance and risk culture with the theme of "Safe CITIC Bank". In accordance with the three-year plan for building a risk culture, the Bank formulated the 2017 program on the construction of a risk and compliance culture, proactively advocated such a culture and enhanced the recognition of the value of compliance. In particular, the Bank held the special knowledge contest "Knowledge · Compliance · Risk", recording a participation rate of 99.8% and achieving the expected objectives. The Bank also organized the Annual Conference of the Compliance Line & Risk and Compliance Culture Construction Start-up Meeting plus the Symposium for Interpretation and Implementation of Regulatory Policies to publicize, implement and firmly establish the concept of "Safe CITIC Bank". After the preparation of the Employee Must-Knows Handbook on Internal Control and Compliance, the Bank adopted multiple publicity and guidance measures such as holding online academy examinations and distributing one copy of the handbook to each and every employee to facilitate general learning thereof, recording a reference rate of 99.8%. The Bank continued to strengthen case prevention education and organized special activities such as "Case-based Lectures by Top Leaders" and WeChat Learning for Heads of Compliance Departments at Branches to enhance the risk awareness of all employees.

The Bank boosted the construction of internal control mechanisms to enhance the level of internal control and compliance. It pushed forward institutional development of internal control in an orderly manner, formulated numerous internal control rules and regulations and strengthened the institutional safeguard of internal control. In light of the latest regulatory requirements and in line with its actual situations, the Head Office departments re-examined and amended 197 regulations and added 222 new ones, giving rise to a system of regulations characterized by distinctive effects, coordination and harmonization. In the meantime, the Bank improved its communication and reporting channels, regularly reporting its work on internal control and compliance to the Board of Directors, the Board of Supervisors and the senior management, thus assisting the latter three to effectively perform their responsibilities for internal control management. Persistent with its problem orientation, the Bank started the re-inspection of internal control and compliance and urged the Head Office departments to carry out systematic rectification of the problems from the root causes. In addition, the Bank strengthened the management of important positions and sorted out the negative list of responsibilities to clarify the regulatory red lines of the major businesses and bottom lines of employee conduct. Special governance programs including the "Three Violations (violation of financial laws, violation of regulatory rules, and violation of internal rules), Three Arbitrages (regulatory arbitrage, idling arbitrage and related arbitrage), Four Improper (improper innovation, improper trading, improper incentives, improper charges) and Market Chaos Rectification" were effectively carried out. Guidance was provided for performance evaluation for selection of role models so that the branches were more rigorously evaluated in terms of their internal control and compliance.

The Bank strengthened management of authorization and supervision over activities in excess of authorization to reinforce its awareness as a tier-one legal person in a continuous manner. First, the Bank carried out its annual authorization work and improved the authority and seriousness of authorization. The chairman of the Board of Directors authorized the president of the Bank on behalf of the board. The president of the Bank authorized the top leadership of the Bank in charge of different specific aspects, horizontally authorized head office departments and vertically authorized branches. This practice further strengthened the awareness of the Bank as a tier-one legal person. Second, the Bank reinforced dynamic adjustment of authorization to support business development. It completed dynamic adjustment of authorization for a total of 2 senior executives, 13 departments and 3 branches plus 33 special authorizations, thus ensuring that business and management functions operated within their authorized mandates and rendering active support to business development. Third, the Bank strengthened management of authorization at all levels and standardized branch sub-authorization, completing the review and filing of more than 180 branch and Head Office department sub-authorizations. Fourth, the Bank organized the annual exercise of holding accountable in-situ those who went in excess of the concerned authorizations and thereby safeguarded the authority of authorization.

The Bank improved the regulations on case prevention work and kept refining the case prevention and control system. The Bank revised and issued its Work Protocols for Handling of Cases, amended the Administrative Measures on Screening of Employee Conduct, Protocols for Reporting and Registration of Case (Risk) Information and Administrative Measures on Accountability for Cases. In addition, the Bank implemented the Employees Guidelines for Personal Case Prevention, completed the case prevention self-assessment, strengthened monitoring of abnormal employee conduct, and undertook multiple measures to succeed in routine case prevention work. In parallel with stronger guidance for its branches, the Bank also enhanced communication with the regulators to meet the reporting requirements of the regulators in a timely manner.

The Bank built up its capacity for compliance review and enhanced the level of compliance and risk control. Efficient professional review support was provided in close connection with the Bank's business development. Compliance review for the whole year recorded more than 1,500 cases and nearly 3,600 review comments, a growth of 97% and 85% year on year, respectively, rendering support to the Bank's conduct of business according to law. At the same time, the Bank optimized the operation model of compliance review and promoted the internalization of external regulations. In addition, the Bank improved the compliance guidelines, boosted the development of compliance review tools and standards to support compliance review with effective tools. Furthermore, the Bank enhanced the professional level of its compliance review teams and strengthened the branches to perform their review duties. During the reporting period, a total of 110 cases were shared and 299 risk points summarized, effectively elevating professionalism of the review teams.

13.26 Internal Audit

In accordance with its work objective and positioning of "risk whistle blowing, supervisory assessment, and adding value to management", and guided by the Bank's Five-year Plan on Audit Development (2016-2020), the internal audit function of the Bank seriously performed its audit supervision duties, expanded its audit coverage, strengthened its audit supervision, promoted the transformation of audit results, and consolidated basic management of audit. The independence and effectiveness of audit work enjoyed further enhancement. Thanks to all these, the internal audit function won the title of "National Collective Role Model in Internal Auditing".

During the reporting period, the internal audit function of the Bank made further efforts to reinforce audit supervision of key units, key risk areas, key operation and management components and personnel at key posts, carried out special audit of multiple areas including risk management, credit business, financial management, accounting operation, anti-money laundering and information technology, and conducted comprehensive audit of some branches in combination with the requirements of economic responsibility audit. At the same time, the function made full use of off-site audit approaches to dig for audit trails and tighten routine monitoring. By means such as online operating the new-generation audit management information system, compiling and completing the manual on audit regulations, and implementing total process quality control, the Bank consolidated basic management of audit. Internal control assessment was used to reveal the causes of the problems, promote rectification from the root causes and boost information sharing of the "Three Defense Lines", thereby driving forward efficient conversion of audit results.

13.27 External Audit of Internal Control

For the reporting period, the Bank engaged PricewaterhouseCoopers Zhong Tian LLP to audit the effectiveness of its internal control over financial reporting as at 31 December 2017 in accordance with the relevant requirements of the Guidelines on Audit of Enterprise Internal Control and the practicing standards for PRC certified public accountants. Based on the audit findings, PricewaterhouseCoopers Zhong Tian LLP presented to the Bank its audit report on internal control. For details thereof, please refer to the announcement published by the Bank on the websites of SSE (http://www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

In its audit opinion on internal control over financial reporting of the Bank, PricewaterhouseCoopers Zhong Tian LLP was of the view that the Bank maintained effective internal control over financial reporting in all material aspects in accordance with the Basic Standards for Enterprise Internal Control and relevant regulations as at 31 December 2017.

13.28 Auditors and their Remuneration

As to the auditors appointed by the Bank and their remunerations, please refer to Chapter 9 "Report of the Board of Directors – Appointment and Dismissal of Auditors".

As the overseas auditor appointed by the Bank, PricewaterhouseCoopers's statement of reporting obligation in respect of the consolidated financial statements is set out in the Independent Auditor's Report of the report.

13.29 Responsibility Statement of the Board of Directors on Risk Management, Internal Control and Compliance Management

The Board of Directors bears the ultimate responsibility for the Bank's risk management, internal control and compliance management and is responsible for reviewing the effectiveness of the regulations thereon. In consideration that the above-mentioned risk management and internal control systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, the Board of Directors can only provide reasonable instead of absolute assurance that the above-mentioned systems and internal control can prevent any material misstatement or loss. For details on the Bank's risk management, please refer to Chapter 8 "Management Discussion and Analysis – Risk Management" of this report.

中信银行30年
创造新体验
中信實業銀行
CITIC INDUSTRIAL BANK
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交易+
信用卡
薪金煲
30年前
在营业网点办理业务
今天
随时随地体验
金融服务
砥砺三十
以信致远
中信银行
CHINA CITIC BANK
30
1987-2017
全国统一客服热线
95558
www.citicbank.com

To the Shareholders of China CITIC Bank Corporation Limited

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

Opinion

What we have audited

The consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 170 to 288, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Impairment of loans and advances to customers and investments classified as receivables
- Consolidation of structured entities – Non-principal guaranteed wealth management products
- De-recognition of financial assets
- Disclosure of the possible impact of IFRS 9 implementation

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers and investments classified as receivables	
Loans and advances to customers	**Loans and advances to customers**
Refer to Note 4(c), Note 5 and Note 23 to the consolidated financial statements.	
As at 31 December 2017, the Group's loans and advances to customers amounted to RMB3,196.89 billion, and the corresponding allowance for impairment losses was RMB90.90 billion. Allowance for impairment losses represented management's best estimates of losses incurred within loans and advances to customers as at the balance sheet date. The allowance was computed individually or on a collective basis, where appropriate. Corporate loans were initially assessed for impairment individually by management. If objective evidence of impairment was identified, management regularly assesses the amount and timing of the expected future cash flows from the loans to calculate the allowance for impairment losses, which was the difference between the carrying amount of the loans and the present value of their expected future cash flows.	We evaluated and tested the design and operating effectiveness of the relevant controls over the impairment assessments and impairment allowance computations for loans and advances to customers, including review and approval of results of credit reviews on impaired loans, the periodic revaluations of collateral, the estimation of future cash flows for impaired loans, and the collective impairment computations (including the selection and changes of models, data inputs and key assumptions and changes thereof used in the computations). We performed independent credit reviews of selected samples, considering the credit profiles of the related borrowers, guarantors and the collateral, as well as external evidence and factors, to ascertain whether management's identification of impaired loans was appropriate. For impaired loans identified individually, we examined, on a sample basis, data inputs to the discounted cash flow models, including the cash flow status of the borrowers and guarantors, latest collateral valuations, applicable haircut rates and disposal plans, in supporting the estimation of future cash flows and present value.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers and investments classified as receivables (continued)	
Non-impaired corporate loans and all personal loans were included in homogeneous groups with similar credit risk characteristics for performance of impairment assessments on a collective basis. Models were used for this purpose, considering the similarity of credit risks and applying key assumptions such as, historical loss experience, loss identification period for incurred but unidentified impairment losses, macro-economic factors, and special considerations for high risk products and geographical locations in the calculation methodology. Management assessed these key assumptions on a periodic basis, and made adjustments where deemed appropriate. **Investments classified as receivables** Refer to Note 4(c), Note 5 and Note 26 to the consolidated financial statements. As at 31 December 2017, the Group's investments classified as receivables ("Investments") amounted to RMB534.06 billion, and the corresponding allowance for impairment losses was RMB2.94 billion.	For those loans and advances to customers which were assessed by management on a collective basis for impairment losses, we conducted independent testing on the appropriateness of the design and logic of the models employed by management. We tested the migration model for corporate loans and the roll rate models for personal loans, respectively, including completeness of the source data, appropriateness of the key assumptions, and mathematical accuracy of the calculations. We discussed with management and scrutinized the appropriateness of those key assumptions applied in management's impairment assessment, and compared them with available external evidence where necessary. We also applied sensitivities to underlying key assumptions. **Investments classified as receivables** Loans and advances to customers and Investments relating to the same borrower were included in the Group's integrated credit approval and management system so that management managed its credit risk exposure in a holistic manner. For Investments with credit-type underlying assets, the testing of relevant controls over impairment identification and assessments of these Investments was covered through our testing of internal controls over loans and advances to customers mentioned above.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans and advances to customers and investments classified as receivables (continued)	
Management focused on and assessed the Investments with credit-type underlying assets individually for impairment. Underlying assets not identified as impaired from the individual assessments were included in homogenous groups with similar credit risk characteristics, considering risk factors relating to different industries and different types of underlying assets, and were assessed for impairment on a collective basis. Identification and assessment of impairment of loans and advances to customers and Investments involved complex and significant judgments by management, and, as such, we focused on this area as a key audit matter.	For Investments with credit-type underlying assets where the underlying assets related to borrowers who also had outstanding balances of loans and advances with the Group, we applied a consistent approach, to selection of samples and conducting credit reviews. For borrowers with no outstanding balances of loans and advances to customers with the Group, we separately selected samples and performed procedures on them to ascertain whether there was objective evidence of impairment for the underlying assets. For Investments with credit-type underlying assets, that were not identified as impaired from individual assessments, we evaluated the appropriateness of the Investments' allowance for impairment losses based on the credit risk characteristics of the underlying assets, and by reference to the level of the Group's collective impairment allowance for its corporate loans and advances to customers with similar credit risk characteristics. Based on the procedures performed above, in the context of the inherent uncertainties associated with impairment assessments, the assessment approaches, methodologies and key assumptions adopted by management were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products	
Refer to Note 4(a), Note 5 and Note 62 to the consolidated financial statements. As at 31 December 2017, unconsolidated structured entities included non-principal guaranteed wealth management products ("WMPs") issued and managed by the Group. Management's decision on whether or not to consolidate structured entities was based on an assessment of the Group's power, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities. We focused on the consolidation assessment and judgment made by management involving the structures entities for non-principal guaranteed WMPs during our audit as whether or not to consolidate these entities involved significant judgment.	We evaluated and tested the design and operating effectiveness of management's relevant controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included the review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities. We selected samples of structured entities for non-principal guaranteed WMPs and performed the following tests: • assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities; • performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; • assessed whether the Group acted as a principal or an agent through analysis of the scope of the Group's decision-making authority, its remuneration entitlement, other interests the Group held, and the rights held by other parties. Based on the procedures performed above, we found management's judgment relating to the consideration of structured entities for non-principal guaranteed WMPs acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
De-recognition of Financial Assets Refer to Note 4(c), Note 5 and Note 63 to the consolidated financial statements. During the year ended 31 December 2017, the Group entered into transactions which involved transfers of financial assets including those through securitisation and loan transfers. Management analysed the Group's contractual rights and obligations in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred by using models to determine whether the de-recognition criteria were met. Where necessary, the Group assessed whether it had relinquished its control over the transferred financial assets to determine whether the de-recognition criteria were met. The de-recognition assessment relating to the transfer of financial assets involved significant judgment from management, and as such, we focused our audit on the de-recognition of these financial assets.	We evaluated and tested the design and operating effectiveness of the relevant controls over transfers of financial assets, including the review and approval of the structure designs and contractual terms of the transactions, the approval of models for testing the transfer of risks and rewards of ownership and the key parameters and assumptions used in the models, as well as the review and approval of management's assessment results. We selected samples and read through transaction agreements to assess the contractual rights and obligations of the Group, and whether the Group transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows, to independent third parties. We also assessed the appropriateness of the models, the parameters and assumptions, the discount rates, and the variability factors. We also tested the mathematical accuracy of the calculations. For financial assets where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, we analysed whether the Group had relinquished its controls over these financial assets, and if the Group had a continuing involvement in these transferred financial assets. Based on the procedures performed above, we found management's assessment over de-recognition of transferred financial assets acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Disclosure of the possible impact of IFRS 9 implementation	
Refer to Note 3(b) to the consolidated financial statements. IFRS 9 involves three major changes: classification and measurement, impairment and hedge accounting. In addition, according to International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors, for those IFRSs which are issued but not yet effective, entities should disclose the possible impact whether it is known or can be reasonably estimated. Therefore, the Group disclosed the possible impact, whether it is known or can be reasonably estimated, of the IFRS 9 implementation in the notes to the financial statements for the year 2017. Estimation of the impact on equity attributable to ordinary equity holders for IFRS 9 implementation is a highly complex process, which involves significant management's judgment. Hence, we focused on this area as a key audit matter.	We obtained management's judgement and logic on classification under IFRS 9 and its result, checked the consistency of the classification against the relevant requirements of IFRS 9, and assessed the accuracy of the classification; We obtained management's valuation method and results of parameters selection for financial products measured at fair value, and assessed the reasonableness of the valuation method and parameters selected with the involvement of our valuation specialists; For Expected Credit Losses ("ECL") under IFRS 9 estimated by management, we performed the following procedures: • Obtained an understanding of methodology for ECL model, development processes and its relevant controls, through review of documentation and discussion with management and credit modelling specialists. With the involvement of our modelling specialists, we assessed the reasonableness of assumptions and judgement made by management on model adoption and parameters selection; • Examined the key data inputs to the ECL model on a sample basis to assess their accuracy and completeness. We obtained an understanding of the key processes related to information disclosure, and inspected the management's approval documents on the information disclosure related to change in accounting policies.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2018

Chapter 14 Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Year ended 31 December 2017	2016
Interest income		**220,762**	213,474
Interest expense		**(121,117)**	(107,336)
Net interest income	6	**99,645**	106,138
Fee and commission income		**51,687**	45,360
Fee and commission expense		**(4,829)**	(3,080)
Net fee and commission income	7	**46,858**	42,280
Net trading gain	8	**6,583**	3,547
Net gain from investment securities	9	**3,757**	1,682
Net hedging gain	10	**1**	—
Other operating income		**387**	512
Operating income		**157,231**	154,159
Operating expenses	11	**(48,913)**	(47,272)
Operating profit before impairment		**108,318**	106,887
Impairment losses on			
— Loans and advances to customers		**(50,170)**	(45,715)
— Others		**(5,617)**	(6,573)
Total impairment losses	12	**(55,787)**	(52,288)
Revaluation gain on investment properties		**30**	8
Share of (loss)/profit of associates and joint ventures		**(285)**	1
Profit before tax		**52,276**	54,608
Income tax expense	13	**(9,398)**	(12,822)
Profit for the Year		**42,878**	41,786
Net profit attributable to:			
Equity holders of the Bank		**42,566**	41,629
Non-controlling interests		**312**	157
Profit for the year		**42,878**	41,786
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-sales financial assets		**(8,042)**	(6,627)
— Exchange difference on translating foreign operations		**(2,583)**	1,897
— Others		**(9)**	—
Items that will not be reclassified to profit or loss (net of tax):			
— Net changes on the measurement of defined benefit plan		**(8)**	5
Other comprehensive income, net of tax	14	**(10,642)**	(4,725)
Total comprehensive income for the year		**32,236**	37,061
Total comprehensive income attribute to:			
Equity holders of the Bank		**31,924**	36,903
Non-controlling interests		**312**	158
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic and diluted earnings per share (RMB)	15	**0.84**	0.85

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

Chapter 14 Consolidated Statement of Financial Position

As at 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**31 December 2017**	31 December 2016
Assets			
Cash and balances with central banks	16	**568,300**	553,328
Deposits with banks and non-bank financial institutions	17	**124,350**	208,641
Precious metals		**3,348**	3,372
Placements with and loans to banks and non-bank financial institutions	18	**172,069**	167,208
Financial assets at fair value through profit or loss	19	**65,904**	64,911
Derivative financial assets	20	**65,451**	47,366
Financial assets held under resale agreements	21	**54,626**	170,804
Interest receivables	22	**32,643**	32,922
Loans and advances to customers	23	**3,105,984**	2,802,384
Available-for-sale financial assets	24	**631,690**	534,533
Held-to-maturity investments	25	**216,586**	217,498
Investments classified as receivables	26	**531,118**	1,035,728
Investments in associates and joint ventures	27	**2,341**	1,111
Property, plant and equipment	29	**21,330**	17,834
Intangible assets		**1,139**	840
Investment properties	30	**295**	305
Goodwill	31	**849**	914
Deferred tax assets	32	**21,825**	12,697
Other assets	33	**57,843**	58,654
Total assets		**5,677,691**	5,931,050
Liabilities			
Borrowings from central banks		**237,600**	184,050
Deposits from banks and non-bank financial institutions	35	**798,007**	981,446
Placements from banks and non-bank financial institutions	36	**77,595**	83,723
Derivative financial liabilities	20	**64,937**	45,059
Financial assets sold under repurchase agreements	37	**134,500**	120,342
Deposits from customers	38	**3,407,636**	3,639,290
Accrued staff costs	39	**8,838**	8,819
Taxes payable	40	**8,858**	6,364
Interest payable	41	**39,323**	37,155
Provisions	42	**394**	244
Debt securities issued	43	**441,244**	386,946
Deferred tax liabilities	32	**8**	11
Other liabilities	44	**46,318**	53,105
Total liabilities		**5,265,258**	5,546,554

As at 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**31 December 2017**	31 December 2016
Equity			
Share capital	45	**48,935**	48,935
Preference shares	46	**34,955**	34,955
Capital reserve	47	**58,977**	58,636
Other comprehensive income	48	**(11,784)**	(1,142)
Surplus reserve	49	**31,183**	27,263
General reserve	50	**74,251**	73,911
Retained earnings	51	**163,121**	136,666
Total equity attributable to equity holders of the Bank		**399,638**	379,224
Non-controlling interests	52	**12,795**	5,272
Total equity		**412,433**	384,496
Total liabilities and equity		**5,677,691**	5,931,050

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

Approved and authorised for issue by the board of directors on 26 March 2018.

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

Chapter 14 Consolidated Statement of Changes in Equity

For the year ended 31 December 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 equity holders	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) Net profit		–	–	–	–	–	–	42,566	22	290	42,878
(ii) Other comprehensive income	14	–	–	–	(10,642)	–	–	–	–	–	(10,642)
Total comprehensive income		–	–	–	(10,642)	–	–	42,566	22	290	32,236
(iii) Contribution by non-controlling shareholders	52	–	–	341	–	–	–	–	7,506	–	7,847
(v) Profit appropriations											
– Appropriations to surplus reserve	49	–	–	–	–	3,920	–	(3,920)	–	–	–
– Appropriations to general reserve	50	–	–	–	–	–	340	(340)	–	–	–
– Dividend distribution to ordinary shareholders of the Bank	51	–	–	–	–	–	–	(10,521)	–	–	(10,521)
– Dividend distribution to preference shareholders of the Bank		–	–	–	–	–	–	(1,330)	–	–	(1,330)
– Dividend distribution to non-controlling interest		–	–	–	–	–	–	–	(5)	–	(5)
– Dividend distribution to other equity instruments holders	52	–	–	–	–	–	–	–	–	(290)	(290)
As at 31 December 2017		**48,935**	**34,955**	**58,977**	**(11,784)**	**31,183**	**74,251**	**163,121**	**7,646**	**5,149**	**412,433**

		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 equity holders	Other equity instruments holders	Total equity
As at 1 January 2016		48,935	–	58,636	3,584	23,362	64,555	118,668	121	1,825	319,686
(i) Net profit		–	–	–	–	–	–	41,629	11	146	41,786
(ii) Other comprehensive income	14	–	–	–	(4,726)	–	–	–	1	–	(4,725)
Total comprehensive income		–	–	–	(4,726)	–	–	41,629	12	146	37,061
(iii) Proceed from issuance of preference shares		–	34,955	–	–	–	–	–	–	–	34,955
(iv) Proceeds from other equity instruments holders		–	–	–	–	–	–	–	–	3,324	3,324
(v) Profit appropriations											
– Appropriations to surplus reserve	49	–	–	–	–	3,901	–	(3,901)	–	–	–
– Appropriations to general reserve	50	–	–	–	–	–	9,356	(9,356)	–	–	–
– Dividend distribution to ordinary shareholders of the Bank		–	–	–	–	–	–	(10,374)	–	–	(10,374)
– Dividend distribution to non-controlling interest		–	–	–	–	–	–	–	(10)	–	(10)
– Dividend distribution to other equity instruments holders	52	–	–	–	–	–	–	–	–	(146)	(146)
As at 31 December 2016		48,935	34,955	58,636	(1,142)	27,263	73,911	136,666	123	5,149	384,496

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

Chapter 14 Consolidated Statement of Cash Flows

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

	Year ended 31 December	
	2017	2016
Operating activities		
Profit before tax	**52,276**	54,608
Adjustments for:		
— revaluation (gain)/loss on investments, derivatives and investment properties	**(1,434)**	1,068
— investment gain	**(1,006)**	(812)
— net loss/(gain)on disposal of property, plant and equipment	**9**	(62)
— unrealised foreign exchange (gain)/loss	**(415)**	850
— impairment losses	**55,787**	52,288
— depreciation and amortisation	**2,811**	2,703
— interest expense on debt securities issued	**19,171**	14,052
— dividend income from equity investment	**(178)**	(70)
— income tax paid	**(14,521)**	(14,155)
Subtotal	**112,500**	110,470
Changes in operating assets and liabilities:		
Decrease/(increase) in balances with central banks	**14,730**	(46,833)
(Increase)/decrease in deposits with banks and non-bank financial institutions	**(9,442)**	5,967
Decrease/(increase) in placements with and loans to banks and non-bank financial institutions	**10,896**	(49,368)
Decrease/(increase) in financial assets at fair value through the profit or loss	**14,712**	(37,851)
Decrease/(increase) in financial assets held under resale agreements	**116,178**	(32,196)
Increase in loans and advances to customers	**(365,544)**	(369,112)
Decrease in investments classified as receivables	**503,423**	75,619
Decrease in deposits from banks and non-bank financial institutions	**(183,284)**	(87,181)
Increase in borrowings from central banks	**53,550**	146,550
(Decrease)/increase in placements from banks and non-bank financial institutions	**(4,921)**	33,747
Increase in financial assets sold under repurchase agreements	**14,162**	49,172
(Decrease)/increase in deposits from customers	**(215,583)**	443,232
Decrease/(Increase) in other operating assets	**495**	(30,769)
(Decrease)/increase in other operating liabilities	**(7,798)**	7,364
Subtotal	**(58,426)**	108,341
Net cash flows from operating activities	**54,074**	218,811

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Year ended 31 December 2017	2016
Investing activities			
Proceeds from disposal and redemption of investments		**1,007,237**	545,658
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**52**	109
Cash received from equity investment income		**178**	80
Payments on acquisition of investments		**(1,131,592)**	(714,490)
Payments on acquisition of equipment and other assets		**(7,980)**	(7,708)
Net cash paid for acquisition of associates and joint ventures	27	**(1,590)**	(100)
Net cash flows used in investing activities		**(133,695)**	(176,451)
Financing activities			
Cash received from share capital issued		**7,847**	—
Cash received from preference shares	46	**—**	34,955
Cash received from debt securities issued	43	**862,890**	604,406
Cash received from other equity instruments issued	52	**—**	3,324
Cash paid for redemption of debt securities issued		**(801,447)**	(507,840)
Interest paid on debt securities issued		**(17,699)**	(14,192)
Dividends paid		**(12,146)**	(10,530)
Net cash flows from financing activities		**39,445**	110,123
Net (decrease)/increase in cash and cash equivalents		**(40,176)**	152,483
Cash and cash equivalents as at 1 January		**385,356**	226,364
Effect of exchange rate changes on cash and cash equivalents		**(7,265)**	6,509
Cash and cash equivalents as at 31 December	53	**337,915**	385,356
Cash flows from operating activities include:			
Interest received		**226,761**	213,544
Interest paid		**(101,237)**	(94,307)

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

Chapter 14 Notes to the Consolidated Financial Statements

For the year ended 31 December 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 31 December 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 financial statements, Mainland China refers to the PRC excluding Hong Kong, the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The consolidated financial statements were approved by the Board of Directors of the Bank on 26 March 2018.

2 Basis of preparation

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

The consolidated financial statements for the year ended 31 December 2017 comprise the Bank and its subsidiaries, associates and joint ventures.

(a) Accounting year

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

(b) Functional currency and presentation currency

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

(Amounts in millions of Renminbi unless otherwise stated)

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(a) New and amended standards adopted by the Group

The Group has adopted the following new or amendments to the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current year and relevant to the Group.

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

Amendments to IAS 12:Income Taxes

The IASB has issued amendments to IAS 12 – Income taxes. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 7:Statement of Cash Flows

The IASB has issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 12: IASB Annual Improvements 2014 – 2016 cycle

The IASB Annual Improvements 2014 – 2016 Cycle include the amendments to IFRS 12 Disclosure of Interest in Other Entities. These amendments clarify the scope of IFRS 12 by specifying that the disclosure requirements, expect for those summarised financial information for subsidiaries, associates and joint ventures apply to an entity's interests which are classified as held for sale or discontinued operations in accordance with IFRS 5. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

The adoption of these amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

(Amounts in millions of Renminbi unless otherwise stated)

3 Statement of compliance (Continued)

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

The Group has not adopted the following new and amended standards and new interpretations that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
Amendments to IFRS 2	Share – based Payment	1 January 2018
Amendments to IAS 40	Transfer of Investment Property	1 January 2018
Amendments to IAS 28	IASB Annual Improvements 2014 – 2016 cycle	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
IFRS 15	Revenue from Contracts with Customers	1 January 2018
International Financial Reporting Interpretations Committee ("IFRIC") 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

Amendments to IFRS 2:Share – based Payment

On 20 June 2016, the IASB issued an amendment to IFRS 2, "Share-based Payment", addressing three classification and measurement issues.

The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes.

The amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 40: Transfer of Investment Property

On 8 December 2016, the IASB issued amendments to IAS 40 – Transfer of Investment Property. These amendments specify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred; They also clarify that the list of circumstances set out in IAS 40 is non-exhaustive list of examples of evidence that a change in use has occurred instead of an exhaustive list. The examples have been expanded to include assets under construction and development and not only transfers of completed properties. The adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 28: IASB Annual Improvements 2014 – 2016 cycle

The IASB Annual Improvements 2014 – 2016 Cycle include the amendments to IAS 28 – Investments in Associates and Joint Ventures. These amendments clarify that the election to measure investees at fair value through profit or loss is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

3 Statement of compliance (Continued)

(b) Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

IFRS 9: Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (IFRS 9), which replaces IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). This final version includes requirements on: (1) Classification and measurement of financial assets and liabilities; (2) Impairment of financial assets; and (3) General hedge accounting.

The Group from 1 January 2018 will apply IFRS 9. According to the provisions for the transition from IAS 39, companies should retrospectively adjust the retained earnings or other comprehensive income from 2018 in which the standard is adopted without restating the comparative figures of the prior periods for the effect of the changes to classification and measurement and impairment of financial assets. IFRS 9 includes an accounting policy choice to retain the IAS 39 requirements for hedge accounting and the Group will elect to retain the IAS 39 requirements.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. An impairment allowance (or provision in the case of commitments and guarantees) for ECL is required at initial recognition of such financial assets. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The estimation of ECL should take into account the time value of money. Consequently, the recognition and measurement of impairment is more forward-looking than under IAS 39, and the resulting impairment charge may tend to be more volatile.

As at 1 January 2018, the Group estimates that the shareholders' equity may be decreased by RMB6.1 billion due to the adoption of IFRS 9, attributed by a decrease in net assets due to the implementation of ECL and an offsetting effect from the changes in classification and measurement.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

In October 2017, the IASB amended IFRS 9 by issuing Prepayment Features with Negative Compensation. As a result of those amendments, particular financial assets with prepayment features that may result in reasonable negative compensation for the early termination of the contract are eligible to be measured at amortised cost or at fair value through other comprehensive income. The adoption of this amendment will not have a significant impact on the Group's consolidated financial statements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The adoption of this new standard will not have a significant impact on the Group's consolidated financial statements.

3 Statement of compliance (Continued)

(b) Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

International Financial Reporting Interpretations Committee ("IFRIC") 22: Foreign Currency Transactions and Advance Consideration

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.

IFRS 16: Leases

IFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces IAS 17 'Leases', and related interpretations.

IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or the lease is short-term, in the consolidated statement of financial position. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability in the consolidated statement of comprehensive income, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the consolidated statement of cash flows.

The standard will affect primarily the accounting for group's operating leases when group as a lessee. As at 31 December 2017, the group has non-cancellable operating lease commitments of RMB12,314 million (Note 54 (d)). The Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group expects that, as a lessor, there will be no significant impact on the financial information.

IFRIC 23: Uncertainty over Income Tax Treatments

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.

4 Summary of significant accounting policies

(a) Consolidated financial statements

(i) Business combinations involving enterprises under common control

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

(ii) Business combinations not involving entities under common control

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

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

In the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs.

(iii) Consolidated financial statements

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

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

4 Summary of significant accounting policies (Continued)

(a) Consolidated financial statements (Continued)

(iii) Consolidated financial statements (Continued)

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

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

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

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

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

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

If there is a difference between the accounting entity of a Group and the accounting entity of the bank or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

4 Summary of significant accounting policies (Continued)

(b) Foreign currency translations

(i) Translation of foreign currency transactions

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

(ii) Translation of financial statements denominated in foreign currency

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

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

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

4 Summary of significant accounting policies (Continued)

(c) Financial instruments

(i) Classification

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

Financial assets at fair value through profit or loss

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

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

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

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(i) Classification (Continued)

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

(ii) Derivatives and embedded derivatives

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

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

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(iii) Recognition and de-recognition

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

Financial assets

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

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

— the carrying amount of the financial asset transferred;

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

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

Securitisation

As part of its operations, the Group securities financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for de-recognition of financial assets are set out above. When the securitisation of financial assets that qualify for de-recognition, the relevant financial assets are de-recognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets that do not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets that partially qualify for de-recognition, where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

Sales of assets on condition of repurchase

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

Financial liability

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

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(iv) Measurement

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

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

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

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

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

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

(v) Impairment

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

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

— significant financial difficulty of the borrower or issuer;

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

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

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

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

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(v) Impairment (Continued)

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

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

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

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

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

Impairment of financial assets carried at amortised cost

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

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

Financial assets will be grouped according to the similarities of credit risk characteristics during the portfolio assessment of impairment. These credit risk characteristics are usually related to the future cash flow measurement of the asset being inspected, reflecting the debtor's ability to repay all due amounts in accordance with the contractual terms of these assets.

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(v) Impairment (Continued)

Impairment reversal and written-off

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

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

Rescheduled loans

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

Available-for-sale financial assets

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

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

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(v) Impairment (Continued)

Available-for-sale financial assets (Continued)

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

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

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

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

(vi) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the statement of financial position and are not offset. However, financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only if the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

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

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

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

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

(viii) Equity instrument

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

(d) Precious metals

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

4 Summary of significant accounting policies (Continued)

(e) Hedging

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

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

Fair value hedges

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

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

(f) Interests in subsidiaries

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

Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(g) Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement. A joint venture refers to the Group or Bank collaborating with another party on a specific project but solely has rights on its net property.

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

4 Summary of significant accounting policies (Continued)

(g) Interests in associates and joint ventures (Continued)

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

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

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

— The Group recognises its share of investee's profits or losses, other comprehensive income and other changes in equity holders' equity after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures. When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

— The Group discontinues recognising its share of net losses of investees after the carrying amount of investment to the associates and joint ventures and any long-term interest that in substance forms part of the Group's net interest in the associates and joint ventures are reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate. Where profits are subsequently made by the associates and joint ventures, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

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

4 Summary of significant accounting policies (Continued)

(h) Property, plant and equipment

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

(i) Cost

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

The estimated useful lives are as follows:

	Estimated useful lives	*Estimated residual value*	*Depreciation rate*
Buildings	30 – 35 years	0% – 5%	2.71% – 3.33%
Computer equipment and others	3 – 10 years	0% – 10%	9.00% – 33.33%

No depreciation is provided in respect of construction in progress.

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

(iv) Impairment

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

(v) Disposal and retirement

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

4 Summary of significant accounting policies (Continued)

(i) Land use rights

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

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

(j) Intangible assets

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

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

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

(k) Investment properties

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

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

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

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

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

4 Summary of significant accounting policies (Continued)

(l) Lease

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

(i) Finance leases

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

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

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

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

(ii) Operating leases

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

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

4 Summary of significant accounting policies (Continued)

(m) Goodwill

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

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

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

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

(n) Repossessed assets

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

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

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

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

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

(o) Allowance for impairment of non-financial assets

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

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

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

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

4 Summary of significant accounting policies (Continued)

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

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

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

(ii) Impairment of goodwill

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

(p) Fair value measurement

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

4 Summary of significant accounting policies (Continued)

(q) Employee benefits

(i) Short-term employee benefits

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

(ii) Post-employment benefits: Defined contribution plans

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

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

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

(iii) Post-employment benefits: Defined benefit plans

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

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

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

4 Summary of significant accounting policies (Continued)

(r) Government grants

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

Government grants are recognised when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants.

Government grants are measured at the amount received or will be received when recognised as monetary assets. Government grants are measured at fair value when recognised as non-monetary assets.

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

The prime based loan of the Group is calculated based on actual incoming loan as entry value and preferential interest rate. The direct interest charges against the cost of loan.

(s) Provisions and contingent liabilities

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

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

(t) Fiduciary activities

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

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

4 Summary of significant accounting policies (Continued)

(u) Income recognition

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

(i) Interest income

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

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

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

(ii) Fee and commission income

Fee and commission income is recognised in the consolidated statement of profit or loss when the corresponding service is provided. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan or anticipating will not, the fee is recognised as revenue on expiry.

(iii) Dividend income

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

(iv) Rental income from operating lease

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

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

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

4 Summary of significant accounting policies (Continued)

(v) Income tax

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

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

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

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

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

(w) Cash equivalents

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

(x) Profit distribution

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

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

4 Summary of significant accounting policies (Continued)

(y) Related parties

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

(z) Operating segments

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

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

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

5 Critical accounting estimates and judgements

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

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

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

Loans and advances to customers

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

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

5 Critical accounting estimates and judgements

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

Loans and advances to customers (Continued)

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

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

Investments classified as receivables

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

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

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

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

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

5 Critical accounting estimates and judgements (Continued)

(iii) Fair value of financial instruments

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

(iv) De-recognition of financial assets

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

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

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

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

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

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

(v) Consolidation of structured entities

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

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

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

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

(Amounts in millions of Renminbi unless otherwise stated)

5 Critical accounting estimates and judgements (Continued)

(vi) Income taxes

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

6 Net interest income

	Year ended 31 December	
	2017	2016
Interest income arising from (Note (i)):		
Deposits with central banks	**7,633**	7,566
Deposits with banks and non-bank financial institutions	**3,040**	1,722
Placements with and loans to banks and non-bank financial institutions	**6,223**	3,724
Financial assets held under resale agreements	**1,068**	857
Investments classified as receivables	**35,438**	45,820
Loans and advances to customers		
— corporate loans	**89,053**	92,655
— personal loans	**48,279**	36,858
— discounted bills	**4,004**	2,705
Investments in debt securities	**25,922**	21,562
Others	**102**	5
Subtotal	**220,762**	213,474
Interest expense arising from:		
Borrowings from central banks	**(6,151)**	(2,686)
Deposits from banks and non-bank financial institutions	**(36,896)**	(32,629)
Placements from banks and non-bank financial institutions	**(3,006)**	(1,470)
Financial assets sold under repurchase agreements	**(2,691)**	(861)
Deposits from customers	**(53,190)**	(55,630)
Debt securities issued	**(19,171)**	(14,052)
Others	**(12)**	(8)
Subtotal	**(121,117)**	(107,336)
Net interest income	**99,645**	106,138

Note:

(i) Interest income from impaired financial assets is RMB643 millions for the year ended 31 December 2017 (2016: RMB626 million).

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

7 Net fee and commission income

	Year ended 31 December	
	2017	2016
Fee and commission income:		
Bank card fees	**30,453**	19,324
Commission for wealth management services	**5,536**	7,114
Agency fees and commission (Note (i))	**4,534**	6,128
Consultancy and advisory fees	**4,261**	5,777
Commission for custodian business and other fiduciary	**3,201**	2,566
Guarantee fees	**2,097**	2,384
Settlement and clearance fees	**1,215**	1,396
Others	**390**	671
Total	**51,687**	45,360
Fee and commission expense	**(4,829)**	(3,080)
Net fee and commission income	**46,858**	42,280

Note:

(i) Agency fees and commission represent fees earned for sale of bonds, investment funds and insurance products, and provision of entrusted lending activities.

8 Net trading gain

	Year ended 31 December	
	2017	2016
Debt securities and certificates of interbank deposit	**2,187**	894
Foreign currencies	**1,664**	2,311
Derivatives and related exposures	**2,131**	77
Financial instrument designated at fair value through profit or loss	**601**	265
Total	**6,583**	3,547

9 Net gain from investment securities

	Year ended 31 December	
	2017	2016
Net gain from sale of available-for-sale securities	**1,221**	818
Net gain from bills rediscounting	**(5)**	314
Net gain from securitisation of financial assets	**2,622**	67
Others	**(81)**	483
Total	**3,757**	1,682

(Amounts in millions of Renminbi unless otherwise stated)

10 Net hedging gain

	Year ended 31 December	
	2017	2016
Net gain of fair value hedge	**1**	—

11 Operating expenses

	Year ended 31 December	
	2017	2016
Staff costs		
— salaries and bonuses	**20,280**	17,071
— welfare expenses	**1,121**	1,470
— social insurance	**1,324**	1,189
— housing fund	**1,291**	1,250
— labour union expenses and employee education expenses	**378**	613
— housing allowance	**497**	484
— other short-term benefits	**48**	106
— post-employment benefits – defined contribution plans	**2,377**	2,190
— post-employment benefits – defined benefit plans	**11**	6
— other long-term benefits	**89**	39
Subtotal	**27,416**	24,418
Property and equipment expenses		
— rent and property management expenses	**4,899**	4,670
— depreciation	**1,818**	1,683
— amortisation expenses	**993**	1,020
— electronic equipment operating expenses	**524**	804
— maintenance	**498**	685
— others	**372**	363
Subtotal	**9,104**	9,225
Tax and surcharges	**1,660**	4,487
Other general operating and administrative expenses (Note (i))	**10,733**	9,142
Total	**48,913**	47,272

Note:

(i) Included in other general operating and administrative expenses were audit fees of RMB18 million for the year ended 31 December 2017 (2016: RMB16 million) and non-audit fees of for the year ended 31 December 2017 RMB12 million for the year (2016: RMB14 million).

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

11 Operating expenses (Continued)

(a) Individuals with highest emoluments

For the year ended 31 December 2017, of the 5 individuals with the highest emoluments in the Group, there was no director (2016: Nil) and no supervisor (2016: Nil).The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals of the Group were as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**21,235**	23,403
Discretionary bonuses	**19,789**	24,179
Contribution to pension scheme	**1,418**	1,684
Total	**42,442**	49,266

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

	Year ended 31 December	
	2017	2016
RMB5,000,001 – RMB10,000,000	**4**	2
RMB10,000,001 – RMB15,000,000	**1**	3

No inducement fee and compensation for loss of office was paid to the five highest paid individuals for the year ended 31 December 2017 (2016: Nil).

12 Impairment losses on assets

	Year ended 31 December	
	2017	2016
Loans and advances to customers	**50,170**	45,715
Deposits with banks and non-bank financial institutions	**(32)**	34
Interest receivables	**4,212**	5,033
Available-for-sale financial assets	**(69)**	43
Held-to-maturity investments	**(2)**	2
Investments classified as receivables	**1,018**	871
Repossessed assets	**272**	64
Off-balance sheet items	**(77)**	(82)
Others	**295**	608
Subtotal	**5,617**	6,573
Total	**55,787**	52,288

(Amounts in millions of Renminbi unless otherwise stated)

13 Income tax

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

	Note	Year ended 31 December 2017	2016
Current tax			
— Mainland China		**15,249**	14,920
— Hong Kong		**487**	407
— Overseas		**104**	24
Deferred tax	32(b)	**(6,442)**	(2,529)
Total		**9,398**	12,822

Mainland China and Hong Kong income tax have been provided at the rate of 25% and 16.5% respectively. Overseas tax has been provided at the rates of taxation prevailing in the regions in which the Group operates respectively.

(b) Reconciliation between income tax expense and accounting profit

	Year ended 31 December 2017	2016
Profit before tax	**52,276**	54,608
Income tax calculated at PRC statutory tax rate	**13,069**	13,652
Effect of different tax rates in other regions	**(325)**	(245)
Tax effect of non-deductible expenses	**259**	396
Tax effect of non-taxable income		
— interest income arising from PRC government bonds	**(3,097)**	(882)
— others	**(508)**	(99)
Total	**9,398**	12,822

14 Other comprehensive income, net of tax

	Year ended 31 December 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 year	**(10,877)**	(6,889)
— net amount transferred to profit or loss	**149**	(1,926)
Income tax relating to other comprehensive income of available-for-sale financial assets	**2,686**	2,188
Other comprehensive income for available-for-sale financial assets, net of tax	**(8,042)**	(6,627)
Exchange differences on translation	**(2,583)**	1,897
Share of other comprehensive income of associates and joint ventures	**(9)**	—
Items that will not be reclassified to profit or loss		
Actuarial (loss)/gain on defined benefit plans	**(11)**	7
Income tax relating to changes on the measurement of defined benefit plans	**3**	(2)
Changes on the measurement of defined benefit plans, net of tax	**(8)**	5
Other comprehensive income, net of tax	**(10,642)**	(4,725)

(Amounts in millions of Renminbi unless otherwise stated)

15 Earnings per share

Earnings per share information for the year ended 31 December 2017 and 2016 is computed by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the year.

The Bank issued non-cumulative preference shares during the year ended 31 December 2016, under the terms and conditions as detailed in Note 46. The Bank declared and paid cash dividends of RMB1,330 million of non-cumulative preference shares for the year of 2017 (2016: Nil).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2017, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Year ended 31 December	
	2017	2016
Profit for the year attributable to equity holders of the Bank	**42,566**	41,629
Less: dividend attributable to preference shareholders of the Bank	**1,330**	—
Profit for the year attributable to ordinary shareholders of the Bank	**41,236**	41,629
Weighted average number of shares (in million shares)	**48,935**	48,935
Basic and diluted earnings per share (in RMB)	**0.84**	0.85

16 Cash and balances with central banks

	Notes	**31 December 2017**	31 December 2016
Cash		**6,740**	7,407
Balances with central banks			
— statutory deposit reserve funds	(i)	**462,743**	464,633
— surplus deposit reserve funds	(ii)	**89,288**	58,855
— fiscal deposits	(iii)	**4,083**	3,568
— foreign exchange reserve	(iv)	**5,446**	18,865
Total		**568,300**	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 31 December 2017, the statutory deposit reserve funds placed with the PBOC was calculated at 15% (as at 31 December 2016: 15%) of eligible Renminbi deposits for domestic branches of the Bank and at 15% (as at 31 December 2016: 15%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 5% (as at 31 December 2016: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

As at 31 December 2017, the statutory RMB deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited in mainland China, a subsidiary of the Group, was at 9% (as at 31 December 2016: 9%).

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

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

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

(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 issued by the PBOC on 8 September 2017, the rate of the foreign exchange reserve for forward transactions has been reduced to 0% from 11 September 2017 onwards. The foreign exchange reserve remained in the account would be released on maturity.

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

17 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**31 December 2017**	31 December 2016
In Mainland China			
— banks		**73,832**	123,913
— non-bank financial institutions		**17,557**	42,383
Subtotal		**91,389**	166,296
Outside Mainland China			
— banks		**26,187**	31,623
— non-bank financial institutions		**6,774**	10,756
Subtotal		**32,961**	42,379
Gross balance		**124,350**	208,675
Less: Allowances for impairment losses	34	**—**	(34)
Net balance		**124,350**	208,641

(b) Analysed by remaining maturity

	Note	**31 December 2017**	31 December 2016
Demand deposits (Note (i))		**67,370**	100,394
Time deposits with remaining maturity			
— within one month		**45,629**	84,016
— between one month and one year		**11,351**	24,265
Subtotal		**56,980**	108,281
Gross balance		**124,350**	208,675
Less: Allowances for impairment losses	34	**—**	(34)
Net balance		**124,350**	208,641

Note:

(i) As at 31 December 2017, the carrying amount of pledged deposits with banks and other financial institutions was RMB1,676 million (as at 31 December 2016: RMB606 million).

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

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

(a) Analysed by types and locations of counterparties

	Note	**31 December 2017**	31 December 2016
In Mainland China			
— banks		**15,320**	3,003
— non-bank financial institutions		**119,065**	138,293
Subtotal		**134,385**	141,296
Outside Mainland China			
— banks		**37,685**	25,921
Gross balance		**172,070**	167,217
Less: Allowances for impairment losses	34	**(1)**	(9)
Net balance		**172,069**	167,208

(b) Analysed by remaining maturity

	Note	**31 December 2017**	31 December 2016
Within one month		**66,564**	57,802
Between one month and one year		**105,506**	109,382
Over one year		**—**	33
Gross balance		**172,070**	167,217
Less: Allowances for impairment losses	34	**(1)**	(9)
Net balance		**172,069**	167,208

19 Financial assets at fair value through profit or loss

	Notes	**31 December 2017**	31 December 2016
Held for trading financial assets			
— debt securities	(a)	**38,728**	9,630
— certificates of interbank deposit	(b)	**19,400**	50,699
— investment funds		**2,001**	1
Subtotal		**60,129**	60,330
Financial assets designated at fair value through profit or loss			
— debt securities	(c)	**5,775**	4,581
Total		**65,904**	64,911

(Amounts in millions of Renminbi unless otherwise stated)

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

(a) Held for trading – debt securities

	31 December 2017	31 December 2016
Issued by		
In Mainland China		
— governments	**705**	51
— policy banks	**4,039**	2,579
— banks and non-bank financial institutions	**2,722**	3,138
— corporates	**30,098**	2,838
Subtotal	**37,564**	8,606
Outside Mainland China		
— banks and non-bank financial institutions	**1,063**	898
— corporates	**101**	126
Subtotal	**1,164**	1,024
Total	**38,728**	9,630
Listed in Hong Kong	**668**	977
Listed outside Hong Kong	**36,788**	6,775
Unlisted	**1,272**	1,878
Total	**38,728**	9,630

(b) Held for trading – certificates of interbank deposit

	31 December 2017	31 December 2016
Issued by		
Banks in Mainland China	**19,400**	50,699
Listed outside Hong Kong	**19,400**	50,699

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

	31 December 2017	31 December 2016
Issued by		
In Mainland China		
— banks	**606**	4,183
— policy banks	**53**	263
— Corporates	**2,523**	—
Subtotal	**3,182**	4,446
Outside Mainland China		
— banks	**2,593**	135
Total	**5,775**	4,581
Listed outside Hong Kong	**659**	4,446
Unlisted	**5,116**	135
Total	**5,775**	4,581

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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

20 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in foreign exchange, interest rate and precious metals markets related to trading, asset and liability management and customer initiated transactions. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to offer risk management solutions to match individual customer needs. These positions are actively managed through hedging transactions with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments (Note 20(c)), are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

The contractual/notional amounts of derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks.

	31 December 2017			31 December 2016		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging instruments (Note 20(c))						
— interest rate derivatives	**9,799**	**123**	**18**	14,068	201	23
Non-Hedging instruments						
— interest rate derivatives	**1,632,189**	**2,430**	**2,294**	842,387	3,164	2,790
— currency derivatives	**3,347,855**	**62,030**	**62,368**	2,612,557	42,232	40,045
— precious metal derivatives	**51,586**	**868**	**257**	77,385	1,769	2,201
Total	**5,041,429**	**65,451**	**64,937**	3,546,397	47,366	45,059

(a) Nominal amount analysed by remaining maturity

	31 December 2017	31 December 2016
Within three months	**1,868,273**	962,420
Between three months and one year	**2,751,469**	2,298,022
Between one year and five years	**418,881**	283,656
Over five years	**2,806**	2,299
Total	**5,041,429**	3,546,397

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with the 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 31 December 2017, the total amount of credit risk weighted amount for counterparty was RMB70,217 million (as at 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)

21 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	31 December 2017	31 December 2016
In Mainland China		
— banks	**28,417**	146,370
— non-bank financial institutions	**26,209**	24,434
Total	**54,626**	170,804

(b) Analysed by types of collateral

	31 December 2017	31 December 2016
Debt Securities	**54,626**	170,770
Others	**—**	34
Total	**54,626**	170,804

(c) Analysed by remaining maturity

	31 December 2017	31 December 2016
Within one month	**54,626**	170,770
Between one month and one year	**—**	34
Total	**54,626**	170,804

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

22 Interest receivables

	Note	**31 December 2017**	31 December 2016
Loans and advances to customers		**13,543**	14,482
Debt securities		**11,138**	9,608
Investments classified as receivables		**9,508**	10,951
Others		**2,400**	1,787
Gross balance		**36,589**	36,828
Less: Allowance for impairment losses	34	**(3,946)**	(3,906)
Net balance		**32,643**	32,922

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

23 Loans and advances to customers

(a) Analysed by nature

	Notes	31 December 2017	31 December 2016
Corporate loans			
— loans		**1,812,589**	1,811,765
— discounted bills		**107,456**	75,047
— finance lease receivables	23(e)	**45,258**	34,509
Subtotal		**1,965,303**	1,921,321
Personal loans			
— residential mortgages		**505,305**	433,210
— credit cards		**333,719**	237,712
— personal consumption		**226,545**	173,735
— business loans		**166,015**	111,949
Subtotal		**1,231,584**	956,606
Gross balance		**3,196,887**	2,877,927
Less: Allowances for impairment losses	34		
— individually assessed		**(28,930)**	(25,448)
— collectively assessed		**(61,973)**	(50,095)
Subtotal		**(90,903)**	(75,543)
Net balance		**3,105,984**	2,802,384

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

	31 December 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	**3,143,239**	**11,393**	**42,255**	**3,196,887**	**1.68%**
Less: Allowance for impairment losses	**(52,997)**	**(8,976)**	**(28,930)**	**(90,903)**	
Net balance	**3,090,242**	**2,417**	**13,325**	**3,105,984**	

	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	

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).

(Amounts in millions of Renminbi unless otherwise stated)

23 Loans and advances to customers (Continued)

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

(ii) Individually assessed identified impaired loans.

	31 December 2017	31 December 2016
Secured portion	**24,360**	19,060
Unsecured portion	**17,895**	18,941
Total	**42,255**	38,001
Individual allowance for impairment losses	**(28,930)**	(25,448)
Net Balance	**13,325**	12,553
Maximum exposure covered by pledge and collateral held	**22,199**	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

	Year ended 31 December 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	**11,032**	**6,406**	**37,310**	**54,748**
Reversal of impairment for the year	**—**	**(1,063)**	**(3,515)**	**(4,578)**
Unwinding of discount on allowance	**—**	**—**	**(555)**	**(555)**
Transfer out (Note (i))	**(23)**	**—**	**(398)**	**(421)**
Write-offs (Note (63))	**—**	**(5,540)**	**(29,761)**	**(35,301)**
Recovery of loans and advances written off in previous year	**—**	**1,066**	**401**	**1,467**
As at 31 December 2017	**52,997**	**8,976**	**28,930**	**90,903**

	Year ended 31 December 2016			
	Loans and advances for which allowance is collectively assessed	Impaired loans and advances for which allowance is collectively assessed	Impaired loans and advances for which allowance is individually assessed	Total
As at 1 January 2016	39,306	5,846	15,345	60,497
Allowance for impairment losses on loans charged	2,662	6,918	38,845	48,425
Reversal of impairment for the year	—	(405)	(2,305)	(2,710)
Unwinding of discount on allowance	—	—	(564)	(564)
Transfer in (Note (i))	20	—	255	275
Write-offs (Note (63))	—	(4,657)	(26,295)	(30,952)
Recovery of loans and advances written off in previous year	—	405	167	572
As at 31 December 2016	41,988	8,107	25,448	75,543

Note:

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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

23 Loans and advances to customers (Continued)

(d) Overdue loans analysed by overdue period

	31 December 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	**6,739**	**7,624**	**767**	**424**	**15,554**
Guaranteed loans	**8,543**	**9,741**	**8,814**	**1,466**	**28,564**
Loans with pledged assets					
— loans secured by collateral	**14,168**	**13,614**	**11,886**	**363**	**40,031**
— pledged loans	**3,392**	**2,201**	**1,620**	**162**	**7,375**
Total	**32,842**	**33,180**	**23,087**	**2,415**	**91,524**

	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

Overdue loans represent loans of which the principal or interest are overdue one day or more.

(Amounts in millions of Renminbi unless otherwise stated)

23 Loans and advances to customers (Continued)

(e) Finance lease receivables

Finance lease receivables transactions are attributable to the Group's subsidiaries, CITIC Financial Leasing Limited ("CFLL") and CITIC International Finance Holdings Limited ("CIFH"), include net investment in machines and equipment leased to customers under finance lease and hire purchase contracts which have the characteristics of finance leases. These contracts usually run for an initial period from 1 to 25 years. The total minimum finance lease receivables under finance lease and hire purchase contracts and their present values are as follows:

	31 December 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)	**6,920**	**9,952**	7,677	8,459
One year to two years (including two years)	**10,233**	**11,371**	6,514	7,761
Two years to three years (including three years)	**8,365**	**9,066**	6,279	6,766
Over three years	**19,740**	**22,501**	14,039	16,762
Gross balance	**45,258**	**52,890**	34,509	39,748
Less: Allowance for impairment losses				
— individually assessed	**(1)**		(2)	
— collectively assessed	**(1,003)**		(643)	
Net balance	**44,254**		33,864	

24 Available-for-sale financial assets

	Notes	**31 December 2017**	31 December 2016
Debt securities	(a)	**469,843**	396,545
Certificates of deposit	(b)	**40,947**	116,050
Equity investments		**1,356**	1,179
— measured at fair value	(c)	**744**	768
— measured at cost	(c)	**612**	411
Investment funds	(d)	**119,518**	20,737
Wealth management products		**26**	22
Total		**631,690**	534,533

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

24 Available-for-sale financial assets (Continued)

(a) Debt securities analysed by location of counterparties

	31 December 2017	31 December 2016
In Mainland China		
— governments	**245,368**	166,151
— policy banks	**72,171**	91,905
— banks and non-bank financial institutions	**31,985**	34,906
— corporates	**78,084**	70,094
Subtotal	**427,608**	363,056
Outside Mainland China		
— governments	**13,635**	15,023
— banks and non-bank financial institutions	**18,535**	11,787
— public entities	**1,151**	—
— corporates	**8,914**	6,679
Subtotal	**42,235**	33,489
Total	**469,843**	396,545
Listed in Hong Kong	**23,590**	10,935
Listed outside Hong Kong	**429,769**	356,827
Unlisted	**16,484**	28,783
Total	**469,843**	396,545

(b) Certificates of deposit analysed by location of counterparties

	31 December 2017	31 December 2016
In Mainland China		
— banks	**38,391**	112,127
— policy banks	**1,436**	—
Outside Mainland China		
— banks	**1,120**	3,923
Total	**40,947**	116,050
Listed outside Hong Kong	**40,947**	116,050

(c) Equity investments analysed by locwation of counterparties

	31 December 2017	31 December 2016
In Mainland China		
— corporates	**927**	391
Outside Mainland China		
— banks and non-bank financial institutions	**145**	136
— corporates	**284**	652
Total	**1,356**	1,179
Listed in Hong Kong	**284**	305
Listed outside Hong Kong	**70**	116
Unlisted	**1,002**	758
Total	**1,356**	1,179

(Amounts in millions of Renminbi unless otherwise stated)

24 Available-for-sale financial assets (Continued)

(d) Investment funds analysed by location of counterparties

	31 December 2017	31 December 2016
In Mainland China		
— banks and non-bank financial institutions	**118,925**	19,585
Outside Mainland China		
— banks and non-bank financial institutions	**263**	457
— corporates	**330**	695
Total	**119,518**	20,737
Listed outside Hong Kong	**118,925**	19,585
Unlisted	**593**	1,152
Total	**119,518**	20,737

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

25 Held-to-maturity investments

Debt securities analysed by location of counterparties

	Note	31 December 2017	31 December 2016
In Mainland China			
— governments		**55,105**	49,286
— policy banks		**54,246**	69,861
— banks and non-bank financial institutions		**88,774**	76,572
— corporates		**18,133**	21,430
Subtotal		**216,258**	217,149
Outside Mainland China			
— banks and non-bank financial institutions		**325**	348
— public entities		**3**	3
Subtotal		**328**	351
Gross balance		**216,586**	217,500
Less: Allowance for impairment losses	34	**—**	(2)
Total		**216,586**	217,498
Listed in Hong Kong		**273**	291
Listed outside Hong Kong		**209,985**	213,008
Unlisted		**6,328**	4,199
Total		**216,586**	217,498
Fair value		**212,530**	219,014
Of which: listed securities		**206,202**	214,813

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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

26 Investments classified as receivables

	Note	31 December 2017	31 December 2016
Investment management products managed by securities companies		**268,247**	452,966
Wealth management products		**139,020**	458,390
Trust investment plans		**126,794**	126,128
Gross balance		**534,061**	1,037,484
Less: Allowance for impairment losses	34	**(2,943)**	(1,756)
Net balance		**531,118**	1,035,728

As at 31 December 2017, RMB91,976 million of investments classified as receivables listed above were managed by related companies of CITIC Corporation Limited (CITIC Ltd.), the Bank's immediate parent company (as at 31 December 2016: RMB145,635 million).

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

27 Investments in associates and joint ventures

	Note	31 December 2017	31 December 2016
Investments in joint ventures	(a)	**1,196**	—
Investments in associates	(b)	**1,145**	1,111
Total		**2,341**	1,111

(a) Investment in joint ventures

The details of the joint venture as at 31 December 2017 was as follows:

Name of company	Forms of business structure	Place of incorporation	Effective percentage of shares (Note)	Principal activities	Nominal value of issued shares RMB
CITIC aiBank Corporation Limited ("Baixin")	Corporation	Mainland China	70%	Financial services	2.0 billion

Note:

Baixin opened on 18 November 2017. According to the Articles of Association, Fujian BoRui Network Technology Co.,Ltd. shall approve main critical events before further development.

Financial statements of the joint venture are as follow:

	As at or for the year ended 2017				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net loss**
Baixin	**9,970**	**8,262**	**1,708**	**30**	**(291)**

Movement of the Group's interests in the joint venture:

	Total
Initial investment cost	1,400
As at 1 January 2017	—
Additions	1,400
Share of net loss of the joint venture for the period	(204)
As at 31 December 2017	1,196

(Amounts in millions of Renminbi unless otherwise stated)

27 Investments in associates and joint ventures (Continued)

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 31 December 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	46% (note)	Investment holding and assets management	HKD2,218 million
Binhai (Tianjin) Financial Assets Exchange Company Limited ("BFAE")	Corporation	Mainland China	20%	Services and investment	RMB500 million

Note:

As at 31 December 2016, The Group held 40 percent of shares and voting right of CIAM.

Financial statements of the associates are as follow:

	As at or for the year ended 2017				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net loss**
CIAM	**2,412**	**236**	**2,176**	**181**	**(251)**
BFAE	**581**	**98**	**483**	**1**	**(14)**

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

Movement of the Group's interests in associates:

	Total
Initial investment cost	**1,183**
As at 1 January 2017	**1,111**
Additions	**190**
Share of net loss of associates for the period	**(81)**
Share of other comprehensive income of associates for the period	**8**
Dividend received	**(11)**
Exchange difference	**(72)**
As at 31 December 2017	**1,145**

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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

28 Investment in subsidiaries

	Notes	**31 December 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

Major subsidiaries of the Bank as at 31 December 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 and effective interest in CIFH. CIFH holds 75% shareholding in CITIC Bank International Limited (“CBI”).

(ii) CNCB Investment, formerly named as China Investment and Finance Limited, was founded in Hong Kong in 1984. Holding a money lending licence issued by the Hong Kong Company Registrar, CNCB Investment’s business scope includes capital market investment, lending and other related services. The Bank holds 99.05% shareholding in CNCB Investment, and CIFH holds the remaining 0.95% shareholding in CNCB Investment. As at 31 December 2017, the Bank effectively holds 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 effective interest.

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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

29 Property, plant and equipment

	Buildings	**Construction in progress**	**Computer equipment and others**	**Total**
Cost or deemed cost:				
As at 1 January 2017	**17,468**	**470**	**10,359**	**28,297**
Additions	**3,933**	**608**	**877**	**5,418**
Disposals	**(47)**	**—**	**(130)**	**(177)**
Exchange difference	**(41)**	**—**	**(88)**	**(129)**
As at 31 December 2017	**21,313**	**1,078**	**11,018**	**33,409**
Accumulated depreciation:				
As at 1 January 2017	**(3,949)**	**—**	**(6,514)**	**(10,463)**
Depreciation charges	**(568)**	**—**	**(1,250)**	**(1,818)**
Disposals	**—**	**—**	**115**	**115**
Exchange difference	**20**	**—**	**67**	**87**
As at 31 December 2017	**(4,497)**	**—**	**(7,582)**	**(12,079)**
Net carrying value:				
As at 1 January 2017	**13,519**	**470**	**3,845**	**17,834**
As at 31 December 2017 (Note (i))	**16,816**	**1,078**	**3,436**	**21,330**

	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	29	1,073	3,498
Transfers	680	(680)	—	—
Disposals	(65)	—	(253)	(318)
Exchange difference	85	—	71	156
As at 31 December 2016	17,468	470	10,359	28,297
Accumulated depreciation:				
As at 1 January 2016	(3,452)	—	(5,526)	(8,978)
Depreciation charges	(506)	—	(1,177)	(1,683)
Disposals	27	—	243	270
Exchange difference	(18)	—	(54)	(72)
As at 31 December 2016	(3,949)	—	(6,514)	(10,463)
Net carrying value:				
As at 1 January 2016	10,920	1,121	3,942	15,983
As at 31 December 2016 (Note (i))	13,519	470	3,845	17,834

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

29 Property, plant and equipment (Continued)

Notes:

As at 31 December 2017, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB2,860 million (as at 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.

30 Investment properties

	31 December 2017	31 December 2016
Fair value as at 1 January	**305**	325
Change in fair value	**30**	8
Transfers	**(18)**	(51)
Exchange difference	**(22)**	23
Fair value as at 31 December	**295**	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 31 December 2017.

All investment properties of the Group were revalued at 31 December 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 recognised in the profit or loss for the current year. 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.

31 Goodwill

	31 December 2017	31 December 2016
As at 1 January	**914**	854
Additions	**—**	—
Exchange difference	**(65)**	60
As at 31 December	**849**	914

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

(Amounts in millions of Renminbi unless otherwise stated)

32 Deferred tax assets/(liabilities)

	31 December 2017	31 December 2016
Deferred tax assets	**21,825**	12,697
Deferred tax liabilities	**(8)**	(11)
Net	**21,817**	12,686

(a) Analysed by nature and jurisdiction

	31 December 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	**68,409**	**17,060**	52,757	13,165
— fair value adjustments	**12,357**	**3,078**	(968)	(250)
— employee retirement benefits and salaries payable	**6,248**	**1,562**	2,882	721
— others	**402**	**125**	(3,844)	(939)
Subtotal	**87,416**	**21,825**	50,827	12,697
Deferred tax liabilities				
— fair value adjustments	**(48)**	**(8)**	(65)	(11)
Net	**87,368**	**21,817**	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	**3,899**	**645**	**838**	**1,060**	**6,442**
Recognised in other comprehensive income	**—**	**2,686**	**3**	**—**	**2,689**
Exchange difference	**(4)**	**—**	**—**	**4**	**—**
As at 31 December 2017	**17,060**	**3,070**	**1,562**	**125**	**21,817**
As at 1 January 2016	**9,694**	**(2,027)**	**704**	**(400)**	**7,971**
Recognised in profit or loss	**3,468**	**(422)**	**19**	**(536)**	**2,529**
Recognised in other comprehensive income	**—**	**2,188**	**(2)**	**—**	**2,186**
Exchange difference	**3**	**—**	**—**	**(3)**	**—**
As at 31 December 2016	**13,165**	**(261)**	**721**	**(939)**	**12,686**

(Amounts in millions of Renminbi unless otherwise stated)

33 Other assets

	Notes	**31 December 2017**	31 December 2016
Precious metal leasing		**26,313**	23,927
Prepayments for properties and equipment	(a)	**10,521**	12,335
Fee and commission receivables		**4,740**	3,684
Repossessed assets	(b)	**2,049**	1,814
Advanced payments and settlement accounts		**2,030**	805
Prepayments for assets acquired for finance leases		**1,546**	4,448
Leasehold improvements		**1,315**	1,677
Land use rights		**1,024**	1,054
Prepaid rent		**1,023**	1,065
Others	(c)	**7,282**	7,845
Total		**57,843**	58,654

(a) Prepayments for properties and equipment

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

(b) Repossessed assets

	31 December 2017	31 December 2016
Premises	**1,931**	1,836
Others	**518**	196
Gross balance	**2,449**	2,032
Less: Allowance for impairment losses	**(400)**	(218)
Net balance	**2,049**	1,814

(c) Others

Others includes assets with continuous involvement, temporary payments for lawsuit, other long-term unamortised expense and other receivables.

(Amounts in millions of Renminbi unless otherwise stated)

34 Movements of allowance for impairment losses

	Notes	Year ended 31 December 2017 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	17	**34**	**—**	**(32)**	**—**	**(2)**	**—**
Placements with and loans to banks and non-bank financial institutions	18	**9**	**—**	**—**	**—**	**(8)**	**1**
Interest receivables	22	**3,906**	**5,388**	**(1,176)**	**(3,977)**	**(195)**	**3,946**
Loans and advances to customers	23	**75,543**	**54,748**	**(4,578)**	**(35,301)**	**491**	**90,903**
Available-for-sale financial assets		**162**	**27**	**(96)**	**—**	**(15)**	**78**
Held-to-maturity investments	25	**2**	**—**	**(2)**	**—**	**—**	**—**
Investments classified as receivables	26	**1,756**	**1,018**	**—**	**—**	**169**	**2,943**
Other assets		**2,360**	**725**	**(158)**	**(364)**	**38**	**2,601**
Total		**83,772**	**61,906**	**(6,042)**	**(39,642)**	**478**	**100,472**

	Notes	Year ended 31 December 2016 As at 1 January	Charge for the year	Reversal for the year	Write-offs	Others Note (i)	As at 31 December
Deposits with bank and non-bank financial institutions	17	—	34	—	—	—	34
Placements with and loans to banks and non-bank financial institutions	18	8	—	—	—	1	9
Interest receivables	22	2,134	5,452	(419)	(3,296)	35	3,906
Loans and advances to customers	23	60,497	48,425	(2,710)	(30,952)	283	75,543
Available-for-sale financial assets		160	45	(2)	—	(41)	162
Held-to-maturity investments	25	41	2	—	—	(41)	2
Investments classified as receivables	26	885	871	—	—	—	1,756
Other assets		1,999	742	(70)	(387)	76	2,360
Total		65,724	55,571	(3,201)	(34,635)	313	83,772

Note:

(i) Others include unwinding of interest on impaired financial assets, recovery of loans written off, and effect of exchange differences during the year. In addition to the allowance for impairment losses above, the Group also charged impairment losses against off-balance sheet items (Note 12).

35 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2017	31 December 2016
In Mainland China		
— banks	**170,801**	446,824
— non-bank financial institutions	**611,011**	531,949
Subtotal	**781,812**	978,773
Outside Mainland China		
— banks	**16,142**	2,566
— non-bank financial institutions	**53**	107
Subtotal	**16,195**	2,673
Total	**798,007**	981,446

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

36 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2017	31 December 2016
In Mainland China		
— banks	**43,172**	46,689
— non-bank financial institutions	**28,733**	20,000
Subtotal	**71,905**	66,689
Outside Mainland China		
— banks	**5,690**	17,034
Total	**77,595**	83,723

37 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	31 December 2017	31 December 2016
In Mainland China		
— PBOC	**88,063**	85,415
— banks	**46,321**	33,100
Subtotal	**134,384**	118,515
Outside Mainland China		
— banks	**116**	1,758
— non-bank financial institutions	**—**	69
Subtotal	**116**	1,827
Total	**134,500**	120,342

(b) Analysed by type of collateral

	31 December 2017	31 December 2016
Discounted bills	**52,415**	29,055
Debt securities	**82,085**	91,287
Total	**134,500**	120,342

The Group did not derecognise financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 31 December 2017, of these collateral pledged disclosed in Note 55, no legal title has been transferred to counterparties.

(Amounts in millions of Renminbi unless otherwise stated)

38 Deposits from customers

(a) Analysed by nature

	31 December 2017	31 December 2016
Demand deposits		
— corporate customers	**1,645,002**	1,683,827
— personal customers	**234,961**	232,960
Subtotal	**1,879,963**	1,916,787
Time and call deposits		
— corporate customers	**1,223,018**	1,390,212
— personal customers	**298,477**	325,053
Subtotal	**1,521,495**	1,715,265
Outward remittance and remittance payables	**6,178**	7,238
Total	**3,407,636**	3,639,290

(b) Analysed by type of collateral

	31 December 2017	31 December 2016
Bank acceptances	**195,308**	213,624
Guarantees	**24,941**	25,822
Letters of credit	**9,289**	9,624
Others	**108,830**	148,798
Total	**338,368**	397,868

39 Accrued staff costs

		Year ended 31 December 2017			
	Notes	**As at 1 January**	**Additions during the year**	**Reductions during the year**	**As at 31 December**
Short-term employee benefits	(a)	**8,673**	**23,253**	**(23,291)**	**8,635**
Post-employment benefits — defined contribution plans	(b)	**32**	**2,377**	**(2,375)**	**34**
Post-employment benefits — defined benefit plans	(c)	**35**	**11**	**(2)**	**44**
Other long-term benefits		**79**	**89**	**(43)**	**125**
Total		**8,819**	**25,730**	**(25,711)**	**8,838**

		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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

39 Accrued staff costs (Continued)

(a) Short-term employee benefits

	Year ended 31 December 2017			
	As at 1 January	Additions during the year	Reductions during the year	As at 31 December
Salaries and bonuses	**7,483**	**18,594**	**(18,524)**	**7,553**
Social insurance	**49**	**1,324**	**(1,345)**	**28**
Welfare expenses	**—**	**1,121**	**(1,121)**	**—**
Housing fund	**19**	**1,291**	**(1,300)**	**10**
Labour union expenses and employee education expenses	**1,060**	**378**	**(483)**	**955**
Housing allowance	**48**	**497**	**(470)**	**75**
Others	**14**	**48**	**(48)**	**14**
Total	**8,673**	**23,253**	**(23,291)**	**8,635**

	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% (year ended 31 December 2016: 5%) of its employee's gross wages. For the year ended 31 December 2017, the Bank made annuity contribution amounting to RMB662 million (year ended 31 December 2016: RMB629 million).

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

(c) Post-employment benefits – defined benefit plans

The Group offers supplementary retirement benefits for certain of its qualified employees in Mainland China. Retired employees are eligible 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.

(Amounts in millions of Renminbi unless otherwise stated)

40 Taxes payable

	31 December 2017	31 December 2016
Income tax	**4,668**	3,442
VAT and surcharges	**4,175**	2,911
Others	**15**	11
Total	**8,858**	6,364

41 Interest payable

	31 December 2017	31 December 2016
Deposits from customers	**26,212**	27,867
Debt securities issued	**3,551**	2,045
Others	**9,560**	7,243
Total	**39,323**	37,155

42 Provisions

	31 December 2017	31 December 2016
Litigation provisions	**394**	244

(a) Movement of provisions:

	31 December 2017	31 December 2016
As at 1 January	**244**	2
Accruals	**152**	243
Reversals	**(2)**	—
Payments	**—**	(1)
As at 31 December	**394**	244

The Bank recorded litigation provisions for cases occurred in 2017 which amounted to RMB152 million.

43 Debt securities issued

	Notes	**31 December 2017**	31 December 2016
Long-term debt securities issued	(a)	**94,571**	31,288
Subordinated bonds issued:			
— by the Bank	(b)	**68,448**	68,441
— by CBI	(c)	**5,280**	7,801
Certificates of deposit issued	(d)	**2,849**	9,493
Certificates of interbank deposit issued	(e)	**270,096**	269,923
Total		**441,244**	386,946

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

43 Debt securities issued (Continued)

(a) As at 31 December 2017, long-term debt securities issued by the Bank:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	31 December 2017 Nominal Value RMB	31 December 2016 Nominal Value RMB
Fixed rate bond	17 April 2017	17 April 2020	4.20%	**50,000**	—
Fixed rate bond	8 November 2013	12 November 2018	5.20%	**15,000**	15,000
Fixed rate bond	17 November 2015	17 November 2020	3.61%	**8,000**	8,000
Fixed rate bond	21 May 2015	25 May 2020	3.98%	**7,000**	7,000
Fixed rate bond	14 December 2017	14 December 2020	2.47%	**4,555**	—
Fixed rate bond	14 December 2017	15 December 2022	2.57%	**3,579**	—
Fixed rate bond	24 May 2017	24 May 2020	4.40%	**2,993**	—
Fixed rate bond	14 December 2017	14 December 2020	2.88%	**1,952**	—
Fixed rate bond	14 December 2017	15 December 2022	3.13%	**1,627**	—
Fixed rate bond	27 February 2014	27 February 2017	4.13%	**—**	1,500
Total nominal value				**94,706**	31,500
Less: Unamortised issuance cost and discount				**(90)**	(35)
Elimination of positions held by a subsidiary				**(45)**	(177)
Carrying value				**94,571**	31,288

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

	Notes	31 December 2017	31 December 2016
Subordinated fixed rate bonds maturing:			
— in May 2025	(i)	**11,500**	11,500
— in June 2027	(ii)	**19,981**	19,979
— in August 2024	(iii)	**36,967**	36,962
Total		**68,448**	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)

43 Debt securities issued (Continued)

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

	Notes	**31 December 2017**	31 December 2016
Subordinated fixed rate notes maturing:			
— in June 2020	(i)	**3,341**	3,641
— in September 2022	(ii)	**—**	2,077
— in May 2024	(iii)	**1,939**	2,083
Total		**5,280**	7,801

Notes:

(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, The Bank has an option to redeem the bonds on 28 September 2017 or any interest payment date thereafter. The notes are redeemed on 28 September 2017 by CBI.

(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 or any interest payment date thereafter. 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 0.70% to 3.62% per annum.

(e) As at 31 December 2017, the Bank had issued certain certificates of interbank deposits, totaling RMB270,096 million (as at 31 December 2016: RMB269,923 million), with yield ranging from 4.00% to 5.35% (as at 31 December 2016: 2.68% to 3.75%) per annum. The original expiry terms are between three months to one year.

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

44 Other liabilities

	Notes	**31 December 2017**	31 December 2016
Payment and collection accounts		**13,545**	3,414
Settlement and clearing accounts		**6,667**	30,033
Deferred emoluments payable	(i)	**6,306**	3,756
Precious metal contracts		**4,872**	448
Advances and deferred expenses		**4,278**	3,740
Leasing deposits		**1,616**	1,166
Accrued expenses		**636**	655
Others		**8,398**	9,893
Total		**46,318**	53,105

Note:

(i) This represents deferred emoluments payable to employees in respect of services provided to the Group. Such amount will be distributed according to plans. As at 31 December 2017, the deferred emolument payable amounted to RMB6,306 million (31 December 2016: RMB3,756 million).

45 Share capital

	31 December 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**

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

(Amounts in millions of Renminbi unless otherwise stated)

46 Preference shares

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

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

The carrying amount of preference shares, net of direct issuance expenses, was RMB34,955 millions as at 31 December 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 59). Dividends are non-cumulative and where payable are paid annually. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

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

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

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

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

Interests attributable to equity instruments' holder:

	31 December 2017	31 December 2016
Total equity attribute to equity holders of the parent company	**388,002**	368,702
Equity attribute to ordinary equity holders of the parent company	**353,047**	333,747
Equity attribute to other equity holders of the parent company	**34,955**	34,955
— Dividend paid	**1,330**	—

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

47 Capital reserves

	31 December 2017	31 December 2016
Share premium	**58,896**	58,555
Other reserves	**81**	81
Total	**58,977**	58,636

	Notes	**31 December 2017**	31 December 2016
As at 1 January		**58,636**	58,636
Contribution by non-controlling shareholders	52	**341**	—
As at 31 December		**58,977**	58,636

48 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 39).

49 Surplus reserve

	31 December 2017	31 December 2016
As at 1 January	**27,263**	23,362
Appropriations	**3,920**	3,901
As at 31 December	**31,183**	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.

50 General reserve

	31 December 2017	31 December 2016
As at 1 January	**73,911**	64,555
Appropriations	**340**	9,356
As at 31 December	**74,251**	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. The Bank and the Group make its appropriation on an annual basis. As at 31 December 2017, the general reserve balance of the Bank has reached 1.5% of the ending balance of gross risk-bearing assets. No appropriations in the general reserve have been made in year ended 2017.

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

51 Profit appropriations and retained earnings

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

	Notes	**31 December 2017**	31 December 2016
Appropriations to			
— surplus reserve	49	**3,920**	3,901
— general reserve	50	**340**	9,356
As at 31 December		**4,260**	13,257

In accordance with the approval from the Board of Directors dated 26 March 2018, the Bank appropriated RMB3,920 million to statutory surplus reserve fund for the year of 2017. General reserve reached regulatory requirements so accruing has stopped The Group's subsidiaries, Lin'an rural bank and CFLL, made appropriations to general reserve in accordance with relevant regulatory requirements.

(b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 26 May 2017, a total amount of approximately RMB10,521 million (RMB2.15 per 10 shares) were distributed in the form of cash dividend to the ordinary shareholders on 24 July 2017.

(c) In accordance with the resolution approved in the Annual General Meeting of the Bank on 24 August 2017, a total amount of approximately RMB1,330 million (350 million shares with RMB3.80 per share calculated by 3.8% of the agreed coupon rate) were distributed in the form of cash dividend to the preference shareholders on 26 October 2017.

(d) On 26 March 2018, the Board of Directors proposed a cash dividend of RMB2.61 per 10 shares in respect of the year ended 31 December 2017. Subject to the approval of the ordinary shareholders at the Annual General Meeting, approximately RMB12,772 million will be payable to those on the register of ordinary shareholders as at the relevant record date. This proposal is a non-adjusting event after the reporting period and has not been recognised as liability as at 31 December 2017.

(e) As at 31 December 2017, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB141 million (as at 31 December 2016: RMB87 million), of which RMB53 million (as at 31 December 2016: RMB38 million) was the appropriation made by the subsidiaries for the year ended 31 December 2017. Such statutory surplus reserves in the retained earnings cannot be distributed.

(Amounts in millions of Renminbi unless otherwise stated)

52 Non-controlling interests

Non-controlling interests included ordinary shareholders held by non-controlling interest in subsidiaries and other equity instrument holders' interests. As at 31 December 2017 and 31 December 2016, 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	First call date	Coupon rate	Payment frequency
Capital Securities	22 April 2014	USD300 millions	22 April 2019	7.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 5.627% per annum	Semi-annually
Capital Securities	11 October 2016	USD500 millions	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 RMB290 million was paid to the holders of the Capital Security during the year ended 31 December 2017 (year ended 31 December 2016: RMB146 million).

On 29 September 2017, the 26th meeting of the fourth session of the board of directors of the Bank reviewed and approved the Proposal on the Capital Injection and Issuance of New Shares of China CITIC Bank International Limited ("CNCBI"), the 100% owned subsidiary of CIFH which is a subsidiary of the Bank. The Bank agreed that CNCBI would issue 3,027,780,392 new shares to be subscribed by five investors. The total investment amount of the five investors is approximately HKD9,053 million. CNCBI is the second tier wholly-owned subsidiary of the Bank before the Capital Injection with clear ownership relations of the subject matter of the transaction. After the Capital Injection, CIFH holds 75% equity interests of CNCBI.

53 Notes to consolidated statement of cash flows

Cash and cash equivalents

	31 December 2017	31 December 2016
Cash	**6,740**	7,407
Cash equivalents		
— Surplus deposit reserve funds	**89,288**	58,855
— Deposits with banks and non-bank financial institutions due within three months when acquired	**110,898**	204,665
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**79,078**	63,158
— Investment securities due within three months when acquired	**51,911**	51,271
Subtotal	**331,175**	377,949
Total	**337,915**	385,356

(Amounts in millions of Renminbi unless otherwise stated)

54 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and bank 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. Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

	31 December 2017	31 December 2016
Contractual amount		
Loan commitments		
— with an original maturity within one year	**14,926**	8,446
— with an original maturity of one year or above	**57,434**	66,490
Subtotal	**72,360**	74,936
Guarantees	**195,746**	163,157
Letters of credit	**88,772**	86,499
Bank acceptances	**427,561**	535,313
Credit card commitments	**310,315**	215,845
Total	**1,094,754**	1,075,750

(b) Credit commitments analysed by credit risk weighted amount

	31 December 2017	31 December 2016
Credit risk weighted amount of credit commitments	**351,475**	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%.

(Amounts in millions of Renminbi unless otherwise stated)

54 Commitments and contingent liabilities (Continued)

(c) Capital commitments

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

	31 December 2017	31 December 2016
Contracted for	**7,385**	7,297

(ii) On 7 June 2017, the Bank, together with China Shuangwei Investment Co. Ltd., a 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 has been approved by relevant regulatory authorities. As of 31 December 2017, the consideration remains to be determined and the expected transaction will be completed in 2018.

(iii) As announced by the Bank dated 17 November 2015, the Board of Directors approved the establishment of an asset management company (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 31 December, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2017	31 December 2016
Within one year	**2,876**	2,917
After one year but within two years	**2,892**	2,454
After two years but within three years	**2,306**	2,137
After three years but within five years	**3,418**	3,354
After five years	**2,122**	2,486
Total	**13,614**	13,348

(e) Outstanding contingencies including litigation and disputes

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

As at 31 December 2017, the Group was involved in certain potential and pending litigation as defendant with gross claims of RMB748 million (as at 31 December 2016: RMB517 million). Based on the opinion of internal and external legal counsels, the Group had made a provision of RMB394 million (as at 31 December 2016: RMB 244 million) against these litigation (Note 42).

(Amounts in millions of Renminbi unless otherwise stated)

54 Commitments and contingent liabilities (Continued)

(f) Bonds redemption obligations

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

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

	31 December 2017	31 December 2016
Redemption commitment for PRC treasury bonds	**11,492**	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 31 December 2017 and 31 December 2016, the Group did not have unfulfilled commitment in respect of securities underwriting business.

55 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:

	31 December 2017	31 December 2016
Debt securities	**407,755**	324,303
Discounted bills	**52,780**	29,188
Others	**111**	76
Total	**460,646**	353,567

As at 31 December 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 31 December 2017, the Group pledged debt securities and deposits with banks and other financial institutions with carrying amount totalling RMB1,668 million (as at 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 as collateral for financial assets held under resale agreements as set out in Note 21. Under the terms of theses agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 31 December 2017, there was no collateral that can be resold or re-pledged by the Group (as at 31 December 2016: Nil). During the year ended 31 December 2017, the Group did not resell or re-pledge any of these collateral (year ended 31 December 2016: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

56 Transactions on behalf of customers

(a) Entrusted lending business

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

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

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

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

	31 December 2017	31 December 2016
Entrusted loans	**791,555**	703,259
Entrusted funds	**791,556**	703,260

(b) Wealth management services

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

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

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

As at 31 December 2017, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 62(b).

57 Segment reporting

Measurement of segment assets and liabilities, and segment income and expenses are based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire assets (including both tangible assets and intangible assets) whose estimated useful lives are over one year.

(a) Business segments

The Group has the following main business segments for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions, as well as conducts investment banking businesses and international businesses. The products and services include corporate loans, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers and small enterprises. The products and services comprise loans, deposit services, securities agency services, remittance and settlement services and guarantee services.

Treasury operations

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 operations 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.

In 2017, the Group adjusted and improved the allocation method of business segment reporting, adjusted part of treasury business that belongs to corporate banking and personal banking from others and unallocated business segment to the corresponding business segments. The related comparative figures have been restated accordingly.

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

57 Segment reporting (Continued)

(a) Business segments (Continued)

	Year ended 31 December 2017 Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	56,534	43,899	20,671	(21,459)	99,645
Internal net interest income/(expense)	16,442	(23,724)	(17,572)	24,854	—
Net interest income	72,976	20,175	3,099	3,395	99,645
Net fee and commission income/(expense)	13,285	32,866	702	5	46,858
Other net income (Note (i))	819	1,312	7,279	1,318	10,728
Operating income	87,080	54,353	11,080	4,718	157,231
Operating expenses					
— depreciation and amortisation	(995)	(432)	(554)	(830)	(2,811)
— others	(20,691)	(23,747)	(1,552)	(112)	(46,102)
Impairment losses	(44,651)	(9,891)	(210)	(1,035)	(55,787)
Revaluation gain on investment properties	—	—	—	30	30
Share of loss from associates and joint ventures	—	—	—	(285)	(285)
Profit before tax	20,743	20,283	8,764	2,486	52,276
Income tax					(9,398)
Net profit					42,878
Capital expenditure	3,309	1,981	1,953	1,157	8,400

	31 December 2017 Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	2,392,695	1,324,514	1,416,678	519,638	5,653,525
Interest in associates and joint ventures	—	—	131	2,210	2,341
Deferred tax assets					21,825
Total asset					5,677,691
Segment liabilities	3,057,267	875,285	650,713	681,985	5,265,250
Deferred tax liabilities					8
Total liabilities					5,265,258
Off-balance sheet credit commitments	784,439	310,315	—	—	1,094,754

(Amounts in millions of Renminbi unless otherwise stated)

57 Segment reporting (Continued)

(a) Business segments (Continued)

	Year ended 31 December 2016(restated)				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	59,858	30,447	26,573	(10,740)	106,138
Internal net interest income/(expense)	14,685	(12,125)	(16,670)	14,110	—
Net interest income	74,543	18,322	9,903	3,370	106,138
Net fee and commission income/(expense)	12,843	23,136	6,296	5	42,280
Other net income (Note (i))	3,780	1,347	1,053	(439)	5,741
Operating income	91,166	42,805	17,252	2,936	154,159
Operating expenses					
— depreciation and amortisation	(1,099)	(470)	(760)	(374)	(2,703)
— others	(21,693)	(21,025)	(1,172)	(679)	(44,569)
Impairment losses	(44,341)	(7,322)	(217)	(408)	(52,288)
Revaluation gain on investment properties	—	—	—	8	8
Share of gain from associates and joint ventures	—	—	—	1	1
Profit before tax	24,033	13,988	15,103	1,484	54,608
Income tax					(12,822)
Net profit					41,786
Capital expenditure	2,811	1,182	1,955	840	6,788

	31 December 2016(restated)				
	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 and joint ventures	—	—	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 gain and other operating income.

57 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities. The Bank's principal subsidiaries, CNCB Investment and CIFH are registered and operating in Hong Kong. The other subsidiaries, Lin'an Rural Bank and CFLL are registered in Mainland China.

In presenting information by geographical segments, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments, as defined for management reporting purposes, are as follows:

— "Yangtze River Delta" refers to the following areas where tier-1 branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank;

— "Pearl River Delta and West Strait" refers to the following areas where tier-1 branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;

— "Bohai Rim" refers to the following areas where tier-1 branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;

— "Central" region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

— "Northeastern" region refers to the following areas where tier-1 branches of the Group is located: Shenyang, Changchun and Harbin;

— "Head Office" refers to the headquarter of the Bank and the Credit Card Center; and

— "Overseas" includes all the operations of CNCB Investment, CIFH and its subsidiaries.

The Group reclassified the investments classified as receivables from the assets of the Headquarters to the corresponding geographical segments. The related comparative figures have been restated accordingly.

(Amounts in millions of Renminbi unless otherwise stated)

57 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Year ended 31 December 2017									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	16,386	14,398	7,764	14,662	14,345	2,375	24,542	5,173	–	99,645
Internal net interest income/(expense)	4,129	2,191	12,649	(158)	(2,061)	(576)	(15,987)	(187)	–	–
Net interest income	20,515	16,589	20,413	14,504	12,284	1,799	8,555	4,986	–	99,645
Net fee and commission income	4,150	3,689	5,724	1,940	1,945	302	27,564	1,544	–	46,858
Other net income (Note (i))	647	372	702	204	99	25	7,108	1,571	–	10,728
Operating income	25,312	20,650	26,839	16,648	14,328	2,126	43,227	8,101	–	157,231
Operating expense										
— depreciation and amortisation	(472)	(289)	(412)	(333)	(386)	(104)	(640)	(175)	–	(2,811)
— others	(7,555)	(5,379)	(7,717)	(5,067)	(4,996)	(1,233)	(11,288)	(2,867)	–	(46,102)
Impairment losses	(13,962)	(10,580)	(9,826)	(7,792)	(7,550)	(742)	(4,103)	(1,232)	–	(55,787)
Revaluation gain on investment properties	–	–	–	–	–	–	30	–	–	30
Share of loss from associates and joint ventures	–	–	–	–	–	–	(204)	(81)	–	(285)
Profit before tax	3,323	4,402	8,884	3,456	1,396	47	27,022	3,746	–	52,276
Income tax										(9,398)
Profit for the year										42,878
Capital expenditure	3,193	198	347	1,161	301	38	2,987	175	–	8,400

	31 December 2017									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,288,981	916,081	1,228,113	626,587	574,942	94,618	2,298,905	306,651	(1,681,353)	5,653,525
Interest in associate and joint ventures	–	–	–	–	–	–	1,196	1,145	–	2,341
Deferred tax assets										21,825
Total assets										5,677,691
Segment liabilities	1,135,639	820,311	1,079,757	565,919	483,560	86,047	2,466,613	266,293	(1,638,889)	5,265,250
Deferred tax liabilities										8
Total liabilities										5,265,258
Off-balance sheet credit commitment	198,104	158,719	154,949	161,686	85,618	13,277	304,020	18,381	–	1,094,754

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

57 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Year ended 31 December 2016(restated)									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	19,616	13,893	9,343	15,409	15,132	3,084	25,884	3,777	—	106,138
Internal net interest income/(expense)	1,802	2,444	11,224	(587)	(1,613)	(852)	(12,366)	(52)	—	—
Net interest income	21,418	16,337	20,567	14,822	13,519	2,232	13,518	3,725	—	106,138
Net fee and commission income	5,308	3,270	5,644	2,746	3,152	404	20,319	1,437	—	42,280
Other net income (Note (i))	857	490	882	313	271	46	2,065	817	—	5,741
Operating income	27,583	20,097	27,093	17,881	16,942	2,682	35,902	5,979	—	154,159
Operating expense										
— depreciation and amortisation	(415)	(272)	(464)	(333)	(405)	(104)	(579)	(131)	—	(2,703)
— others	(8,067)	(5,456)	(8,017)	(5,451)	(5,163)	(1,143)	(8,671)	(2,601)	—	(44,569)
Impairment losses	(9,391)	(7,671)	(9,431)	(9,954)	(7,152)	(1,355)	(6,851)	(483)	—	(52,288)
Revaluation gain on investment properties	—	—	—	—	—	—	—	8	—	8
Share of loss from associates and joint ventures	—	—	—	—	—	—	—	1	—	1
Profit before tax	9,710	6,698	9,181	2,143	4,222	80	19,801	2,773	—	54,608
Income tax										(12,822)
Profit for the year										41,786
Capital expenditure	2,159	636	204	728	472	106	2,308	175	—	6,788

	31 December 2016(restated)									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,396,595	1,133,438	1,489,553	802,949	723,310	116,586	2,118,608	284,342	(2,148,139)	5,917,242
Interest in associate and joint ventures	—	—	—	—	—	—	—	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	2,837,756	236,894	(2,114,639)	5,546,543
Deferred tax liabilities										11
Total liabilities										5,546,554
Off-balance sheet credit commitment	211,676	117,938	188,178	193,363	110,711	17,171	208,682	28,031	—	1,075,750

Note:

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

58 Financial risk management

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

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

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

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

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

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

(a) Credit risk

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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(a) Credit risk (continued)

Credit business (continued)

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

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

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

Treasury business

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

(i) Maximum credit risk exposure

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

	31 December 2017	31 December 2016
Balances with central banks	**561,560**	545,921
Deposits with bank and non-bank financial institutions	**124,350**	208,641
Placements with and loans to banks and non-bank financial institutions	**172,069**	167,208
Financial assets at fair value through profit or loss	**61,380**	64,910
Derivative financial assets	**65,451**	47,366
Financial assets held under resale agreements	**54,626**	170,804
Interest receivables	**32,643**	32,922
Loans and advances to customers	**3,105,984**	2,802,384
Available-for-sale financial assets	**510,790**	512,595
Held-to-maturity investments	**216,586**	217,498
Investments classified as receivables	**531,118**	1,035,728
Other financial assets	**47,972**	49,669
Subtotal	**5,484,529**	5,855,646
Credit commitments	**1,094,754**	1,075,750
Maximum credit risk exposure	**6,579,283**	6,931,396

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(a) Credit risk (continued)

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

		31 December 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		42,255	1	—	137	—
Allowance for impairment losses		(28,930)	(1)	—	(50)	—
Net balance		13,325	—	—	87	—
Collectively assessed						
Gross balance		11,393	—	—	—	—
Allowance for impairment losses		(8,976)	—	—	—	—
Net balance		2,417	—	—	—	—
Overdue but not impaired	(1)					
— less than three months		30,812	—	—	—	—
— three months to one year		9,514	—	—	—	—
— more than one year		148	—	—	—	—
Gross balance		40,474	—	—	—	—
Allowance for impairment losses		(9,315)	—	—	—	—
Net balance		31,159	—	—	—	—
Neither overdue nor impaired						
Gross balance		3,102,765	857,979	54,626	788,669	534,061
Allowance for impairment losses	(2)	(43,682)	—	—	—	(2,943)
Net balance		3,059,083	857,979	54,626	788,669	531,118
Total net balance		3,105,984	857,979	54,626	788,756	531,118

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from central 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	(1)					
— 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	(2)	(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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Distribution by credit exposure of loans and advances to customers, due from central 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)

Notes:

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

	31 December 2017	31 December 2016
Secured portion	**23,877**	33,486
Unsecured portion	**16,597**	15,374
loans and advances which were overdue but not impaired	**40,474**	48,860
Of which: maximum exposure covered by pledge and collateral held	**33,484**	41,139

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.

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

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

	31 December 2017			31 December 2016		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
— real estate	**333,055**	**10.4**	**272,486**	293,429	10.2	246,107
— manufacturing	**324,029**	**10.1**	**141,571**	385,822	13.4	203,543
— rental and business services	**221,786**	**6.9**	**134,207**	180,124	6.3	115,905
— wholesale and retail	**193,818**	**6.1**	**103,102**	238,545	8.3	146,674
— water, environment and public utility management	**179,441**	**5.6**	**87,763**	148,476	5.2	77,814
— transportation, storage and postal services	**152,851**	**4.8**	**79,120**	161,976	5.6	84,728
— construction	**77,878**	**2.4**	**31,442**	90,666	3.2	39,612
— production and supply of electric power, gas and water	**70,523**	**2.2**	**32,688**	60,046	2.1	25,187
— public management and social organisations	**18,566**	**0.6**	**5,399**	19,846	0.7	4,427
— others	**285,900**	**8.9**	**120,153**	267,344	9.2	108,593
Subtotal	**1,857,847**	**58.0**	**1,007,931**	1,846,274	64.2	1,052,590
Personal loans	**1,231,584**	**38.6**	**859,513**	956,606	33.2	695,631
Discounted bills	**107,456**	**3.4**	**—**	75,047	2.6	—
Gross loans and advances to customers	**3,196,887**	**100.0**	**1,867,444**	2,877,927	100.0	1,748,221

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(a) Credit risk (continued)

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

Impaired loans and individual and collective allowance for impairment losses in respect of economic sectors which constitute 10% or more of total loans and advances to customers are as follows:

	31 December 2017				
	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	**16,843**	**11,449**	**11,344**	**15,722**	**(14,200)**
Real estate	**855**	**639**	**4,156**	**625**	**(62)**

	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)

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

	31 December 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)	**967,864**	**30.3**	**428,764**	771,415	26.8	377,852
Yangtze River Delta	**691,183**	**21.6**	**443,504**	634,919	22.1	413,445
Pearl River Delta and West Strait	**493,118**	**15.4**	**390,394**	477,683	16.6	376,115
Central	**421,810**	**13.2**	**265,898**	374,358	13.0	230,806
Western	**389,152**	**12.2**	**231,120**	379,192	13.2	238,126
Northeastern	**67,609**	**2.1**	**44,403**	70,967	2.5	47,749
Outside Mainland China	**166,151**	**5.2**	**63,361**	169,393	5.8	64,128
Total	**3,196,887**	**100.0**	**1,867,444**	2,877,927	100.0	1,748,221

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(a) Credit risk (continued)

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

Impaired loans and individual and collective impairment allowance in respect of geographic sectors which constitute 10% or more of total advances to customers are as follows:

	31 December 2017		
	Impaired loans and advance	**Individually assessed impairment allowance**	**Collectively assessed impairment allowance**
Bohai Rim (including Head Office)	**15,225**	**6,731**	**19,251**
Central	**10,705**	**6,416**	**8,805**
Yangtze River Delta	**9,672**	**6,430**	**13,685**
Western	**7,809**	**3,831**	**8,190**
Pearl River Delta and West Strait	**6,029**	**3,438**	**10,140**

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

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

	31 December 2017	31 December 2016
Unsecured loans	**708,164**	548,123
Guaranteed loans	**513,823**	506,536
Secured loans		
— loans secured by collateral	**1,510,366**	1,417,736
— pledged loans	**357,078**	330,485
Subtotal	**3,089,431**	2,802,880
Discounted bills	**107,456**	75,047
Gross loans and advances to customers	**3,196,887**	2,877,927

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(a) Credit risk (continued)

(vi) Rescheduled loans and advances to customers

	31 December 2017		31 December 2016	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances:	**23,245**	**0.73%**	17,234	0.60%
— rescheduled loans and advances overdue more than 3 months	**19,859**	**0.62%**	14,680	0.51%

Rescheduled loans and advances are those loans and advances to customers which have been rescheduled or renegotiated because of deterioration in the financial position of the borrowers, or of the inability of the borrowers to meet their original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider. As at 31 December 2017 and 31 December 2016, with borrowers' financial difficulty, the concession the Group considered resulted from economic or legal reasons is not significant.

(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:

	31 December 2017					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
— governments	**257,551**	**48,565**	**8,440**	**375**	**—**	**314,931**
— policy banks	**127,848**	**—**	**—**	**609**	**—**	**128,457**
— public entities	**3**	**—**	**1,151**	**—**	**—**	**1,154**
— banks and non-bank financial institutions	**8,506**	**160,311**	**3,986**	**15,953**	**6,734**	**195,490**
— corporates	**9,014**	**96,367**	**23,018**	**15,138**	**5,187**	**148,724**
Total	**402,922**	**305,243**	**36,595**	**32,075**	**11,921**	**788,756**

	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.

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(a) Credit risk (continued)

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

	31 December 2017	31 December 2016
Interbank assets and wealth management products issued by other banks	**153,510**	480,630
Credit assets	**303,386**	310,361
Rediscounted bills	**77,165**	246,493
Total	**534,061**	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 holistic manner. The type of collateral of credit assets of Investments classified as receivables includes guarantee, security by collateral, and pledge.

(b) Market risk

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

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

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

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

Interest rate risk

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

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

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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

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

	31 December 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	1.56%	568,300	23,810	544,490	—	—	—
Deposits with banks and non-bank financial institutions	2.21%	124,350	—	120,240	4,110	—	—
Placements with and loans to banks and non-bank financial institutions	3.07%	172,069	—	87,328	84,741	—	—
Financial assets held under resale agreements	2.89%	54,626	—	54,626	—	—	—
Investments classified as receivables	4.25%	531,118	38,907	196,646	86,330	141,352	67,883
Loans and advances to customers (Note (ii))	4.61%	3,105,984	370	1,391,782	799,622	900,054	14,156
Investments (Note (iii))	3.28%	916,521	123,246	138,729	117,223	386,946	150,377
Others		204,723	178,407	9,383	16,933	—	—
Total assets		5,677,691	364,740	2,543,224	1,108,959	1,428,352	232,416
Liabilities							
Borrowing from central banks	3.13%	237,600	—	41,500	196,100	—	—
Deposits from banks and non-bank financial institutions	3.75%	798,007	2,812	623,409	171,781	5	—
Placements from banks and non-bank financial institutions	2.85%	77,595	—	39,440	38,123	—	32
Financial assets sold under repurchase agreements	2.91%	134,500	—	121,677	12,823	—	—
Deposits from customers	1.59%	3,407,636	14,605	2,647,574	503,511	241,939	7
Debt securities issued	4.17%	441,244	—	199,063	88,880	116,353	36,948
Others		168,676	163,769	2,393	2,514	—	—
Total liabilities		5,265,258	181,186	3,675,056	1,013,732	358,297	36,987
Interest rate gap		412,433	183,554	(1,131,832)	95,227	1,070,055	195,429

(Amounts in millions of Renminbi unless otherwise stated)

58 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 included overdue amounts (net of allowance for impairment losses) of RMB43,660 million as at 31 December 2017 (as at 31 December 2016: RMB54,540 million).

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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 31 December 2017 and 31 December 2016.

	31 December 2017		31 December 2016	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(6,328)**	**(1,229)**	(7,845)	(1,442)
-100 basis points	**6,328**	**1,229**	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)

58 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

The exposures at the reporting date were as follows:

	31 December 2017				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	551,528	15,956	650	166	568,300
Deposits with banks and non-bank financial institutions	83,703	25,650	8,411	6,586	124,350
Placements with and loans to banks and non-bank financial institutions	133,686	28,356	6,703	3,324	172,069
Financial assets held under resale agreements	54,626	—	—	—	54,626
Investments classified as receivables	531,118	—	—	—	531,118
Loans and advances to customers	2,880,887	106,687	103,638	14,772	3,105,984
Investments	846,759	46,739	18,687	4,336	916,521
Others	199,761	1,904	1,618	1,440	204,723
Total assets	5,282,068	225,292	139,707	30,624	5,677,691
Liabilities					
Borrowings from central banks	237,600	—	—	—	237,600
Deposits from banks and non-bank financial institutions	769,690	15,103	349	12,865	798,007
Placements from banks and non-bank financial institutions	66,913	10,411	253	18	77,595
Financial assets sold under repurchase agreements	134,384	116	—	—	134,500
Deposits from customers	3,053,751	201,668	128,314	23,903	3,407,636
Debt securities issued	421,420	19,122	702	—	441,244
Others	159,456	1,966	3,381	3,873	168,676
Total liabilities	4,843,214	248,386	132,999	40,659	5,265,258
Net on-balance sheet position	438,854	(23,094)	6,708	(10,035)	412,433
Credit commitments	938,064	117,615	20,124	18,951	1,094,754
Derivatives (Note (i))	(20,790)	9,158	21,489	7,532	17,389

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 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)

58 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 31 December 2017 and 31 December 2016, the results of the Group's foreign exchange rate sensitivity analysis.

	31 December 2017		31 December 2016	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**582**	**6**	804	15
5% depreciation	**(582)**	**(6)**	(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.

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.

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities

	31 December 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	96,481	3,523	1,923	–	–	466,373	568,300
Deposits with banks and non-bank financial institutions	69,392	50,819	4,139	–	–	–	124,350
Placements with and loans to banks and non-bank financial institutions	400	86,928	84,741	–	–	–	172,069
Financial assets held under resale agreements	–	54,626	–	–	–	–	54,626
Investments classified as receivables	504	196,142	91,944	174,645	67,883	–	531,118
Loans and advances to customers (Note (ii))	12,973	495,684	769,740	862,643	919,143	45,801	3,105,984
Investments (Note (iii))	1,114	96,202	124,076	417,814	155,248	122,067	916,521
Others	69,662	47,606	55,520	12,831	7,357	11,747	204,723
Total assets	250,526	1,031,530	1,132,083	1,467,933	1,149,631	645,988	5,677,691
Liabilities							
Borrowings from central banks	–	41,550	196,050	–	–	–	237,600
Deposits from banks and non-bank financial institutions	240,616	385,586	171,800	5	–	–	798,007
Placements from banks and non-bank financial institutions	–	39,440	38,123	–	32	–	77,595
Financial assets sold under repurchase agreements	–	121,677	12,823	–	–	–	134,500
Deposits from customers	1,982,218	670,433	513,039	241,939	7	–	3,407,636
Debt securities issued	–	199,063	88,880	116,353	36,948	–	441,244
Others	68,746	42,866	40,546	6,506	1,430	8,582	168,676
Total liabilities	2,291,580	1,500,615	1,061,261	364,803	38,417	8,582	5,265,258
(Short)/long position	(2,041,054)	(469,085)	70,822	1,103,130	1,111,214	637,406	412,433

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(c) Liquidity risk (continued)

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

	31 December 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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow

	31 December 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
Non-derivative cash flow							
Assets							
Cash and balances with central banks	96,481	5,348	7,820	—	—	466,373	576,022
Deposits with banks and non-bank financial institutions	69,392	51,126	4,353	124,871			
Placements with and loans to banks and non-bank financial institutions	400	87,275	88,704	—	—	—	176,379
Financial assets held under resale agreements	—	54,664	—	—	—	—	54,664
Investments classified as receivables	504	198,785	104,126	207,422	83,377	—	594,214
Loans and advances to customers (Note (ii))	14,928	527,401	851,330	1,121,708	1,373,413	48,140	3,936,920
Investments (Note (iii))	1,114	103,323	145,063	470,191	171,707	122,117	1,013,515
Others	69,662	47,606	55,520	12,831	7,357	11,747	204,723
Total assets	252,481	1,075,528	1,256,916	1,812,152	1,635,854	648,377	6,681,308
Liabilities							
Borrowings from central banks	—	42,083	203,230	—	—	—	245,313
Deposits from banks and non-bank financial institutions	240,617	391,400	178,750	6	—	—	810,773
Placements from banks and non-bank financial institutions	—	39,494	38,166	—	33	—	77,693
Financial assets sold under repurchase agreements	—	122,362	13,009	—	—	—	135,371
Deposits from customers	1,983,354	682,437	541,013	271,799	8	—	3,478,611
Debt securities issued	—	200,312	100,698	135,496	40,673	—	477,179
Others	68,746	43,151	40,277	6,491	1,430	8,582	168,677
Total liabilities	2,292,717	1,521,239	1,115,143	413,792	42,144	8,582	5,393,617
(Short)/long position	(2,040,236)	(445,711)	141,773	1,398,360	1,593,710	639,795	1,287,691
Derivative cash flow	—	395	871	(86)	20	—	1,200
Derivative financial instrument settled on a net basis	—	9	(85)	(295)	17	—	(354)
Derivative financial instruments settled on a gross basis	—	386	956	209	3	—	1,554
Total inflow	—	1,185,850	1,750,876	27,070	3	—	2,963,799
Total outflow	—	1,185,464	1,749,920	26,861	—	—	2,962,245

(Amounts in millions of Renminbi unless otherwise stated)

58 Financial risk management (continued)

(c) Liquidity risk (continued)

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

	31 December 2017			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank acceptances	**427,490**	**71**	**—**	**427,561**
Credit card commitments	**310,315**	**—**	**—**	**310,315**
Guarantees	**113,575**	**81,171**	**1,000**	**195,746**
Loan commitments	**18,718**	**24,784**	**28,858**	**72,360**
Letter of credit	**86,600**	**2,172**	**—**	**88,772**
Total	**956,698**	**108,198**	**29,858**	**1,094,754**

	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
Letter 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.

58 Financial risk management (continued)

(d) Operational risk

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

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

— establishing a group-wide matrix authorisation mechanism; conducting annual centralised authorisation; restricting the control of authorisation limits, for each level of institution and individual, to conduct business; further clarifying the requirements on prohibition to conduct unauthorised business;

— 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 the staff are well-equipped with the necessary knowledge and basic skills on anti-money laundering through continuous training;

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

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

59 Capital Adequacy Ratio

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

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

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

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

(Amounts in millions of Renminbi unless otherwise stated)

59 Capital Adequacy Ratio (continued)

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

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

Relevant requirements promulgated by the CBRC are listed as below.

	31 December 2017	31 December 2016
Core Tier-One capital adequacy ratio	**8.49%**	8.64%
Tier-One capital adequacy ratio	**9.34%**	9.65%
Capital adequacy ratio	**11.65%**	11.98%
Components of capital base		
Core Tier-One capital:		
Share capital	**48,935**	48,935
Qualified portion of capital reserve	**58,977**	58,636
Other comprehensive income	**(11,784)**	(1,142)
Surplus reserve	**31,183**	27,263
General reserve	**74,251**	73,911
Retained earnings	**163,121**	136,666
Qualified portion of non-controlling interests	**3,872**	48
Total core Tier-One capital	**368,555**	344,317
Core Tier-One capital deductions:		
Goodwill	**(849)**	(914)
Other intangible assets other than land use right (net of related deferred tax liability)	**(1,139)**	(840)
Net core Tier-One capital	**366,567**	342,563
Other Tier-One capital (Note (i))	**36,811**	40,107
Tier-One capital	**403,378**	382,670
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**60,842**	65,368
Surplus allowance for loan impairment	**37,255**	26,963
Qualified portion of non-controlling interests	**1,346**	7
Net capital base	**502,821**	475,008
Total risk-weighted assets	**4,317,502**	3,964,448

Note:

(i) As at 31 December 2017, the Group's other Tier-One capital included preference shares issued by the Bank (Note 46) and non-controlling interests (Note 52).

60 Fair value

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

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

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

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

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

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

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

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

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

For the year ended 31 December 2017, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(Amounts in millions of Renminbi unless otherwise stated)

60 Fair value (continued)

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

Financial assets and liabilities not carried at fair value of the Group include cash and balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers, held-to-maturity investments, investments classified as receivables, borrowings from central banks, deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

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

	Carrying values		**Fair values**	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
Financial assets:				
Held-to-maturity investments	**216,586**	217,498	**212,530**	219,014
Investments classified as receivables	**531,118**	1,035,728	**533,669**	1,040,380
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**2,849**	9,493	**2,849**	9,443
— debt securities issued	**94,571**	31,288	**94,131**	31,683
— subordinated bonds issued	**73,728**	76,242	**76,246**	78,920
— certificates of interbank deposit issued	**270,096**	269,923	**265,071**	268,664

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

	31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Held-to-maturity investments	**897**	**211,633**	**—**	**212,530**
Investments classified as receivables	**—**	**92,967**	**440,702**	**533,669**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**—**	**2,849**	**—**	**2,849**
— debt securities issued	**—**	**94,131**	**—**	**94,131**
— subordinated bonds issued	**5,531**	**70,715**	**—**	**76,246**
— certificates of interbank deposit issued	**—**	**265,071**	**—**	**265,071**

	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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

60 Fair value (continued)

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

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 2017				
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss				
Held for trading financial assets				
— debt securities	3,480	35,248	—	38,728
— investment funds	—	2,000	1	2,001
— certificates of interbank deposit	177	19,223	—	19,400
Financial assets designed at fair value through profit or loss				
— debt securities	198	5,577	—	5,775
Derivative financial assets				
— interest rate derivatives	—	2,552	1	2,553
— currency derivatives	—	62,030	—	62,030
— precious metals derivatives	—	868	—	868
Available-for-sale financial assets				
— debt securities	48,906	420,925	12	469,843
— investment funds	189	119,259	70	119,518
— certificates of deposit	104	40,843	—	40,947
— wealth management products	—	26	—	26
— equity investments	744	—	—	744
Total financial assets measured at fair value	53,798	708,551	84	762,433
Liabilities				
Derivative financial liabilities				
— interest rate derivatives	—	2,311	1	2,312
— currency derivatives	—	62,368	—	62,368
— precious metals derivatives	—	257	—	257
Total financial liabilities measured at fair value	—	64,936	1	64,937

(Amounts in millions of Renminbi unless otherwise stated)

60 Fair value (continued)

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

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

60 Fair value (continued)

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

Notes:

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

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

	Assets							Liabilities	
	Trading financial assets	Financial assets designed at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets				Derivative financial liabilities	
	Investment funds	Debt securities	Interest rate derivatives	Debt securities	Investment funds	Equity instruments	Total	Interest rate derivatives	Total
As at 1 January 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	—	—	—	(1)	(5)	—	(6)	—	—
As at 31 December 2017	1	—	1	12	70	—	84	(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)

61 Related parties

(a) Relationship of related parties

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

(ii) Related parties of the Group include subsidiaries, associates and joint ventures 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.

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.

In February 2015, Xinhu Zhongbao Co., Ltd. acquired 2,292,579,000 H shares of the Bank through its wholly owned subsidiary, representing 4.68% shares of the Bank. 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. On 29 November 2016, Xinhu Zhongbao Co., Ltd., increased its shareholding to 2,320,177,000 H shares of the Bank through its wholly owned subsidiary, representing 4.74% shares of the Bank. In October 2017, Xinhu Zhongbao Co., Ltd. increased its shareholding to 2,446,265,000 H shares of the Bank through its wholly owned subsidiary, representing 4.999% shares of the Bank.

(b) Related party transactions

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

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

	Year ended 31 December 2017		
	Ultimate holding company and affiliates	**Other major equity holders Note(i)**	**Associates and joint ventures**
Profit and loss			
Interest income	**337**	**46**	**—**
Fee and commission income and other operating income	**1,573**	**—**	**8**
Interest expense	**(597)**	**(407)**	**(21)**
Net trading gain	**9**	**—**	**11**
Other service fees	**(940)**	**—**	**—**

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

61 Related parties (continued)

(b) Related party transactions (continued)

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

	31 December 2017		
	Ultimate holding company and affiliates	**Other major equity holders Note(i)**	**Associates and joint ventures**
Assets			
Gross loans and advances to customers	**16,556**	**875**	—
Less: collectively assessed allowance for impairment losses	**(172)**	**(12)**	—
Loans and advances to customers (net)	**16,384**	**863**	—
Interest receivables	**123**	**1**	—
Deposits with banks and non-bank financial institutions	—	—	**7,000**
Placements with and loans to banks and non-bank financial institutions	**418**	—	—
Derivative financial assets	**14**	—	—
Investments	**390**	—	**2,341**
Other assets	**10,104**	—	—
Liabilities			
Deposits from banks and non-bank financial institutions	**16,205**	**178**	**266**
Placements from banks and non-bank financial institutions	**2,800**	—	—
Derivative financial liabilities	**6**	—	—
Deposits from customers	**69,094**	**17,362**	**75**
Interest payable	**107**	**21**	**1**
Other liabilities	**72**	—	—
Off-balance sheet items			
Guarantees and letters of credit	**1,979**	**13**	—
Bank acceptances	**618**	**190**	—
Entrusted funds	**7,695**	**1,500**	—
Entrusted loan	**2,130**	**6,446**	—
Funds raised from investors of non-principle guaranteed wealth management products	**496**	—	**450**
Guarantees received	**7,793**	**867**	—
Nominal amount of derivatives	**1,710**	—	—

(Amounts in millions of Renminbi unless otherwise stated)

61 Related parties (continued)

(b) Related party transactions (continued)

	31 December 2016		
	Ultimate holding company and affiliates	Other major equity holders	Associates and joint ventures
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	—	—
Bank 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 61(e).

(Amounts in millions of Renminbi unless otherwise stated)

61 Related parties (continued)

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

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

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

The aggregate amount of relevant loans outstanding as at 31 December 2017 to directors, supervisors and executive officers amounted to RMB3.37 million (as at 31 December 2016: RMB8.27 million).

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

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Salaries and other emoluments	**13,495**	11,475
Discretionary bonuses	**20,134**	8,120
Retirement schemes contributions	**2,860**	1,981
Total	**36,489**	21,576

(d) Supplementary defined contribution plan

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

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

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

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

— lending and deposit taking;

— taking and placing of inter-bank balances;

— derivative transactions;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

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

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

— rendering and receiving of utilities and other services.

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

(Amounts in millions of Renminbi unless otherwise stated)

62 Structured entities

(a) Unconsolidated structured entities held by the Group

The Group invests in unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 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:

	31 December 2017					
	Carrying amount					
	Financial assets at fair value through profit or loss	**Held-to-maturity investments**	**Available for sale financial assets**	**Investments classified as receivables**	**Total**	**Maximum loss exposure**
Wealth management products issued by banks	**—**	**—**	**26**	**139,020**	**139,046**	**139,046**
Investment management products managed by securities companies	**—**	**—**	**—**	**268,247**	**268,247**	**268,247**
Trust investment plans	**—**	**—**	**—**	**126,794**	**126,794**	**126,794**
Asset-backed securities	**—**	**34,234**	**16,877**	**—**	**51,111**	**51,111**
Investment funds	**2,001**	**—**	**119,518**	**—**	**121,519**	**121,519**
Total	**2,001**	**34,234**	**136,421**	**534,061**	**706,717**	**706,717**

	31 December 2016				
	Carrying amount				
	Held-to-maturity investments	Available for sale financial assets	Investments classified as receivables	Total	Maximum loss exposure
Wealth management products issued by banks	—	22	458,390	458,412	458,412
Investment management products managed by 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 58(a)(viii).

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

62 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 31 December 2017, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB1,132,676 million (31 December 2016: RMB956,504 million).

During the year ended 31 December 2017, the Group's interest in these wealth management products included fee and commission income of RMB5,536 million (2016: RMB7,032 million); interest income of RMB2,258 million 2016: RMB1,813 million) and interest expense of RMB1,613 million (2016: RMB1,013 million).

As at 31 December 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 RMB963 million (31 December 2016: RMB949 million).

As at 31 December 2017, the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group amounted to RMB70,488 million (31 December 2016: RMB62,000 million), while the placements from these wealth management products to the Group amounted to RMB25,901 million (31 December 2016: RMB20,000 million). During the year ended 31 December 2017, the amount of maximum exposure of the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group was RMB72,372 million (31 December 2016: RMB57,401 million), and the amount of maximum exposure of the placements from these wealth management products to the Group was RMB44,233 million (31 December 2016: RMB20,000 million). These transactions were conducted under normal business terms and conditions.

As at 31 December 2017, assets of these wealth management products amounting to RMB202,167 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.

63 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 de-recognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 37. Details of securitisation and loan transfer transactions conducted by the Group for the year ended 31 December 2017 totally RMB175,601 million (year ended 31 December 2016: RMB146,446 million) are set forth below.

Securitisation transactions

During the year ended 31 December 2017, the Group entered into securitisation transactions backed by financial assets transferred with book value before impairment of RMB127,271 million (year ended 31 December 2016: RMB76,475 million), of which RMB126,406 million (year ended 31 December 2016: RMB71,976 million) were qualified for full de-recognition. The balance of RMB865 million (as at 31 December 2016: RMB4,499 million) was in respect of non-performing loans transferred and the Group concluded that it had continuing involvement in these assets as at 31 December 2017 based on the related criteria set forth in Note 4(c) and Note 5(iv). As at 31 December 2017, the Group continued to recognise assets of RMB769 million (as at 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 23(c)).

Loan transfers

During the year ended 31 December 2017, the Group also through other types of transactions transferred loans of book value before impairment of RMB48,330 million (year ended 31 December 2016: RMB69,971 million), of which RMB38,733 million represented non-performing loans (year ended 31 December 2016: RMB54,025 million). The Group carried out assessment based on the criteria as detailed in Note 4(c) and Note 5(iv) and concluded that these transferred assets qualified for full de-recognition (Note 23(c)).

64 Offsetting financial assets and financial liabilities

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

As at 31 December 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.

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

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

Statement of financial position

	31 December 2017	31 December 2016
Assets		
Cash and balances with central banks	**564,105**	550,987
Deposits with banks and non-bank financial institutions	**102,139**	187,080
Precious metals	**3,348**	3,372
Placements with and loans to banks and non-bank financial institutions	**149,511**	162,708
Financial assets at fair value through profit or loss	**59,976**	63,590
Derivative financial assets	**61,795**	43,546
Financial assets held under resale agreements	**54,626**	170,804
Interest receivables	**31,674**	32,081
Loans and advances to customers	**2,886,685**	2,592,552
Available-for-sale financial assets	**579,623**	479,591
Held-to-maturity investments	**216,586**	217,498
Investments classified as receivables	**531,118**	1,030,059
Investments in subsidiaries and joint ventures	**23,445**	22,249
Property, plant and equipment	**20,594**	17,166
Intangible assets	**1,135**	838
Deferred tax assets	**21,605**	12,589
Other assets	**51,249**	52,703
Total assets	**5,359,214**	5,639,413
Liabilities		
Borrowings from central banks	**237,500**	184,000
Deposits from banks and non-bank financial institutions	**799,259**	981,326
Placements from banks and non-bank financial institutions	**34,088**	50,042
Derivative financial liabilities	**61,236**	41,478
Financial assets sold under repurchase agreements	**134,384**	120,342
Deposits from customers	**3,181,070**	3,429,060
Accrued staff costs	**8,024**	8,062
Taxes payable	**8,153**	6,050
Interest payable	**38,395**	36,447
Provisions	**394**	244
Debt securities issued	**430,176**	369,829
Other liabilities	**38,533**	43,831
Total liabilities	**4,971,212**	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	**(9,782)**	(1,737)
Surplus reserve	**31,183**	27,263
General reserve	**73,370**	73,370
Retained earnings	**147,982**	124,557
Total equity	**388,002**	368,702
Total liabilities and equity	**5,359,214**	5,639,413

(Amounts in millions of Renminbi unless otherwise stated)

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

Statement of changes in equity

	Share capital	**Preference shares**	**Capital reserve**	**Other comprehensive income**	**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) Net profit	**—**	**—**	**—**	**—**	**—**	**—**	**39,196**	**39,196**
(ii) Other comprehensive income	**—**	**—**	**—**	**(8,045)**	**—**	**—**	**—**	**(8,045)**
Total comprehensive income	**—**	**—**	**—**	**(8,045)**	**—**	**—**	**39,196**	**31,151**
(iii) Profit appropriations								
— Appropriations to surplus reserve	**—**	**—**	**—**	**—**	**3, 920**	**—**	**(3,920)**	**—**
— Dividend distribution to ordinary shareholders of the bank	**—**	**—**	**—**	**—**	**—**	**—**	**(10,521)**	**(10,521)**
— Dividend distribution to preference shareholders of the bank	**—**	**—**	**—**	**—**	**—**	**—**	**(1,330)**	**(1,330)**
As at 31 December 2017	**48,935**	**34,955**	**61,359**	**(9,782)**	**31,183**	**73,370**	**147,982**	**388,002**

	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 equity holders of the bank	—	—	—	—	—	—	(10,374)	(10,374)
As at 31 December 2016	48,935	34,955	61,359	(1,737)	27,263	73,370	124,557	368,702

(Amounts in millions of Renminbi unless otherwise stated)

66 Benefits and interests of directors and supervisors

(a) Directors and supervisors' emoluments

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

For the year ended 31 December 2017:

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind (note(vii)) RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Executive directors									
Li Qingping (Note (i))	–	–	–	–	–	–	–	–	–
Sun Deshun	–	900	1,112	–	351	233	–	–	2,596
Non-executive directors									
Zhu Gaoming	–	–	–	–	–	–	–	–	–
Huang Fang	–	–	–	–	–	–	–	–	–
Wan Liming	–	–	–	–	–	–	–	–	–
Chang Zhenming	–	–	–	–	–	–	–	–	–
Independent non-executive directors									
Wu Xiaoqing	300	–	–	–	–	–	–	–	–
Wong Luen Cheung Andrew	300	–	–	–	–	–	–	–	–
He Cao	300	–	–	–	–	–	–	–	–
Chen Lihua	300	–	–	–	–	–	–	–	–
Qian Jun	300	–	–	–	–	–	–	–	–
Supervisors									
Cao Guoqiang	–	700	658	–	297	219	–	–	1,874
Wang Xiuhong	300	–	–	–	–	–	–	–	300
Jia Xiangsen	300	–	–	–	–	–	–	–	300
Zheng Wei	300	–	–	–	–	–	–	–	300
Cheng Pusheng	–	340	2,418	–	261	202	–	–	3,221
Chen Panwu	–	430	2,191	–	281	211	–	–	3,113
Zeng Yufang	–	320	2,344	–	94	340	–	–	3,098
Shu Yang	–	–	–	–	–	–	–	–	–
Former Directors and Supervisors resigned in 2017									
Zhu Xiaohuang	–	–	–	–	–	–	–	–	–
Wen Shuping	–	145	806	–	24	47	–	–	1,022
Ma Haiqing	–	70	539	–	85	68	–	–	762

Note:

(i) Mrs. Li Qingping, Mr. Chang Zhenming, Mr. Zhu Xiaohuang, Mr. Shu Yang, Mr. Dou Jianzhogn, Mr. Zheng Xuexue did not receive any emoluments from the Group. Their emoluments were borne by the major equity holders of the Bank.

(Amounts in millions of Renminbi unless otherwise stated)

66 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

For the year ended 31 December 2016

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

For the year ended 31 December 2017
(Amounts in millions of Renminbi unless otherwise stated)

66 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

Notes:

(i) Mrs. Li Qingping, Mr. Zhu Gaoming and Mr. Chang Zhenming did not receive any emoluments from the Group for the years ended 31 December 2017 and 2016. Their emoluments were paid and borne by CITIC Limited and CITIC Group, an intermediary parent company and the ultimately parent company, respectively, of the Group which were not disclosed in the table above. A portion of their emoluments received from the parent companies were in respect of their services to the Group.

(ii) Mr. Zhang Xiaowei resigned in August, 2016.

(iii) Ms. Li Zheping and Mr. Yuanming resigned in June, 2016.

(iv) Allowances and benefits in kind includes housing provident funds, social insurance such as medical insurance, as well as other allowances and benefits in kind.

(b) Other benefits and interests

No direct or indirect retirement benefits and termination benefits were paid to directors as at 31 December 2017 (as at December 2016: Nil).

For the year ended 31 December 2017 and 31 December 2016, the balance of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors was not significant.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 2017 (2016: Nil).

67 Events after the reporting period

On 26 March 2018, the Board of Directors proposed a cash dividend and capital injection to Baixin and submitted them to the ordinary shareholders at the Annual General Meeting for approval.

(Amounts in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 Difference between the financial report prepared under IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated financial statements, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 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 year ended 31 December 2017 or total equity as at 31 December 2017 between the Group's consolidated financial statements prepared in accordance with IFRSs and those prepared in accordance with PRC GAAP respectively.

2 Liquidity coverage ratio

	31 December 2017	31 December 2016
Liquidity coverage ratio	**97.98%**	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

	31 December 2017			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**225,292**	**139,707**	**30,624**	**395,623**
Spot liabilities	**(248,386)**	**(132,999)**	**(40,659)**	**(422,044)**
Forward purchases	**1,630,824**	**116,379**	**49,774**	**1,796,977**
Forward sales	**(1,621,525)**	**(94,772)**	**(40,212)**	**(1,756,509)**
Options	**(141)**	**(118)**	**(2,030)**	**(2,289)**
Net long position	**(13,936)**	**28,197**	**(2,503)**	**11,758**

	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

(Amounts in millions of Renminbi unless otherwise stated)

4 International claims

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2017			
	Banks	**Official sector**	**Non-bank private sector**	**Total**
Asia Pacific excluding Mainland China	**33,040**	**418**	**56,421**	**89,879**
— of which attributed to Hong Kong	**25,305**	**411**	**49,538**	**75,254**
Europe	**1,817**	**1**	**7,115**	**8,933**
North and South America	**20,570**	**47,179**	**50,786**	**118,535**
Africa	**—**	**—**	**—**	**—**
Total	**55,427**	**47,598**	**114,322**	**217,347**

	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

(Amounts in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	31 December 2017		
	Gross loans and advances	**Loans and advances overdue over 3 months**	**Impaired loans**
Bohai Rim (including Head Office)	**967,864**	**15,861**	**15,225**
Yangtze River Delta	**691,183**	**10,949**	**9,672**
Pearl River Delta and West Strait	**493,118**	**6,796**	**6,029**
Central	**421,810**	**10,669**	**10,705**
Western	**389,152**	**9,566**	**7,809**
Northeastern	**67,609**	**3,340**	**2,271**
Outside Mainland China	**166,151**	**1,501**	**1,937**
Total	**3,196,887**	**58,682**	**53,648**

	31 December 2016		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired loans
Bohai Rim (including Head Office)	771,415	13,858	13,321
Yangtze River Delta	634,919	9,029	8,002
Pearl River Delta and West Strait	477,683	8,215	6,564
Western	379,192	8,408	7,121
Central	374,358	12,589	10,312
Northeastern	70,967	4,691	1,953
Outside Mainland China	169,393	921	1,307
Total	2,877,927	57,711	48,580

Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists and has been identified:

— individually; or

— collectively: for portfolios of homogeneous loans and advances.

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(a) Gross overdue amounts due from banks and other financial institutions

	31 December 2017	31 December 2016
Gross amounts due from banks and other financial institutions which have been overdue	**1**	33
As a percentage of total gross amounts due from banks and other financial institutions	**0.00058%**	0.02%

(Amounts 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

	31 December 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	**13,207**	10,806
— between 6 and 12 months	**19,976**	26,375
— over 12 months	**25,499**	20,530
Total	**58,682**	57,711
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.41%**	0.38%
— between 6 and 12 months	**0.62%**	0.92%
— over 12 months	**0.80%**	0.71%
Total	**1.83%**	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 31 December 2017, the loans and advances to customers of RMB37,685 million (as at 2016: RMB34,234 million) and RMB20,997 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.

	31 December 2017	31 December 2016
Secured portion	**21,147**	17,570
Unsecured portion	**16,538**	16,664
Total	**37,685**	34,234
Individual allowance for impairment losses	**(26,477)**	(23,110)
Net balance	**11,208**	11,124
Maximum exposure covered by pledge and collateral held	**19,197**	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 31 December 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 financial statements.

Chapter 15 Reference for Shareholders

15.1 Information on Shares

15.1.1 IPOs

On 27 April 2007 the Bank was concurrently listed on SSE and SEHK.

15.1.2 Ordinary Shares

As at the end of the reporting period, the Bank had 48,934,796,573 issued and outstanding shares, including 34,052,633,596 A shares and 14,882,162,977 H shares.

15.1.3 Preference Shares

As at the end of the reporting period, the Bank had made a private offering of 350 million preference shares at RMB100.00 par value per share in China. The preference shares were issued at par at an initial coupon rate of 3.80% with no maturity period.

Please refer to Chapter 11 "Preference Shares" of the report for details on the issuance of preference shares.

15.1.4 Dividends of Ordinary Shares

The Board of Directors proposed to pay a cash dividend of RMB2.61 every 10 shares (before tax) for 2017.

Please refer to Chapter 9 "Report of Board of Directors" of the report for detailed information about dividend distribution.

15.1.5 Stock Code and Stock Name

A share	
SSE	601998 CNCB
Reuters	601998.SS
Bloomberg	601998 CH
H share	
SEHK	0998 CITIC Bank
Reuters	998.HK
Bloomberg	998 HK
Preference Shares	
SSE	360025 CITIC Excellent 1

15.2 Shareholders' Inquiry

If shareholders have any inquiry about their shareholdings, such as share transfer, "street name" shares, address redirecting and loss of share certificate, please post letters to the following addresses:

A share
China Securities Depository and Clearing Corporation Limited Shanghai Branch
3/F, China Insurance Building, No. 166 Lu Jia Zui East Road, Pudong New Area, Shanghai
Tel: +86-21-68870587

H share
Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F, Hopewell Center, No. 183 Queen's Road East, Wan Chai, Hong Kong
Tel: +852-2862 8555
Fax: +852-2865 0990
E-mail: hkinfo@computershare.com.hk

Preference Shares
China Securities Depository and Clearing Corporation Limited Shanghai Branch
3/F, China Insurance Building, No. 166 Lu Jia Zui East Road, Pudong New Area, Shanghai
Tel: +86-21-68870587

15.2.1 Credit Rating

As at the end of the reporting period, the Bank had the following ratings:

Ratings by S & P:
(1) BBB+ for long-term corporate credit rating;
(2) A-2 for short-term rating; and
(3) stable for long-term rating outlook.

Ratings by Moody's Investors Service:
(1) Baa2/P-2 for deposit rating;
(2) ba2 for baseline credit assessment (BCA); and
(3) neutral for rating outlook.

Ratings by Fitch ratings:
(1) BBB for default rating;
(2) 2 for support rating;
(3) BBB for support bottom line rating;
(4) b+ for survival rating; and
(5) neutral for rating outlook.

15.2.2 Index Constituent Stock

A-share Index of SSE
SSE 180 Index
SSE Composite Index
SSE Corporate Governance Index
New SSE Composite
Shanghai Shenzhen CSI 300 Index
CSI 100 Index
CSI 800 Index
Hang Seng China H-Financials Index (H-Fin)

15.2.3 Investors' Inquiry

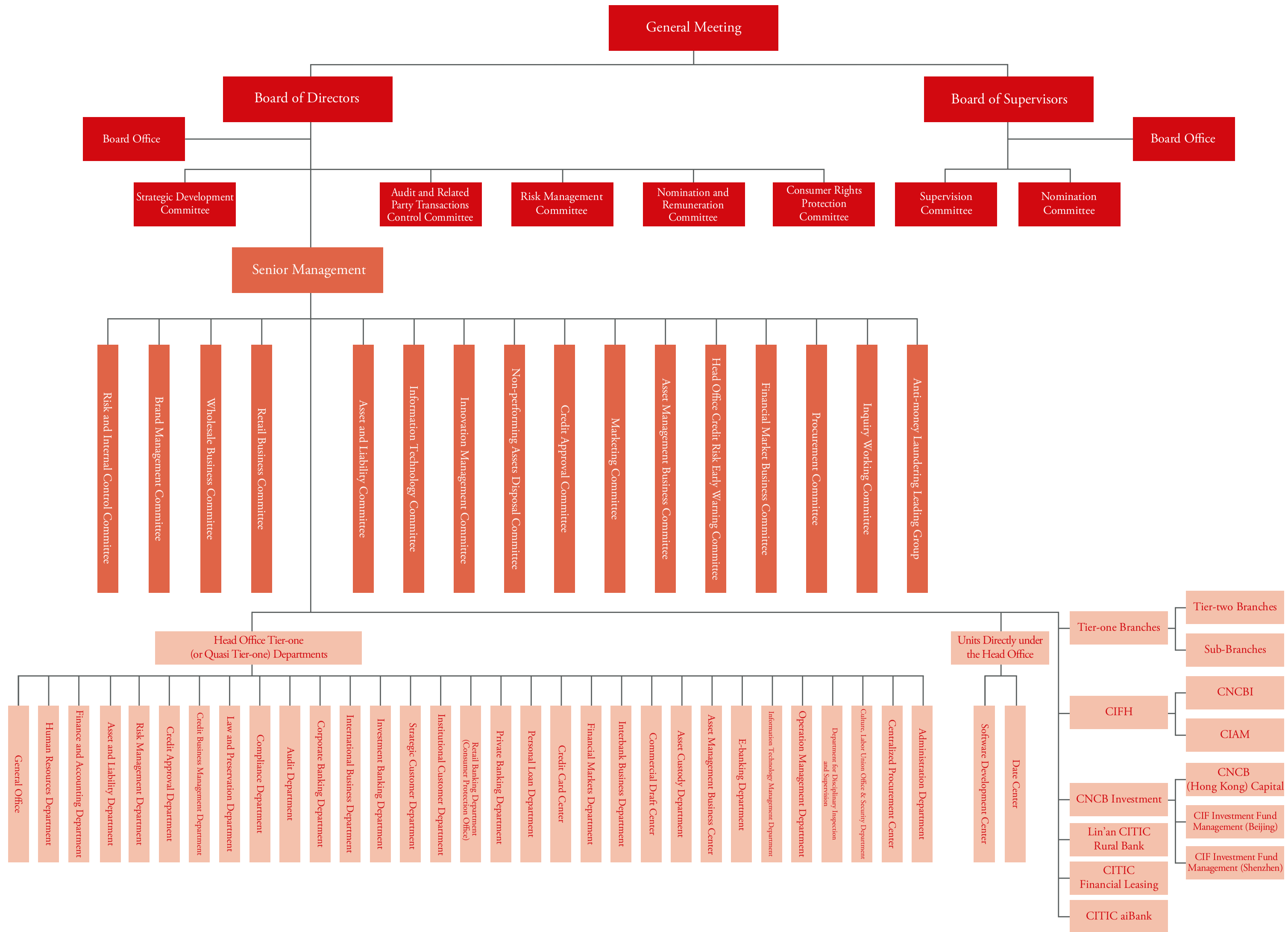
For any inquiry, investors may contact:
Investor Relations Team of China CITIC Bank Corporation Limited
Address: No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Tel: +86-10-85230010
Fax: +86-10-85230079
E-mail: ir@citicbank.com

15.3 Other Information

The Bank's annual report (A shares) is available in Chinese and its annual report (H shares) is available in both Chinese and English. To obtain a copy of the annual report (H shares) prepared in accordance with the international accounting standards, please write to Computershare Hong Kong Investor Services Limited, the Bank's H-share Registrar. For a copy of the annual report (A shares) prepared in accordance with the PRC accounting standards, please write to the Head Office of the Bank (No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing). The annual report is also available in both the Chinese and English languages on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

Should you have any queries about how to obtain a copy of the annual report or how to access the annual report on the Bank's website, please call the Bank's hotline at +86-10-85230010.

Chapter 16 Corporate Structure



Note: The organizational chart of the Bank as at the end of the reporting period is illustrated above. In February 2018, the Board Office of the Bank was separated into the Office of the Board of Directors and the Office of the Board of Supervisors.

Chapter 17 List of Affiliates, Subsidiaries and Joint Ventures

As at the end of the reporting period, the Bank had 1,435 outlets in 142 large and medium-sized cities in China, including 38 tier-one branches (directly managed by the Head Office), 112 tier-two branches, and 1,285 sub-branches (including 85 community/small and micro sub-branches). CITIC Bank International (CNCBI), an affiliate of the Bank, had 41 outlets in Hong Kong, Macao, New York, Los Angeles, Singapore and mainland China.

Head Office		**Address: No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100010 Website: www.citicbank.com**				**Tel: 4006800000 Fax: 010-85230002/3 Hotline: 95558**		
		Tier-one Branches				**Tier-two branches (out-of-town sub-branches)**		
Region	**Province/ Municipality/ Autonomous Region**	**Name of branch**	**Number of outlets**	**Address/Postal Code**	**Telephone/Fax**	**Name of branch**	**Address/Postcode**	**Telephone/Fax**
Bohai Rim	Beijing	Business Department of the Head Office	86	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code:100033	010-66293503 010-66211812	–		
	Tianjin	Tianjin Branch	36	Address: 3-8/F Tianjin Global Financial Center, No. 2, North Dagu Road, Heping District, Tianjin Postal Code: 300020	022-23028888 022-23028800	Binhai New Area Branch	Address: 20-21/F, Baoce Building No. 681, Ronghe Road, Yujiapu Financial District, Central Business District, Tianjin Postal Code: 300000	022-66615066 022-66615067
						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	64	Address: CITIC Tower, No. 10, Ziqiang Road, Shijiazhuang, Hebei Province Postal Code: 050000	0311-87884438 0311-87884436	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	0312-2081583 0312-2081500
						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 Yong'an Avenue, Canal District, Cangzhou City, Hebei Province Postal Code: 061001	0317-5588001 0317-5588085
						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: Building 3, Metropolitan Garden, No. 101 Guangyang Road, 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: Southwest corner of Tianjin Road and Xiaohe Road intersection, Lanshan District, Linyi City, Shandong Province Postal Code: 276000	0539-8722769 0539-8722765
						Binzhou Branch	Address: Zhongxi International Financial Center, No.352 Yellow River Road Five, Bincheng District, Binzhou City, Shandong Province Postal Code: 256600	0543-3095558 0543-3189679
		Qingdao Branch	55	Address: No. 22, Mid Hong Kong Road, Qingdao, Shandong Province Postal Code: 266071	0532-85022889 0532-85022888	Weihai Branch	Address: No. 2, North Qingdao Road, Weihai, Shandong Province Postal Code: 264200	0631-5336802 0631-5314076
						Yantai Branch	Address: 77 Changjiang Road, Economic and Technological Development Area, Yantai City, Shandong Province Postal Code: 264006	0535-6611030 0535-6611032
						Weifang Branch	Address: No. 246 East Shengli Street, Kuiwen District, Weifang, Shandong Province Postal Code: 261041	0536-8056002 0536-8056002
						Rizhao Branch	Address: 13-1 No,218 Beijing Road, Rizhao City, Shandong Province Postal Code: 276800	0633-7895558 0633-8519177

		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
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: Site E, 3/F, Podium Building, No.1 Jilong Road, Shanghai Waigaoqiao Bonded Area (District C Plot 001) Postal Code: 200131	021-58691975 021-58695921
	Jiangsu	Nanjing Branch	84	Address: No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	025-83799181 025-83799000	Wuxi Branch	Address: No. 187, Zhongshan Road, Wuxi, Jiangsu Province Postal Code: 214001	0510-82707177 0510-82709166
						Changzhou Branch	Address: Boai Plaza, No.72, Boai Road, Changzhou, Jiangsu Province Postal Code: 213003	0519-88108833 0519-88107020
						Yangzhou Branch	Address: No. 171, Weiyang Road, Yangzhou, Jiangsu Province Postal Code: 225009	0514-87890717 0514-87890563
						Taizhou Branch	Address: No. 516 South Gulou Road, Taizhou City, Jiangsu Province Postal Code: 225300	0523-86399218 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: 1-3/F, Prosperity Mansion, No.6 North Jiefang Road, Xuzhou, Jiangsu Province Postal Code: 221000	0516-81009900 0516-81009920
						Nanjing Jiangbei New Area Branch	Address: No.127 Xinpulu, Jiangpu Street, Pukou District, Nanjing, Jiangsu Province Postal Code: 211800	025-69977186 025-69977190
		Suzhou Branch	29	Address: West Building, Business Center, Financial Harbor, No. 266 East Suzhou Avenue, Suzhou Industrial Park, Suzhou City, 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: Building 2, North Quarter, Nature City Garden Phase II, Shifu Road, Wenzhou City, 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: 1-5/F, East Side Building of Zhongchang International Mansion, No.31 Hexing Road, Lincheng, Dinghai District, Zhoushan City, Zhejiang Province Postal Code: 316021	0580-8258288 0580-8258583
						Quzhou Branch	Address: 1-3/F, Zhongbai Mansion, No.2 Upper Street, Kecheng District, Quzhou City, Zhejiang Province Postal Code: 324000	0570-8895868 0570-8895817
		Ningbo Branch	28	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	0574-87733226 0574-87733060		–	

		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
Pearl River Delta and West Strait	Fujian	Fuzhou Branch	54	Address: Hengli Financial Center, No. 6, Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350001	0591-87613100 0591-87537066	Quanzhou Branch	Address: 1-3/F, Kaixiang Building, No. 336, Fengze Street, Quanzhou, Fujian Province Postal Code: 362000	0595-22148756 0595-22148222
						Zhangzhou Branch	Address: 1/F -4/F, Yiqun Building, East Shengli Road, Zhangzhou, Fujian Province Postal Code: 363000	0596-2995568 0596-2995207
						Longyan Branch	Address: 1-3/F, No. 153, East Fushan International Center, Denggao West Road, Xinluo District, Longyan, Fujian Province Postal Code: 364000	0597-2956510 0597-2956500
						Putian Branch	Address: 1-2/F, Phoenix Building, No. 81, Licheng Avenue, Chengxiang District, Putian, Fujian Province Postal Code: 351100	0594-2853280 0594-2853260
						Ningde Branch	Address: No.70 South Jiaocheng Road, Ningde, Fujian Province Postal Code: 352100	0593-8991980 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: 1-2/F, Building 1, Hai Shi Ji, No.87 Junzhu Road, Mawei District, Fuzhou City, Fujian Province Postal Code: 350015	0591-88621213 0591-88621200
		Xiamen Branch	17	Address: CITIC Bank Building (Huijing City), No. 81, West Hubin Road, Xiamen, Fujian Province Postal Code: 361001	0592-2385088 0592-2389000	Fujian FTZ Xiamen Sub-zone Branch	Address: Unit 1, 6/F, 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: No. 1, Guanhaimingju Floor 1 & 2, Jidajingshan Road, Xiangzhou District, Zhuhai, Guangdong Province Postal Code: 519015	0756-3292968 0756-3292956
						Zhaoqing Branch	Address: No.06, 07 & 08, 1/F, and C1, C2 and C3, Mall 2, 3/F, Integrated Building for Self Use, No. 9 Hengyu Bay, Xinghu Avenue, Zhaoqing City, Guangdong Province Postal Code:526040	0758-2312888 0758-2109113
						Shantou Branch	Address: 102 Glorious Century Plaza, Time Square, Longhu District, Shantou, Guangdong Province Postal Code: 515000	020-89997888 020-89997829
						Guangdong FTZ Hengqin Branch	Address: 1/F, 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
						Guangdong FTZ Nansha Branch	Address: N0.20, 22, 24, 26, 28, 30 and 32 Pinhui Street and Room 206, No. 2 Chenghui Street, Nansha District, Guanzhou City, Guangdong Province Postal Code: 511458	020-34680666 020-34683290
						Zhanjiang Branch	Address: Room 201 2/F and 1/F, Building B, Minda Square (Minda Center), No.128 North Haibin Road, Chiqan District, Zhanjiang City, Guangdong Province Postal Code: 524000	0759-3601727 0759-3286313
		Shenzhen Branch	44	Address: 1/F (15A, 15-19, 34-36, 41-43) and 5-10/F, Phase II Time Square, No.8 Third Central Road, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	0755-25941266 0755-25942028	Qianhai Branch	Address: 1/F, 2/F and 3/F, Building 11A, and 1/F, 2/F and 3/F, Building 11B, Qianhai Enterprise Mansion, No.63 Qianwan Road One, Qianhai Shenzhen-Hong Kong Cooperation Area, 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	14	Address: 1-3/F, Banshan Hua Yuan, No.1 Middle Jinmao Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	0898-68578310 0898-68578360	Sanya Branch	Address: 1-4/F Building G, Juxinyuan, No.180 Phoenix Road, Jiyang District, Sanya City, Hainan Province Postal Code: 572000	0898-88861756 0898-88861733
Central Region	Anhui	Hefei Branch	40	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: No. 1859, Caifu Plaza, Tushan East Road, Bengbu, Anhui Province Postal Code: 233000	0552-2087000 0552-2087001
						Chuzhou Branch	Address: No.79 West Langya Road, Chuzhou City, Anhui Province Postal Code: 239000	0550-3529558 0550-3529595
						Ma'anshan Branch	Address: No.1177 Central Huxi Road, Maonshan City, Anhui Province Postal Code: 243000	0555-2773228 0555-2773225
						Liu'an Branch	Address: 1-4/F Fortune Square, Meishannanlu Gaosu, Liu'an City, Anhui Province Postal Code: 237000	0564-3836207 0564-3836205
	Henan	Zhengzhou Branch	83	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 0379-69900961
						Jiaozuo Branch	Address: No. 1736, Tanan Road, Jiaozuo, Henan Province Postal Code: 454000	0391-8789903 0391-8789900
						Nanyang Branch	Address: Intersection of Meixi Road & Zhongzhou Road, Nanyang, Henan Province Postal Code: 473000	0377-61623786 0377-61628299
						Anyang Branch	Address: Building 9, Hao Lan Guest House, southeast corner of Wenfeng Avenue and Xingtai Road intersection, Wenfeng District, Anyang City, Henan Province Postal Code: 455000	0372-5998026 0372-2595558
						Pingdingshan Branch	Address: 1-2/F, Phase II of Pingan Yi Yuan, Middle Miners' Road, Pingdingshan City, Henan Province Postal Code: 467000	0375-2195563 0375-2195519
						Xinxiang Branch	Address: 1-2/F, Xinghairuyi Building, intersection of Xinzhong Avenue & East Renmin Road, Xinxiang, Henan Province Postal Code: 453000	0373-5891022 0373-5891055
						Shangqiu Branch	Address: Hua Chi Yue Hai Hotel, 128 Shenhuo Road, Shangqiu City, Henan Province Postal Code: 476000	0370-3070999 0370-3070099
						Xinyang Branch	Address: Intersection of New 5th Avenue and New 6th Avenue, Yangshan New Area, Xinyang City, Henan Province Postal Code: 464000	0376-8093000 0376-8093035

Region	Province/ Municipality/ Autonomous Region	Tier-one Branches: Name of branch	Tier-one Branches: Number of outlets	Tier-one Branches: Address/Postal Code	Tier-one Branches: Telephone/Fax	Tier-two branches (out-of-town sub-branches): Name of branch	Tier-two branches (out-of-town sub-branches): Address/Postcode	Tier-two branches (out-of-town sub-branches): Telephone/Fax
	Hubei	Wuhan Branch	46	Address: No. 747 Jianshe Avenue, Jianghan District, Wuhan City, Hubei Province Postal Code: 430015	027-85355111 027-85355222	Huangshi Branch	Address: 1-3/F, No.71 West Hangzhou Road, Tuanchengshan, Huangshi City, Hubei Province Postal Code: 453000	0714-6226555 0714-6226555
						Xiangyang Branch	Address: 1/F, Special No.1 Paopu Street, Fancheng District, 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	0711-3835799 0711-3835776
						Yichang Branch	Address: No. 2 Meianchangdi Office Wing, Floor 1 & 2, Xilinyi Road, Xilin District, Yichang, Hubei Province Postal Code: 443000	0717-6495558 0717-6433698
						Shiyan Branch	Address: 1-2/F, 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: 1-2/F, No.241 Middle Beijing Road, Shashi District, Jingzhou City, Hubei Province Postal Code: 434000	0716-8811167 0716-8811185
Western Region	Hunan	Changsha Branch	43	Address: Beichen Times Square, No.1500 North Xiangjiang Road, Kaifu District, Changsha, Hunan Province Postal Code: 410000	0731-84582008 0731-84582008	Zhuzhou Branch	Address: 111 North Binjiang Road, Tianyuan District, Zhuzhou, Hunan Province Postal Code: 412000	0731-22822800 0731-22822829
						Xiangtan Branch	Address: 1-2/F, Jin Xiu Xin Cheng Building, Hu Xiang Lin Yu, No. 19, Xiangtan Avenue, Yuetang District, Xiangtan City, 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	0739-2272880 0739-2272788

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
	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: Yun Yuan Building, No.16 East Jianshe Road, Economic Development Area, Pingxiang City, 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 0792-8193551
						Ganzhou Branch	Address: B Tower, Caifu Plaza, No.16, Xingguo Road, Zhanggong District, Ganzhou, Jiangxi Province Postal Code: 341000	0797-2136885 0797-2136863
						Shangrao Branch	Address: No.99 Shangrao Road, Xinzhou District, Shangrao City, Jiangxi Province Postal Code: 334000	0793-8323380 0793-8323380
	Shanxi	Taiyuan Branch	29	Address: Wang Fu Commercial Building, No. 9 Fuxi Street, Taiyuan City, Shanxi Province Postal Code: 030002	0351-7737055 0351-7737000	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: 1-5/F 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: 1-3/F Jinhong International Building, West Xiangyang Road, Yaodu District, Linfen City, Shanxi Province Postal Code: 041000	0357-6095558 0357-7188009
	Chongqing	Chongqing Branch	28	Address: No. 5 Jiangbei 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: 1/F, 3/F & 4/F, China Software • Modern City, No.28 Lijiang Road, Qixing District, Guilin City, Guangxi Zhuang Autonomous Region Postal Code: 541000	0773-3679878 0773-3679880

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
	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	36	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: Anda Building, West Etuoke Street, Erdos, Inner Mongolia Autonomous Region Postal Code: 017000	0477-8188031 0477-8187015
						Chifeng	Address: No. 128, West Hada Street, Hongshan District, Chifeng, Inner Mongolia Autonomous Region Postal Code: 024000	0476-8867021 0476-8867022
	Ningxia	Yinchuan Branch	10	Address: 4-5/F Mast Office Building, No.160 Middle Beijing Road, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region Postal Code:750002	0951-7653000 0951-7653000		–	
	Qinghai	Xining Branch	11	Address: No.1 Jiaotong Lane, Shengli Road, Chengxi District, Xining City, Qinghai Province Postal Code:810008	0971-8812658 0971-8812616		–	
	Shaanxi	Xi'an Branch	38	Address: No. 1, Middle Zhuque Road, Xi'an City, Shaanxi Province Postal Code: 710061	029-89320050 029-89320054	Xianyang Branch	Address: Lvyuan Building, No.108 Middle Qinhuang Road, Xianyang, Shaanxi Province Postal Code: 712000	029-33192679 029-33192691
						Baoji Branch	Address: No 50, Caifu Plaza B, Gaoxindadao, Baoji, Shaanxi Province Postal Code: 721013	0917-3158980 0917-3158809
						Weinan Branch	Address: Xinda Plaza, Shijimingzhu Plaza, Chaoyangdajie, Weinan, Shaanxi Province Postal code: 714000	0913-2089622 0913-2089606
						Yulin Branch	Address: No.248 Changxing Road, Yulin Economic Development Zone, Shaanxi Province Postal code: 719000	0912-6662063 0912-6662052

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
	Sichuan	Chengdu Branch	41	Address: No.1480 Tianfu Avenue, High-Tech Area, Chengdu, Sichuan Province Postal Code: 610041	028-65338800 028-85258898	Yibin Branch	Address: No.4 West Guangchang Road, South Bank of Cuiping District, Yibin City, Sichuan Province Postal Code: 644001	0831-2106999 0831-2106950
						Dazhou Branch	Address: No.1-5 Building No.8, Tongjin International New City, Middle Jinlong Avenue, Tongchuan District, Dazhou, Sichuan Province Postal Code: 635002	0818-3395590 0818-3395559
						Deyang Branch	Address: 1/F & 4/F New Era Plaza, No. 308 Section One of West Changjiang Road, Deyang City, Sichuan Province Postal Code: 618000	0838-2207888 0838-2300760
	Xinjiang	Urumqi Branch	9	Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi Postal Code: 830002	0991-2365936 0991-2365888		–	
	Yunnan	Kunming Branch	35	Address: Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	0871-63648666 0871-63648667	Qujing Branch	Address: 1-2/F Building B, Jinsui Garden Phase III, No. 310 West Nanning Road, Qilin District, Qujing, Yunnan Province Postal Code: 655000	0874-3119086 0874-3115696
						Dali Branch	Address: CITIC Bank, 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	14	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		–	
Northeastern region	Heilongjiang	Harbin Branch	18	Address: No. 236, Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150090	0451-55558247 0451-53995558	Mudanjiang Branch	Address: No. 80 Xisantiao Road, Xi'an District, Mudanjiang City, Heilongjiang Province Postal Code: 157099	0453-6313011 0453-6313016
						Daqing Branch	Address: No.1 Jianhang Street, Sa'ertu District, Daqing City, Heilongjiang Province Postal Code: 132000	0459-6995022 0459-6995050
	Jilin	Changchun Branch	19	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130041	0431-81910011 0431-81910123	Jilin Branch	Address: No. 818 East Jiefang Road, Changyi District, Jilin, Jilin Province Postal Code: 132001	0432-65150000 0432-65156100

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
	Liaoning	Shenyang Branch	51	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	024-31510456 024-61510234	Fushun Branch	Address: No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal Code: 113006	024-53886701 024-5388671
						Huludao Branch	Address: No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal Code: 125001	0429-2808185 0429-2800885
		Dalian Branch	25	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 evelopment Zone, Liaoning Province Postal Code: 116600	0411-87625961 0411-87615093
						Anshan Branch	Address: No.35 Wuyi Road, Tiedong District, Anshan City, Liaoning ProvincePostal Code: 114000	0412-2230815 0412-2230815
						Yingkou Branch	Address: No.8 Yinggang Road, Bayuquan District, Yingkou City, Liaoning Province Postal Code: 115007	0417-8208939 0417-8208989
Subsidiaries and Overseas Representative Offices								
China	Hong Kong	CIFH	2	Address: Room 2701-9, 27/F, CITIC Tower 1 Tim Mei Avenue, Central, Hong Kong	+852-36073000 +852-25253303	CNCBI	Address: 61-65 Des Voeux Road Central Hong Kong	+852 3603 6633 +852 3603 4000
						CIAM	Address: 23/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	+852 28430290 +852 25253688
		CNCB Investment	3	Address: Room 2106, 21/F & Room 2801, 28/F, Tower 2, Lippo Center, No. 89, Queensway, Hong Kong	+852-25212353 +852-28017399	CNCB (Hong Kong) Capital Limited	Address: Room 2801, 28/F & Room 2106, 21/F, Tower 2, Lippo Center, 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, CITIC Bank Building, No.121 Fuhua Road One, Futian District, Shenzhen, Guangdong Province	0755-82774986 0755-83204967
China	Zhejiang	Lin'an CITIC Rural Bank	2	Address: No. 777, Shijing Street, Jincheng Neighborhood, Lin'an District, Hangzhou City, 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	010-53939600 010-53778081		–	
China	Beijing	CITIC aiBank Corporation Limited	–	Address: 8/F, Building 3, No.5, Anding Road, Chaoyang District, Beijing	010-86496888 010-86496555		–	
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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