中信银行
CHINA CITIC BANK

(A joint stock 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

2018 INTERIM REPORT

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank guarantee that the information contained in the 2018 Interim Report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for its truthfulness, accuracy and completeness.

The meeting of the Board of Directors of the Bank adopted the Bank's 2018 Interim Report and Interim Results Announcement on 27 August 2018. All of the 10 eligible directors attended the meeting, with 8 of them attending the meeting onsite, and Director Zhu Gaoming and Director Wan Liming entrusting Director Huang Fang to attend and vote on their behalf as proxies, respectively. The supervisors and senior management members of the Bank attended the meeting as non-voting delegates.

The Bank will neither distribute profits nor transfer capital reserve to share capital for the first half of 2018.

The 2018 Interim Financial Reports that the Bank prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were reviewed respectively by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the relevant PRC and Hong Kong review standards.

Ms. Li Qingping as Chairperson of the Board of Directors, Mr. Sun Deshun as President of the Bank, Mr. Fang Heying as Vice President and 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 2018 Interim Report.

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 6 "Report of Board of Directors" of the report.

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

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

Contents

Chapter 1 *Definitions*

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Auditors	PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers
Baidu	Fujian Baidu Borui Internet Technology Co., Ltd.
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
CBIRC	China Banking and Insurance Regulatory Commission
Central Bank/PBOC	The People's Bank of China
China Tobacco	China Tobacco Corporation
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CITIC aiBank	CITIC aiBank Corporation Limited
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
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)
CNCBI (China)	CNCBI (China) Corporation Limited
CSRC	China Securities Regulatory Commission
Hong Kong Listing Rules	The Listing Rules of 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
MIIT	Ministry of Industry and Information Technology of the People's Republic of China
Ministry of Transport	Ministry of Transport of the People's Republic of China
MOF	Ministry of Finance of the People's Republic of China
Poly Group	China Poly Group Corporation Limited

PRC Accounting Standards	PRC Accounting Standards for Enterprises
PricewaterhouseCoopers	PricewaterhouseCoopers Zhong Tian LLP
SAFE	State Administration of Foreign Exchange
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 2018 to 30 June 2018
Xinhu Zhongbao	Xinhu Zhongbao 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 a subsidiary of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an CITIC Rural Bank, the subsidiary;

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

"Bohai Rim" refers to the following areas where tier-1 branches and a subsidiary of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang and Jinan; and CITIC Financial Leasing Co., Ltd, the subsidiary.

"Central" region refers to the following areas where tier-1 branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

"Western" region refers to the following areas where tier-1 branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

"Northeastern" region refers to the following areas where tier-1 branches of the Group are located: Shenyang, Changchun and Harbin;

"Head Office" refers to the headquarters 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 and Financial Highlights

2.1 Corporate Information

Registered Name in Chinese:	中信銀行股份有限公司 (short name as "中信銀行")
Registered Name in English:	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative:	Li Qingping
Authorized Representatives:	Sun Deshun, Lu Wei
Secretary to the Board of Directors:	Lu Wei
Joint Company Secretaries:	Lu Wei, Kam Mei Ha Wendy(FCS, FCIS)
Securities Representative of the Company:	Wang Junwei
Registered Address:	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal Code of the Registered Address:	100010
Office Address:	No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Office Postal Code:	100010
Official Website:	www.citicbank.com
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 interim report: www.sse.com.cn Website designated by the SEHK to publish H-share interim report: www.hkexnews.hk
Places Where Interim Report is 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)
Overseas Auditor:	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
A-share Registrar:	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 3rd Floor, 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 Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Listing Venue, Stock Name and Stock Code:

A-share:	Ordinary shares	SSE
	CNCB	601998
	Preference shares	SSE
	CITIC Excellent 1	360025
H-share:	SEHK	
	CITIC Bank	0998

2.2 Contact Persons and Contact Details

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

2.3 Financial Highlights

2.3.1 Operating Performance

Unit: RMB million

Item	Jan-Jun 2018	Jan-Jun 2017	Growth rate (%)	Jan-Jun 2016
Operating income	**81,380**	76,709	6.09	78,382
Profit before tax	**32,442**	31,116	4.26	31,281
Net profit attributable to the equity holders of the Bank	**25,721**	24,011	7.12	23,600
Net cash flow from/(used in) operating activities	**12,400**	(87,514)	–	49,632
Per share				
Basic earnings per share (RMB)	**0.53**	0.49	8.16	0.48
Diluted earnings per share (RMB)	**0.53**	0.49	8.16	0.48
Net cash flow from/(used in) operating activities per share (RMB)	**0.25**	(1.79)	–	1.01

2.3.2 Profitability Indicators

Item	Jan-Jun 2018	Jan-Jun 2017	Increase/ (decrease) in percentage point	Jan-Jun 2016
Return on average assets (ROAA)(1)	**0.92%**	0.84%	0.08	0.89%
Return on average equity (ROAE, excluding non-controlling interest)(2)	**14.12%**	13.90%	0.22	14.66%
Cost-to-income ratio (excluding business tax and surcharges)(3)	**26.65%**	26.52%	0.13	24.86%
Credit cost(4)	**1.44%**	1.46%	(0.02)	1.48%
Net interest spread(5)	**1.80%**	1.62%	0.18	1.93%
Net interest margin(6)	**1.89%**	1.77%	0.12	2.05%

Notes: (1) Annual profit divided by the average of total assets at the beginning and end of the period.
(2) Net profit attributable to the ordinary shareholders of the Bank divided by the average of total equity attributable to the Bank's ordinary shareholders at the beginning and end of the period.
(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.

2.3.3 Scale Indicators

Unit: RMB million

Item	30 June 2018	31 December 2017	Growth rate (%)	31 December 2016
Total assets	**5,807,444**	5,677,691	2.29	5,931,050
Total loans and advances to customers	**3,379,294**	3,196,887	5.71	2,877,927
– Corporate loans	**1,889,485**	1,857,847	1.70	1,846,274
– Discounted bills	**194,190**	107,456	80.72	75,047
– Personal loans	**1,295,619**	1,231,584	5.20	956,606
Total liabilities	**5,383,683**	5,265,258	2.25	5,546,554
Total deposits from customers	**3,587,994**	3,407,636	5.29	3,639,290
– Corporate demand deposits(note)	**1,559,766**	1,651,180	(5.54)	1,691,065
– Corporate time deposits	**1,371,155**	1,223,018	12.11	1,390,212
– Personal demand deposits	**267,581**	234,961	13.88	232,960
– Personal time deposits	**389,492**	298,477	30.49	325,053
Deposits from banks and non-bank financial institutions	**684,616**	798,007	(14.21)	981,446
Placements from banks and non-bank financial institutions	**66,870**	77,595	(13.82)	83,723
Total equity attributable to the equity holders of the Bank	**410,983**	399,638	2.84	379,224
Net asset per share attributable to the equity holders of the Bank (RMB)	**8.40**	8.17	2.82	7.75
Net asset per share attributable to the ordinary shareholders of the Bank (RMB)	**7.68**	7.45	3.09	7.04

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

2.3.4 Asset Quality Indicator

Unit: RMB million

Item	30 June 2018	31 December 2017	Growth rate (%)/ Increase (decrease)	31 December 2016
Performing loans[1]	**3,318,429**	3,143,239	5.57	2,829,347
Non-performing loans (NPLs)[2]	**60,865**	53,648	13.45	48,580
Allowance for impairment of loans and advances to customers[3]	**92,020**	90,903	1.23	75,543
NPL ratio[4]	**1.80%**	1.68%	0.12	1.69%
Allowance coverage ratio[5]	**151.19%**	169.44%	(18.25)	155.50%
The ratio of allowance for impairment of loans to total loans[6]	**2.72%**	2.84%	(0.12)	2.62%

Notes: (1) Include pass and special mention loans.
(2) Include substandard, doubtful and loss loans.
(3) Including allowances for impairment of loans and advances to customers measured at amortized cost, and allowances for impairment of loans and advances to customers measured at fair value through other comprehensive income.
(4) Balance of non-performing loans divided by total loans and advances to customers.
(5) Balance of allowance for impairment of loans and advances to customers divided by balance of non-performing loans.
(6) Balance of allowance for impairment of loans and advances to customers divided by total loans and advances to customers.

2.3.5 Other Main Regulatory Indicators

Item[1]	Regulatory value	30 June 2018	31 December 2017	Change in percentage point	31 December 2016
Capital adequacy profile					
Core tier-one capital adequacy ratio	≥7.50%	**8.53%**	8.49%	0.04	8.64%
Tier-one capital adequacy ratio	≥8.50%	**9.36%**	9.34%	0.02	9.65%
Capital adequacy ratio	≥10.50%	**11.34%**	11.65%	(0.31)	11.98%
Leverage profile					
Leverage ratio	≥4%	**6.31%**	6.18%	0.13	5.47%
Liquidity risk profile					
Liquidity coverage ratio[2]	≥100%	**110.96%**	97.98%	12.98	91.12%
Liquidity ratio					
Including: Renminbi	≥25%	**46.61%**	45.29%	1.32	40.98%
Foreign currencies	≥25%	**60.98%**	84.11%	(23.13)	63.37%

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 Measures on Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks should reach 100% by the end of 2018 and shall not be lower than 90% during the transition period.

2.3.6 Differences between IFRS and PRC Accounting Standards

There is no difference between the net assets as at 30 June 2018 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).

Li Qingping
Chairperson
Executive Director

Chapter 3 *Chairperson's* Letter to Shareholders

Dear shareholders,

Value creation, the bond between us and our shareholders, is what we have been working for with relentless efforts. In the first half of 2018, both domestic and international economic and financial situations registered obvious changes. Regulatory policies became more stringent. Policies and regulations on financial services and products, in particular, underwent constant adjustment. All these tested our ability to create value. At this point, I would like to report to our shareholders that in the first half of 2018 the Group realized operating income of RMB81.380 billion, an increase of 6.09% year on year; and net profit attributable to its shareholders of RMB25.721 billion, up by 7.12%; its ROA and ROE stood at 0.92% and 14.12%, up by 0.08 and 0.22 percentage point, respectively. These figures, the outcome of our unremitting efforts, indicate stable growth of operating results.

As I mentioned in my letter to you in the annual report, since the beginning of last year, the board and the management worked together to formulate the 2018-2020 Development Plan after in-depth special surveys and extensive solicitation of opinions. To initiate plan implementation with a solid first step was our top priority in the first half of this year. With the external environment undergoing obvious changes in the first six months of 2018, we re-examined the plan with persistent due sensitivity. Despite the growing external uncertainties, we remained confident that, as we judged at the time of plan making, China's efforts to accelerate higher quality development and pace up the financial reform process along with booming financial technology provide important opportunities for commercial banks to transform and develop. As defined by the plan, our strategic direction and road chosen is to accelerate business transformation and develop an enterprise offering the best comprehensive financial services, which matches the actual situation of the Bank and will help the Bank make new achievements in value creation. As for some of the specific planned measures, we kept in mind the need to seek truth from facts. We adapted, adjusted and optimized these measures in light of situational changes to ensure their adaptability to the external business environment.

In parallel with the much-needed re-examination of the plan, the Bank focused on "knowledge" and "practice" to ensure a successful beginning of plan implementation. We made all-round efforts to communicate and publicize the plan. I personally delivered the first lecture on plan interpretation. Throughout the first half of 2018, the Bank organized more than 200 events to publicize the plan, which enabled a bank-wide comprehensive and in-depth understanding of the main connotations, pathways and approaches contained in the plan. We improved the mechanism for plan implementation. Relevant management members and departments were assigned to lead each and every important task so that the Head Office could effectively perform its guidance, service, support and safeguard functions. We refined the program of action to strengthen top-level design and system arrangement, in the wake of which sprang the 8 projects and 100 key tasks for plan implementation with clearly defined tasks, pathways, requirements and responsibilities. Our efforts paid off. In the first half of this year, plan implementation registered a robust momentum where "once the key link is grasped, everything else falls into place". More importantly, plan implementation is a systematic project. From the outset we insisted on the main line of accelerating transformation and focused on striking a good balance between the pursuit of short-term profit and the planning for long-term benefits and between overall progress and key breakthroughs. In this regard, we made sure that all relevant initiatives were systematic, integral and synergistic. Going forward, we will keep a firm grip on these three aspects to promote effective fruitful implementation of the plan.

The Bank insisted on the main line of accelerating transformation

In my letter to you in the annual report, I pointed out that the Bank was at a critical stage of transformation. We resolutely chose the path of transforming models and adjusting structures, because we believed that ahead of us on this road there is the prospect of China CITIC Bank becoming a listed bank with more distinctive market competitiveness, higher quality development and greater attraction to our investors, a prospect that we have been pursuing all these years. When we looked at the positive results of transformation, we got a deeper understanding of the importance of transformation. Since the beginning of 2017, as obvious changes beset the macro environment and the regulatory situation, the Bank accelerated the transformation from "speed-oriented profit" to "quality-oriented profit". Among others, we controlled asset growth both on and off the balance sheet, reduced low-yield interbank assets and accelerated asset turnover. Such efforts enabled us to maintain positive growth of operating income while proactively "shrinking the balance sheet". In the first half of 2018, the Bank returned to the basics of bank operation at a quicker pace and boosted its support to the real economy. Both assets and liabilities resumed steady growth in scale. As at the end of the reporting period, total assets and total liabilities increased by 2.29% and 2.25% over the end of the previous year, respectively; while loans to customers and deposits from customers recorded a 5.71% and 5.29% growth rate, respectively. The asset-liability structure of the Bank continued to optimize.

When it comes to business transformation, we must never forget the transformation of the Bank's retail business. At the end of 2014, the Bank initiated the second transformation of its retail business. By the end of June 2018, the Bank recorded nearly 80 million accounts of retail customers and RMB1.7 trillion AUM for these customers. For the year 2017, the proportions of the Group's pre-tax profit and operating income from retail business stood at 38.8% and 34.6%, a significant increase of 36.4 and 14.4 percentage points compared with the end of 2014, respectively. The Group continued to perform well on these indicators in the first half of 2018, an ongoing indication of retail banking support to the Bank's overall business. This would not be possible without the set of top-down retail business systems that gradually came into being thanks to the Bank's good hard efforts over the recent years, including greater focus on the goal of building a bank offering the best customer experience, progressively optimized management mechanisms, increasingly improved marketing and service processes, and breakthroughs in channels, products and teams. Going forward, we will continue to develop a smart, standard and process-based retail business system whereby we will expand scale, improve service and enhance experience. Along the path of value-oriented development, we will build a more balanced income structure, increase potentials for further growth and respond with greater calm to situational changes such as further opening up of the banking industry and deepening interest rate liberalization.

While vigorously developing retail business, we did not forget to cement our traditional competitive advantages in corporate banking. In the first half of 2018, the Group remained the lead runner of all joint-stock banks in corporate banking, recording RMB2,871.8 billion average daily balance of corporate deposits, an increase of RMB61 billion over the beginning of the year. We gave our advantage in synergy with our controlling shareholder CITIC Group a full play. Indeed, the "CITIC Alliance Fleet" has become a distinctive business card at the market. Effectively leveraging on such competitive edges, we provided comprehensive financing of RMB271.2 billion for corporate customers by means such as on- and off-balance sheet loans, bond underwriting and equity investment. As Beijing-Tianjin-Hebei region and the Guangdong-Hong Kong-Macau Greater Bay Area are very different in their development situations, we gained a comprehensive understanding of their respective characteristics and went on to analyze their commonalities and individualities. Thereafter, we actively integrated internal and external resources to make our financial supply more targeted and innovative and thereby tap the potentials of cooperation in regional development. In the first half of 2018, the Bank made RMB5.43 billion on-balance-sheet investment in the Beijing-Tianjin-Hebei integration project, placing more than ten key projects in the pipeline and marketing among dozens of subsidiaries of its strategic customers that had stationed in the Xiong'an New Area. We rendered proactive support to economic development in the Guangdong-Hong Kong-Macau Greater Bay Area, focusing on infrastructure construction, technological innovation, industrial upgrades, mixed-ownership reform of state-owned enterprises, industry migration and cross-border investment and finance services. Our acquired majority equities in JSC Altyn Bank of Kazakhstan were delivered in the first half of this year. This is an important endeavor of the Bank to explore the new model of financial cooperation under the "Belt and Road" initiative. Going forward, the Bank will support JSC Altyn Bank to take a unique path of development in terms of credit allocation, cross-border business and financial technology, and build its distinctive brand of comprehensive financial service along the "Belt and Road".

The Bank struck a good balance between the pursuit of short-term profit and the planning for long-term benefits

Operation of any commercial bank is risk management in essence, and therefore should adhere to the lasting principle of risk prevention and control. 2018 is a critical year for guarding against systemic risk. The Bank insisted on placing the development of regulations and the building of systems and processes on an equal footing. Multiple measures were put in place simultaneously to strengthen risk prevention and control, which made our work more proactive, systematic and forward-looking. We enhanced top-level design of unified credit extension management, comprehensively combed the regulations and systems, optimized the processes of various credit extension products, and accelerated the upgrades of information systems. In the meantime, we tried harder to make optimal adjustments to the corporate customer mix. Efforts were coordinated to optimize existing customers and upgrade incremental ones. We placed existing customers under "total-process, all-asset and full-range" credit management, and managed incremental customers by name list, in order to control risks from the root causes. We also bore in mind the need to differentiate and diversify loan investment approaches. The Bank participated more in syndicated loans and joint credit extension to further optimize resource allocation. As at the end of June 2018, the Group recorded an NPL ratio of 1.80%, a rise of 0.12 percentage point from the end of the previous year. This rise, however, was mainly because the Bank further tightened its criteria for recognition of non-performing loans against the backdrop where credit risk in China entered a new sensitive period. Specifically, we took the initiative to classify all loans overdue for 90 days and longer as non-performing loans. In the first half of 2018, the Group accrued RMB26.161 billion allowances for asset impairment loss, a year-on-year increase of 7.16%, keeping its allowances at a relatively high level and building a more solid foundation for development.

Snatching a market share in financial technology is another focus area for us in our attempt to grasp the current opportunities and invest in the future. The R&D cooperation between the Bank and the leading Internet companies and financial technology companies keeps growing and expanding. The application of technologies such as big data and artificial intelligence in smart customer service, smart risk control and smart product cooperation is going further. We, however, do not stop at that. Reengineering the Bank's channel, marketing, product, risk control and operation systems with the use of new technology and active pursuit of business model innovation are the two important pathways for the Bank to achieve strategic development in financial technology. CITIC aiBank, a joint venture co-sponsored by the Bank and Baidu and the first independent legal entity practicing direct banking in China, inherits the financial DNA of the Bank and the Internet DNA of Baidu. It exhibited strong potentials after only a few months of operation and won high recognition from its two shareholders and investors at home and abroad. As at the end of June 2018, CITIC aiBank recorded nearly 4 million accounts of customers, total assets of RMB21.304 billion, operating income of RMB337 million and an NPL ratio of merely 0.25%. In the first half of this year, the Bank and Baidu completed capital increase for CITIC aiBank, rendering the latter strong timely support for rapid development of its asset business. We believe that the financial technology competency accumulated in CITIC aiBank will open up more space for the Bank to "vacate the cage to house new birds". Going forward, we will continue to incubate, seek and ride on opportunities for innovation of business models, so that we will become a commercial bank with leading tech-thinking and strong tech-engines.

Small and micro enterprises play a crucial role in economic development. The Bank made proactive efforts to understand the general development trend of inclusive finance. For us, the direction forward is digital inclusive finance and the focus of efforts is to balance the present and the long-term. Thus, we integrated internal and external resources such as technology, credit extension, data, finances and manpower to improve the framework and structure of inclusive finance. In particular, we strove to build an embedded risk management system, an integrated product service system, a full-process system-supported framework and a comprehensive supporting and safeguard system. The Bank established the Inclusive Finance Department as a tier-one function at the Head Office to coordinate and promote the development of inclusive financial services. We relied on strategic customers and core enterprises to fully implement chain marketing among small and medium-sized customers so that the effective base groups of such customers could be actively expanded and development of large, medium and small customers could be coordinated. By the end of the first half of 2018, the Bank recorded a 14.98% increase in the number of loan-receiving small and micro enterprises compared with the end of the previous year, indicating continuous improvement in the coverage and accessibility of its inclusive financial services. In developing inclusive finance, we paid attention to the different development stages of small and micro enterprises in order to make our financial services more pertinent, explore a sustainable business model for inclusive finance and integrate operational prudence and innovation vitality. Going forward, we will further stimulate our intrinsic motivation to serve small and micro enterprises and build an inclusive finance system with CITIC characteristics so that energy and momentum will be built for future growth.

The Bank struck a good balance between overall progress and key breakthroughs

The plan involves all aspects. In the implementation process, we embraced both a holistic view to guide the overall situation and an accurate positioning for key breakthroughs. This helped us avoid both fragmentation and parallel promotion of different endeavors, and enabled us to match the whole with the part and connect gradual progress with breakthroughs. Differentiated regional development and construction of an integrated customer service system are both distinctive requirements of the Bank's 2018-2020 Development Plan. By raising these requirements, we hope to rebuild and restructure the Bank's operation and management systems at both the Head Office and the branches with the use of a new mentality and new approaches, so that we will enjoy even better capacity of value creation.

We implemented differentiated regional development to deeply tap regional potentials, promote unique regional development with differentiated approaches and accumulate regional advantages for overall competitiveness. We did it also for business transformation of the branches, maximum integration of comparative advantages and limited resources of the branches, and coordination of additions and subtractions, so that branch growth would be compliant with the bank-wide development requirements and compatible with the regional development foundations. We are fully aware that success in differentiated regional development is all about overall coordination between policy and projects as well as differentiated allocation of resources. To this end, the Bank established the Regional Coordination Development Committee, under which a number of regional coordination leading groups were set up. With this architecture, we promoted coordinated development of key regions at the top and facilitated the formation of an overall flat layout in the shape of a mesh. Differentiation, however, does not repel synergy. In the process of driving forth differentiated regional development, we placed the branches in a chess game of bank-wide development, taking into consideration the locations, resource endowments, and economic foundations of the branches. This arrangement enabled us to conduct group operations and ensured uniformity amid differentiation and coordination amid varied developments.

In today's world, when customer service attracts growing attention, we boost the construction of an integrated customer service system, not for the sake of good publicity but out of necessity. To this end, the Bank worked hard to comb and smooth the mechanisms and institutional set-ups that focus on customers who are our top priority. We made arduous efforts to integrate customer marketing, integrate products, solutions and services, integrate loan customer management, and integrate the interaction between corporate and retail customer managers. We also strove to build a customer service system that covers the entire life cycle of customer relationship for maximization of customer value. Our capacity for provision of basic services such as deposits, loans and foreign exchange enjoyed a boost. Our online systems such as electronic banking and transaction banking attained better service capabilities. All these aimed at better customer experience and greater satisfaction of customer demand for more diversified financial services. Further construction of an integrated customer service system, however, is never possible without strong technology support. Therefore, we worked hard to upgrade the new generation corporate CRM system. In particular, we improved the operational processes and mechanisms for collaborative marketing between the front, middle and back line business units, built a better mechanism for management and control of entire project processes, and accelerated the transformation from product marketing to customer management. We hope that such an integrated customer service system will help us establish heart-to-heart connections with our customers and develop a smart platform to customize financial service solutions for our customers.

Indispensable to both differentiated regional development and the construction of an integrated customer service system is the development of talent teams. In my opinion, there is no initiative more fundamentally or more holistically significant to effective plan implementation than the construction of strong talent teams. Because the process of plan implementation itself is a process of condensing the wisdom of all employees, giving full play to the creativity of all employees, and carrying out bold explorations and practices. In recent years, the Bank actively explored new models of human resources management. We released the vitality of all units at all levels, coordinated the construction of various talent teams, paced up the cultivation of core talents, and nurtured a group of CNCB "big craftsmen" and industry champions. In particular, we launched the "Double Hundred Double Thousand Talents" project which prioritizes the cultivation of 200 senior managerial talents, 200 internationalized talents, 2,000 technical professionals and 2,000 young backbone talents in three years. Let me give you an example. One of our employees joined the Bank with little knowledge about banking 24 years ago. He is now a senior international business expert, contributing greatly to the Bank's ongoing market leadership in international business in the Beijing region for the recent dozen or so years. He made such impressive achievements out of his great love for international business and through his diligence and perseverance against all trials and hardships over the past 24 years. In him, I found the commitment and devotion to the CITIC cause. In him, I also found a kind of familiar craftsmanship, calm as water yet sparkling as fire. Employees like him deserve our respect whenever and wherever they are. I thank them whole-heartedly for their loyalty and dedication to the Bank.

Dear shareholders, the success of any plan is 30% planning plus 70% implementation. As our unremitting efforts go further, the development potentials embodied in the plan will materialize in full and we, as always, will continue the creation of new value for our shareholders.

Li Qingping
Chairperson, Executive Director
27 August 2018

Sun Deshun
Executive Director
President

Chapter 4 *President's* Letter to Shareholders

Dear shareholders,

In the first half of 2018, mounting international trade frictions augmented the uncertainties of the global economy. The Chinese economy embarked on the critical stage of transforming towards higher-quality development. Systemic risks gradually went down; market risk and credit risk, however, entered a new sensitive period. The complex economic and financial situations exposed policy interpretation, trend understanding and risk management capabilities of commercial bank managers to a new test. As I mentioned in my letter to you in the annual report, we need to maintain our strategic focus and possess the perspective and ability to size up the general trends more than ever before. This year marks the opening year of the Bank's 2018-2020 Development Plan. We, the management, made active efforts to implement the requirements of the development plan in accordance with the work arrangements of the board. To date, the Bank has exhibited a robust momentum in all business areas. At this point, I would like to report the following results to our shareholders:

For the first half of 2018, the Group realized operating income of RMB81.380 billion, an increase of 6.09% year on year; and net profit attributable to its shareholders of RMB25.721 billion, up by 7.12%, indicating steady growth of operating results; and its ROA and ROE reached 0.92% and 14.12%, up by 0.08 and 0.22 percentage point year on year, respectively. In the face of the complicated economic and financial situations, the Group further tightened the criteria for recognition of non-performing loans (NPLs), taking the initiative to classify all loans overdue for 90 days and longer as non-performing loans. As at the end of the period, its NPL ratio stood at 1.80%, a rise of 0.12 percentage point from the end of the previous year; its provision coverage ratio was 151.19%, a decrease of 18.25 percentage points; and it accrued RMB26.161 billion allowances for asset impairment loss for the first half of the year, a year-on-year increase of 7.16%, keeping its allowances at a relatively high level. These achievements would be impossible without the strong support of our shareholders and customers, the correct guidance and stewardship of the board, and the good hard efforts of our staff. On behalf of the management, I would like to extend my heartfelt thanks to all of you!

In parallel with the above-mentioned achievements, we also made it a point to sum up experiences, reflect on inadequacies, strengthen communication with the market, regulators and peers, and listen to comments and suggestions from all stakeholders, in order to achieve healthier and more sustainable business growth. Over the recent years, the capital market has been concerned with the bottlenecks that medium-sized banks may encounter in their courses of development. In reference to the experiences of the overseas banking industry, some people believe that banks need to transform in time after sustained rapid growth to a certain scale, so that they can match business model, customer structure and service capability with development pace, and thereby avoid passiveness in competition. China CITIC Bank, one of the earliest joint-stock banks established in China, has enjoyed rapid growth for three full decades. It has become a medium to large-sized enterprise with total assets of nearly RMB6 trillion, over 50,000 employees and operations in all major cities across the country. It leads domestic medium-sized banks in terms of business scale and operating income. We, the management, always attach great attention to the periodical challenges that may confront the development of medium-sized banks and remain soberly aware of them. Among others, we strive to research and push forward some systematic countermeasures in advance. Availing myself of this opportunity and on behalf of the management, I would like to share with you some of the thoughts and initiatives of the Bank in the course of its development over the recent years.

In recent years, the Bank's operation and management always focused on the main line of accelerating business transformation. At the end of 2014, the Bank formulated a three-year strategic plan in alignment with its own development characteristics, requiring "value creation and light-style development". We regarded the quality of development as our top priority and firmly promoted business transformation. Judging from the situations over the past few years, we believe that the road we have gradually trodden in practice is consistent with the actual situation of the Bank and capable of adapting to the new normal and new situation of the Chinese economy at present. At the end of 2017, the Bank rolled out the 2018-2020 Development Plan after summarizing the implementation of the previous three-year plan. The plan inherited useful practices and made improvements and optimal adjustments in light of the external situational changes. We are confident that with resolute strategic guidance and long-term unremitting efforts, the Bank will achieve coordinated development in profit, quality and scale, and attain higher goals with sure steps.

We adhered to "customer orientation", regarding it as a starting point to steer transformation for development

We are profoundly aware that whether a medium-sized bank can leverage on its own advantages to the maximum and emerge as a winner from the increasingly fierce competition depends on its ability to secure strong support from customers. Only when continuing improvements are made to the experience of financial services, only when customer needs are effectively met and only when effective support is rendered to customer growth, can we win customers' trust and achieve sustainable development of the Bank at a steady pace.

In recent years, we sped up the construction of an integrated customer service system, and re-engineered the customer service process in the model of "customer departments lead, product departments weigh in, and middle and back offices follow up and support". We did so to completely break the shackles of internal management at the Bank, and build a more robust CRM system, a more efficient internal information sharing mechanism and a more reasonable mechanism for synergy and division of duties. We carried out in-depth surveys on needs of different customer segments, and built on this to create "big single products" in retail banking, such as "going abroad finance" and "Xinjin Bao". These efforts paid off. The Bank harvested sound market response and continuous growth of customers in quantity. As at the end of the reporting period, "Xinjin Bao" and "going abroad finance" both recorded 5 million accounts of customers in total. The new three-year plan further states our goal as "developing the Bank into a unique responsible enterprise offering the best comprehensive financial services with dignity and a human touch". This means we will further establish the concept of regarding customers as our top priority, transform our business model from "product-driven" to "customer service orientation", and effectively integrate "customer focus" into all aspects of our operation and management. Going forward, we will continue to work towards this goal.

We adhered to the direction of "transforming models and adjusting structures", regarding it as the focus for promoting higher-quality development

At present, financial disintermediation, tightening regulation and interest rate liberalization intertwine and overlap at the domestic market. Changes in the environment have never been faster and their impacts on banks never greater for the past 30 years. We are fully aware that, as a medium-sized bank, we can neither have everything nor do everything at once. Instead, we must not only work hard to balance the growth of different businesses, i.e., "do not put all eggs in one basket", but also calculate the trade-offs and determine our priorities in resource allocation in profound alignment with our own endowments so as to build differentiated advantages.

In recent years, we have pooled our strengths and resources across the Bank to push forward numerous major initiatives. At the end of 2014, the Bank began the second transformation of its retail business, with the goal of building a bank offering the best customer experience. Among others, we continuously improved customer channels, researched and developed unique products, built professional teams, and progressively optimized our management mechanisms and service processes. We were rewarded with a set of top-down retail banking systems and rapid growth of contribution from retail banking. In the first half of 2018, the proportions of the Group's pre-tax profit and operating income from retail business stood at 35.9% and 34.6%, 26.7 and 12.0 percentage points higher than three years ago, respectively. Micro-finance represented another area of fast growth for the Bank. We leveraged our advantages in large enterprise business to bring along the development of small enterprise business. Our efforts focused on expanding premium SME customer groups along the upper and lower streams of the supply chains of our large corporate customers, and building business operation and risk control models that covered the entire industry chains of our corporate customers. These efforts paid off. Our small enterprise business grew at a rate consistently higher than the Bank's average and the structure of our corporate business enjoyed further enhancement. The new three-year development plan asks for the execution of a regional development strategy whereby branches in different regions will be managed in a differentiated manner in terms of resource (including people, finances and materials) allocation and return requirements. We hope that this initiative will put our business characteristics and advantages into full play and help different regions coordinate for synergistic business development, which in turn will knit the Bank more closely into national socioeconomic development and regional growth strategies and enable the Bank to achieve higher-quality and more sustainable development.

We adhered to the orientation of technology and innovation, regarding it as an entry point for leapfrog development

The accelerated integration of information technology and financial services, while benefiting customers with convenient and express financial services, challenges traditional business, product and service models of banks, and at the same time brings the banks new opportunities. We view technology and innovation as an important breakthrough for medium-sized banks to achieve curve overtaking. As such, we stimulate innovation of mechanisms and models, increase resource input and boost opening up and cooperation to drive the entire bank towards faster innovation and development.

In recent years, the Bank established the Innovation Committee, set up the IT innovation laboratory for financial products at the Head Office, selected qualified branches to build innovation bases, and promoted research of new technology and development of innovative prototype products with great vigor and vim. The Bank invests more than RMB2 billion in technology research and development annually and increases such investment year by year. Its core bank management system and total risk management system, developed and going alive in succession, fundamentally elevated its capacity for management of "all businesses and processes across the organization" and therefore provided an important guarantee for the Bank to go smart in marketing, risk control and operation. We pooled frontline staffers of corporate business and information technology talents to upgrade the new generation corporate CRM system. Dynamic monitoring and analysis of customer information in panoramic view plus successful use of innovative technologies such as image recognition and voice conversion helped establish a service system that covered the entire life cycle of customer relationship. The Bank accelerated the penetration rate of the Internet. With the extensive use of WeChat, APP and other platforms, we provided customers with convenient and express financial services. Our new media platforms recorded over 80 million followers and our credit card APP "Mobile Card Space" had more than 8.50 million active monthly users, surpassing even some of the large banks. The Bank made its deployments in Internet finance in advance. CITIC aiBank, a joint venture co-sponsored by the Bank and Baidu already enjoyed robust synergy with the parent bank through differentiated business operation and coordinated business development. Six months after its inception, CITIC aiBank has accumulated nearly 4 million accounts of customers and total assets of more than RMB20 billion. In particular, its review and approval of loan applications averaged less than 3 seconds, effectively realizing "instant lending in seconds".

We adhered to refined management, regarding it as the key for healthy and stable development

After years of rapid development, the Chinese banking sector has basically walked off the previous path of extensive development and is now heading towards intensive and refined operation and management. We are profoundly aware that, in the face of increasingly fierce peer competition, the key for medium-sized banks to maintain and expand their market shares lies in full leverage of their advantages in efficiency, optimization of their operation and management, and maximization of customer interests and bank profits.

In recent years, the Bank rode on the opportunities available from rapid development of financial technology to accelerate centralized operation of its businesses and transformation of its outlets. With fewer tellers working at the counter, the personnel structure tilted towards the marketing frontline and cost allocation towards technological research and development. These efforts were very rewarding. While keeping its cost-to-income ratio basically stable, the Bank was able to reduce its fixed cost year by year and make its cost structure growingly optimal. In particular, we increased the research, development and application of risk management technology, comprehensively applied the internal rating approach in economic capital evaluation of credit assets, and actively explored the application of artificial intelligence and big data technology in customer marketing and risk management. In the face of the increasingly complex macro environment and regulatory situation, we vigorously promoted the construction of a compliance culture. For us, compliance is the bottom line for the conduct of business. Hence, we started from frameworks, processes and systems to make ongoing improvements to risk management mechanisms and build the "Iron Fence" for compliant operation. For many years in a row, we carried out a series of "Safe CITIC Bank" activities across the Bank, the effect of which is gradually showing itself. On this basis, the Bank officially incorporated "Safe CITIC Bank" into the new three-year development plan. This is to ensure that all our business activities and management behaviors are not built on sand but can withstand the test of time and changes in both internal and external situations.

We adhered to the strategy of prospering the Bank with human talents, regarding it as a solid support for sustainable growth of the Bank

We know well that the human factor is crucial to the quality of any company's development. The rapid growth of the Bank in the past 30 years would be impossible without the many professional talents working with the Bank who were well versed in the banking business and good at operation and management. As bank operation becomes increasingly complex and professional, it is imperative for the Bank to acquire strong talent support along its path to build a "century-old store" for sustainable development.

In recent years, we built a value-oriented compensation system, improved the quantification-based performance system, and built a robust mechanism for competitive selection of managers. These efforts kept solidifying the foundation for human resources management. The Bank's construction of a talent system enjoyed a boost. Based on the layout needs and business development requirements of its subsidiaries and overseas operations, the Bank established a core talent pool, set up a multi-layer management talent reserve and built echelons of professional and strategic talents. To date, a unified and rational pattern of talent development has taken preliminary shape across the Bank. We went about the construction of talent teams in earnest. A team of 1,000 people was selected for their professional knowledge, love of thinking and excellence in both theoretical study and real-life practice. "Big craftsmen" were cultivated for the Bank. We also actively built enabling environments for both leaders and staffers to grow and develop, and at the same time offered or created conditions for excellent talents to stand out. Our compensation and promotion systems were tailor-made in light of the characteristics of highly specialized professional segments such as information technology and financial market, and with reference made to the useful experiences of the IT and funds industries. Our mechanisms, undergoing constant innovation, boosted team coherence and competition rigor. Thanks to these efforts, the enthusiasm and creativity of our professional talents were put into maximum play.

"There are neither motionless trees in a forest nor still water in a river". In an era of change, we will maintain our strategic focus and forge ahead in the direction explicitly defined by the development plan. We will also remain vigilant to changes in both the internal and external environments, face up to problems and challenges, make proactive responses and ride on trends. We expect continuing attention, care and support from our shareholders on our way forward. We will, as always, push China CITIC Bank forward to achieve new developments and attain new heights to the best of our capacity, and return investors' trust with better results!

Sun Deshun
President, Executive Director
27 August 2018

Chapter 5 *Business* Summary

5.1 Main Business of the Company

The Bank aspires to become "the enterprise offering the best comprehensive financing 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, exerts the best of its efforts to create a comprehensive service platform, 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, etc. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance and e-banking, etc. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts. Please refer to Chapter 6 "Report of Board of Directors" of this report for details.

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

The Group's main assets include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, investments in financial assets, cash as well as deposits with central banks. As at the end of the reporting period, these aforementioned assets took up 96.86% of the Group's total assets, an increase of 0.51 percentage point from the end of the previous year. Please refer to Chapter 6 "Report of Board of Directors – Analysis of the Financial Statements" of this report for information on changes in the Group's main assets.

5.3 Core Competitiveness Analysis

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

Corporate governance and business operation were scientific, efficient and effective. The Bank has always adhered to market-oriented operation and constantly improved its corporate governance and business operation systems and mechanisms. The result is the formation of an organizational structure characterized by efficient management and professional division of duties. With reference to the theory and practice of modern banking development, the Bank set up a corporate governance framework comprising the Board of Directors, the Board of Supervisors, senior management members 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 development plans 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.

Business grew in an all-round balanced manner. 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, and is gradually shifting towards the "Troika" direction. Supported by the transformation of corporate banking and based on its traditional business advantages, the Bank built a service system for precise customer marketing and a service system of distinctive products, which further consolidated its market position. Leveraging the transformation of retail banking as a breakthrough, the Bank provided comprehensive services in "big" retail banking and developed good customer experience in line with the full range of customer needs to create value for customers. The Bank regarded the financial markets as a new growth point and therefore built the product system that covered the currency market, capital market and international financial market, and created innovative service models to continuously build capacity for management of diversified assets and liabilities.

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 the CITIC Group advantages in full-license financial services by enhancing mutual sharing of channel and customer resources with the subsidiaries of CITIC Group and by deepening its cooperation with the latter in areas such as product innovation and comprehensive marketing. On the other hand, the Bank promoted synergy through professional management and consolidated synergy with regulations and processes. In addition, the Bank sped up its efforts to build an integrated business platform, providing comprehensive financial services to customers with full use of CNCBI's domestic and overseas business networks, CNCB Investment's Hong Kong investment banking license, and the unique financial products of both CITIC Financial Leasing and CITIC aiBank.

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. With active use of financial products based on big data analysis, the Bank improved the availability and accessibility of its financial services and enhanced the precision of its customer service. In addition, the Bank connected itself with internet platforms of non-financial enterprises and carried out system optimization and process renovation, which in turn provided enterprises and their upstream and downstream customers with better experience of traditional banking services and supported the real economy with better services. CITIC aiBank, a joint venture co-sponsored by the Bank and Baidu and the first independent legal entity practicing direct banking in China, fully integrated the financial and technological DNAs of its 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 constant efforts to promote the reform of its risk management system. The Bank continuously improved the total risk management system by developing regulations, constructing systems and building processes. An organizational framework for risk management with clear-cut governance functions was put in place; risk management responsibilities of the "Three Defense Lines" were implemented; risk prevention and control awareness of the business units was reinforced; and continuous improvement was made in the application of risk quantification. The Bank boosted IT-based smart risk management, including active exploration into the application of artificial intelligence and big data technology in risk management. With all these efforts, the Bank was able to continuously elevate the professional management level of various risks and steadily enhance the quality and effectiveness of its risk management.

Brand influence continued to be enhanced. 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 via its subsidiary CNCBI. With the provision of a full range of financial products and high-quality customer service, the Bank enjoyed a high reputation and extensive influence at both domestic and overseas markets. The Bank guides its brand strategy with the motto of "Building trust for long-term growth, incorporating intelligence for boundless financing". The Bank was rated the 2017 "Bank of the Year in China" by *The Banker* magazine of the United Kingdom and ranked the 24th among the "Top 500 Global Bank Brands" published by the same magazine in February 2018 with a brand value of USD10.265 billion.

6.1 Economic, Financial and Regulatory Environments

In the first half of 2018, the global economy continued to warm up, while the overall economic and financial environments became even more complicated. The US Federal Reserve twice raised the target federal funds rate range; the global financial markets suffered growing vulnerability; and factors such as geopolitics, trade frictions and rising oil price also brought greater uncertainty to global economic development.

The Chinese economy continued its overall stability, exhibiting a sound momentum of growth amid stability. Production demand basically stayed stable; prices rose moderately; employment continued to grow; and corporate profits kept improving. In the first half of 2018, in year-on-year term, China's gross domestic product (GDP) grew by 6.8%; consumer price index (CPI) rose by 2.0%; Industrial producer price index rose by 3.9%; national urban surveyed unemployment rate fell to 4.8%; and the profits of industrial enterprises above the designated size increased by 17.2%. However, the imbalance and instability of economic development persisted and the task of preventing and resolving major risks remained arduous.

The Chinese financial regulators implemented the requirements of the 19th National Congress of the Communist Party of China (CPC), the Central Economic Work Conference and the National Financial Work Conference. In alignment with the three tasks of serving the real economy, preventing and controlling financial risks and deepening financial reform, the regulators made active steady efforts to "de-leverage" and resolutely fought the tough battle of preventing and resolving financial risks. The People's Bank of China (PBOC) continued the prudent and neutral monetary policy and improved its macro-prudential policy when it is appropriate. Among others, it implemented the targeted reserve requirement ratio (RRR) cut for financial institutions, rationally matched different instrument portfolios and optimized the liquidity structure of the banking system. The central bank also jointly issued the Guidance on Regulating Asset Management Business of Financial Institutions (or "New Regulation on Asset Management") together with the CBIRC, CSRC and SAFE. The CBIRC intensified the rectification of market and introduced multiple new regulations such as the Measures for Liquidity Risk Management of Commercial Banks and the Measures for Management of Large-Amount Risk Exposures of Commercial Banks, in a bid to maintain healthy stable operation of the banking and insurance industries. Under the guidance of various policies, the growth of domestic money supply slowed down, while credit loans and social financing maintained a reasonable pace of growth. At the end of June 2018, the balance of broad money (M2) stood at RMB177.02 trillion, up 8.0% year on year; the balance of Renminbi loans was RMB129.15 trillion, up 12.7% year on year; and the stock of social financing recorded RMB183.27 trillion, up 9.8% year on year.

6.2 Overview of Business Operation and Management

6.2.1 Overview of Operating Results

The reporting period witnessed grim and complex economic and financial situations at home and abroad. In response, the Group earnestly implemented the requirements of its 2018-2020 development plan and resolutely put in place the work arrangements of "returning to the basics of financial services, reinforcing compliance and promoting transformation". As a result, the Bank achieved a sound momentum of development in all businesses.

Profit grew steadily. For the reporting period, the Group realized RMB25.721 billion net profit attributable to the shareholders of the Bank, a growth of 7.12% year on year; RMB58.603 billion pre-allowance profit, an increase of 5.53% year on year; and operating income of RMB81.380 billion, up 6.09% year on year, of which net interest income and net non-interest income were RMB49.808 billion and RMB31.572 billion, an increase of 0.63% and 16.01% year on year, respectively.

Asset quality pressure was relieved to some extent. As at the end of the reporting period, the Group's balance of non-performing loans (NPLs) recorded RMB60.865 billion, an increase of RMB7.217 billion or 13.45% over the end of the previous year, corresponding to an NPL ratio of 1.80%, a rise of 0.12 percentage point from the end of the previous year. The ratio of loans overdue for 90 days and above to non-performing loans was 93.92%, a decrease of 15.46 percentage points from the end of the previous year. The Group's allowance coverage ratio and the ratio of allowance for impairment of loans to total loans stood at 151.19% and 2.72%, a drop of 18.25 and 0.12 percentage points from the end of the previous year, respectively.

Growth of business scale met expectations. As at the end of the reporting period, the Group's total assets recorded RMB5,807.444 billion, an increase of 2.29% over the end of the previous year; its total loans and advances to customers stood at RMB3,379.294 billion, growing by 5.71% over the end of the previous year; and its total deposits from customers recorded RMB3,587.994 billion, up 5.29% from the end of last year.

6.2.2 Implementation of the 2018-2020 Development Strategy

In the past three years, the Bank conscientiously implemented various government policies and effectively promoted the execution of its 2015-2017 strategic plan, achieving positive results. Based on that, the Board of Directors conducted in-depth analysis of the economic and financial situations and prepared the 2018-2020 strategic plan on a rolling basis according to the principle of heritage, adaptability and foresight, and officially put the plan into effect in January 2018. 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.

During the reporting period, the Bank exerted comprehensive efforts to communicate and publicize the new three-year plan and actively promoted the implementation of the plan, making a head start. First, the Bank implemented a differentiated regional development strategy. The Regional Coordinated Development Committee was set up along with the Beijing-Tianjin-Hebei, Jiangsu-Zhejiang-Shanghai and the Guangdong-Hong Kong-Macao coordination leading groups to promote business development in key regions. Second, the Bank continuously promoted business transformation. It expanded the scope of branches piloting inclusive finance and accelerated the construction of the online system for inclusive finance. In addition, the Bank launched the retail "customer factory" project, focusing on establishing a smart, standard and process-based customer management system. Continuous efforts were made to optimize the functionality of the "CITIC Interbank +" platform, resulting in stable growth in both the number of subscribed customers and the volume of transaction. Third, the Bank carried out integrated internationalized business operation with sure steps. Among others, it developed the overseas core system, completed the capital increase of CITIC aiBank and completed delivery of the acquired equity in JSC Altyn Bank of Kazakhstan. Fourth, the Bank boosted innovation for development. A special incentive system for major innovation projects was put in place to develop major scientific and technological projects such as "CITIC Brain", "Lingyun" and "Phoenix". Fifth, the Bank optimized risk management on all fronts. A system of regulations on unified credit management for corporate customers came into being, whereby existing customers were managed by "four categories" and new customers by "name list". Sixth, the Bank deepened the reform of human resources. In full implementation of the "Two Hundred and Two Thousand" talents project, the Bank tried differentiated remuneration schemes in the information technology and core trader employees, in a bid to explore the mechanism for non-conventional promotion of talents and use all means and approaches to tap the full potentials of the talents.

6.3 Analysis of the Financial Statements

6.3.1 Income Statement Analysis

Unit: RMB million

Item	**Jan-Jun 2018**	Jan-Jun 2017	Increase/ (decrease)	Growth rate (%)
Operating income	**81,380**	76,709	4,671	6.09
– Net interest income	**49,808**	49,494	314	0.63
– Net non-interest income	**31,572**	27,215	4,357	16.01
Operating expenses	**(22,563)**	(21,168)	(1,395)	6.59
Total impairment losses	**(26,161)**	(24,414)	(1,747)	7.16
Profit before tax	**32,442**	31,116	1,326	4.26
Income tax	**(6,267)**	(6,952)	685	(9.85)
Profit for the year	**26,175**	24,164	2,011	8.32
Including: Profit attributable to the equity holders of the Bank	**25,721**	24,011	1,710	7.12

6.3.1.1 Operating Income

For the reporting period, the Group realized operating income of RMB81.380 billion, up 6.09% year on year, of which net interest income accounted for 61.2%, a drop of 3.3 percentage points year on year, and net non-interest income accounted for 38.8%, a rise of 3.3 percentage points year on year.

Item	Jan-Jun 2018 (%)	Jan-Jun 2017 (%)	Jan-Jun 2016 (%)
Net interest income	**61.2**	64.5	68.2
Net non-interest income	**38.8**	35.5	31.8
Total	**100.0**	100.0	100.0

6.3.1.2 Net Interest Income

For the reporting period, the Group realized net interest income of RMB49.808 billion, an increase of RMB0.314 billion or 0.63% year on year.

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

Unit: RMB million

Item	Jan-Jun 2019			Jan-Jun 2017		
	Average balance	Interest	Average yield/cost rate (%)	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	**3,313,151**	**78,913**	**4.80**	2,972,235	67,808	4.60
Investments in financial assets[(1)]	**1,089,952**	**23,399**	**4.33**	1,802,057	33,903	3.79
Deposits and placements with central banks	**465,732**	**3,583**	**1.55**	499,022	3,833	1.55
Deposits and placements with banks and non-bank financial institutions	**395,308**	**5,865**	**2.99**	328,170	4,172	2.56
Financial assets held under resale agreements	**40,732**	**570**	**2.82**	37,649	536	2.87
Others	**2,296**	**49**	**4.30**	1,476	33	4.51
Subtotal	**5,307,171**	**112,379**	**4.27**	5,640,609	110,285	3.94
Interest-bearing liabilities						
Deposits from customers	**3,451,730**	**30,838**	**1.80**	3,370,012	26,175	1.57
Deposits and placements from banks and non-bank financial institutions	**845,823**	**15,244**	**3.63**	1,205,451	21,982	3.68
Debt securities issued[(2)]	**487,569**	**11,326**	**4.68**	456,086	8,848	3.91
Borrowings from central banks	**248,735**	**4,024**	**3.26**	173,163	2,605	3.03
Financial assets sold under repurchase agreements	**75,886**	**1,133**	**3.01**	81,114	1,176	2.92
Others	**451**	**6**	**2.68**	511	5	1.97
Subtotal	**5,110,194**	**62,571**	**2.47**	5,286,337	60,791	2.32
Net interest income		**49,808**			49,494	
Net interest spread[(3)]			**1.80**			1.62
Net interest margin[(4)]			**1.89**			1.77

Notes: (1) Investments in financial assets from January to June 2018 included financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income. Investments in financial assets from January to June 2017 included available-for-sale financial assets, held-to-maturity investments and investments classified as receivables presented as per the previous accounting standard on financial instruments.

(2) Including debt securities payable, interbank certificates of deposit and deposit certificates issued.

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

(4) 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

	Jan-Jun 2018 vs. Jan-Jun 2017		
Item	**Scale factor**	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	**7,777**	**3,328**	**11,105**
Investments in financial assets	**(13,383)**	**2,879**	**(10,504)**
Deposits and placements with central banks	**(256)**	**6**	**(250)**
Deposits and placements with banks and non-bank financial institutions	**852**	**841**	**1,693**
Financial assets held under resale agreements	**44**	**(10)**	**34**
Others	**18**	**(2)**	**16**
Changes in interest income	**(4,948)**	**7,042**	**2,094**
Liabilities			
Deposits from customers	**636**	**4,027**	**4,663**
Deposits and placements from banks and non-bank financial institutions	**(6,563)**	**(175)**	**(6,738)**
Debt securities issued	**610**	**1,868**	**2,478**
Borrowings from central banks	**1,136**	**283**	**1,419**
Financial assets sold under repurchase agreements	**(76)**	**33**	**(43)**
Others	**(1)**	**2**	**1**
Changes in interest expense	**(4,258)**	**6,038**	**1,780**
Changes in net interest income	**(690)**	**1,004**	**314**

Net Interest Margin and Net Interest Spread

During the reporting period, the Group's net interest margin and net interest spread registered 1.89% and 1.80%, an increase of 0.12 and 0.18 percentage point year on year, respectively. Due to the impacts of the Group's further adjustment of its business structure and interest rate liberalization, the Group's yield on interest-earning assets recorded 4.27%, an increase of 0.33 percentage point year on year; and its cost rate of interest-bearing liabilities recorded 2.47%, rising by 0.15 percentage point year on year.

6.3.1.3 Interest Income

For the reporting period, the Group realized an interest income of RMB112.379 billion, an increase of RMB2.094 billion or 1.90% year on year. The increase in interest income was primarily due to the higher yields on 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 RMB78.913 billion interest income from loans and advances to customers for the reporting period, a growth of RMB11.105 billion or 16.38% year on year, primarily because of the RMB340.916 billion increase in the average balance of loans and advances to customers and the rise of average yield by 0.20 percentage point.

Classification by Maturity Structure

Unit: RMB million

	Jan-Jun 2018			Jan-Jun 2017		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	1,144,273	25,276	4.45	1,145,100	23,833	4.20
Medium to long-term loans	2,168,878	53,637	4.99	1,827,135	43,975	4.85
Total	3,313,151	78,913	4.80	2,972,235	67,808	4.60

Classification by Business

Unit: RMB million

	Jan-Jun 2018			Jan-Jun 2017		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	1,897,358	46,972	4.99	1,852,839	43,841	4.77
Discounted loans	118,415	3,114	5.30	81,647	1,509	3.73
Personal loans	1,297,378	28,827	4.48	1,037,749	22,458	4.36
Total	3,313,151	78,913	4.80	2,972,235	67,808	4.60

Interest Income from Investments in Financial Assets

For the reporting period, the Group's interest income from investments in financial assets recorded RMB23.399 billion, a decrease of RMB10.504 billion or 30.98% year on year, mainly due to the Group's efforts to reduce the scale of investments classified as receivables, which led to RMB712.105 billion less average balance of such investments.

Interest Income from Deposits and Placements with Central Banks

The Group's interest income from deposits and placements with central banks for the reporting period stood at RMB3.583 billion, a drop of RMB0.250 billion or 6.52% year on year, mainly because the average balance of deposits and placements with central banks went down by RMB33.290 billion.

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

The Group registered RMB5.865 billion interest income from deposits and placements with banks and non-bank financial institutions for the reporting period, an increase of RMB1.693 billion or 40.58% year on year, mainly because the average balance of such deposits and placements increased by RMB67.138 billion and the average yield thereon went up by 0.43 percentage point.

Interest Income from Financial Assets held under Resale Agreements

The Group recorded RMB570 million interest income from financial assets held under resale agreements for the reporting period, a year-on-year increase of RMB34 million or 6.34%, mainly because the average balance of such financial assets increased by RMB3.083 billion.

6.3.1.4 Interest Expense

The Group's interest expense for the reporting period was RMB62.571 billion, an increase of RMB1.780 billion or 2.93% year on year. Interest expense increased primarily because of the rise in the cost rate of interest-bearing liabilities. Interest expense on deposits from customers was the main component of interest expense.

Interest Expense on Deposits from Customers

The Group's interest expense on deposits from customers for the reporting period was RMB30.838 billion, an increase of RMB4.663 billion or 17.81% year on year. Interest expense increased primarily because interest rate liberalization led to a 0.23 percentage point rise in the average cost rate of customer deposits.

Unit: RMB million

	Jan-Jun 2018			Jan-Jun 2017		
Item	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time and call deposits	**1,362,179**	**19,171**	**2.84**	1,357,721	16,750	2.49
Demand deposits	**1,509,637**	**6,835**	**0.91**	1,468,690	5,483	0.75
Subtotal	**2,871,816**	**26,006**	**1.83**	2,826,411	22,233	1.59
Personal deposits						
Time and call deposits	**341,696**	**4,504**	**2.66**	319,113	3,638	2.30
Demand deposits	**238,218**	**328**	**0.28**	224,488	304	0.27
Subtotal	**579,914**	**4,832**	**1.68**	543,601	3,942	1.46
Total	**3,451,730**	**30,838**	**1.80**	3,370,012	26,175	1.57

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 RMB15.244 billion, a drop of RMB6.738 billion or 30.65% year on year, mainly because the Group further adjusted its business structure and the average balance of deposits and placements from banks and non-bank financial institutions decreased by RMB359.628 billion.

Interest Expense on Debt Certificates Issued

For the reporting period, the Group's interest expense on debt certificates issued stood at RMB11.326 billion, an increase of RMB2.478 billion or 28.01% year on year, primarily because of the 0.77 percentage point rise in the average cost rate of the debt certificates issued and the RMB31.483 billion growth in the average balance thereof.

Interest Expense on Borrowings from Central Banks

For the reporting period, the Group's interest expense on borrowings from central banks was RMB4.024 billion, an increase of RMB1.419 billion or 54.47% year on year, mainly due to the RMB75.572 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 RMB1.133 billion, a drop of RMB43 million or 3.66% year on year, primarily due to the RMB5.228 billion decrease in the average balance of such financial assets.

6.3.1.5 Net Non-Interest Income

For the reporting period, the Group realized net non-interest income of RMB31.572 billion, a growth of RMB4.357 billion or 16.01% year on year.

Unit: RMB million

Item	Jan-Jun 2018	Jan-Jun 2017	Increase/ decrease	Growth Rate (%)
Net fee and commission income	**21,862**	22,761	(899)	(3.95)
Net trading gain	**3,449**	3,454	(5)	0.14
Net gain from investment securities	**6,295**	743	5,552	747.24
Net hedging gain	**4**	–	4	–
Other net operating income	**(38)**	257	(295)	–
Total net non-interest income	**31,572**	27,215	4,357	16.01

6.3.1.6 Net Fee and Commission Income

During the reporting period, the Group realized RMB21.862 billion net fee and commission income, a drop of RMB0.899 billion or 3.95% year on year, of which amount the bank card fees recorded a growth of RMB2.198 billion or 16.25% year on year, guarantee and advisory fees declined by RMB910 million or 24.82% year on year, and commission for custodian and other fiduciary business went down by RMB1.783 billion or 42.66% year on year.

Unit: RMB million

Item	Jan-Jun 2018	Jan-Jun 2017	Increase/ decrease	Growth Rate (%)
Bank card fees	**15,723**	13,525	2,198	16.25
Guarantee and advisory fees	**2,757**	3,667	(910)	(24.82)
Agency fees and commission	**2,483**	2,568	(85)	(3.31)
Commission for custodian and other fiduciary business	**2,397**	4,180	(1,783)	(42.66)
Settlement and clearance fees	**687**	644	43	6.68
Others	**232**	165	67	40.61
Subtotal	**24,279**	24,749	(470)	(1.90)
Fee and commission expense	**(2,417)**	(1,988)	(429)	21.58
Net fee and commission income	**21,862**	22,761	(899)	(3.95)

6.3.1.7 Net trading gain

For the reporting period, the Group registered RMB3.449 billion net trading gain, an drop of RMB5 million year on year, mainly due to the higher yields on foreign currencies and debt securities and interbank certificates of deposit.

Unit: RMB million

Item	Jan-Jun 2018	Jan-Jun 2017	Increase/ decrease	Growth Rate (%)
Debt securities and interbank certificates of deposit	**2,022**	1,173	849	72.38
Foreign currencies	**1,367**	105	1,262	1,201.90
Financial instruments measured at fair value through profit or loss	**285**	78	207	265.38
Derivatives	**(225)**	2,098	(2,323)	–
Net trading gain	**3,449**	3,454	(5)	(0.14)

6.3.1.8 Net gain from investment securities

During the reporting period, the Group's net gain from investment securities was RMB6.295 billion, an increase of RMB5.552 billion, mainly due to the increase in transfer gains of securitized credit assets and the implementation of the new accounting standard on financial instruments which resulted in changes in the measurement of some businesses, i.e., changing from recognition of interest income to recognition of investment gains.

Unit: RMB million

Item	Jan-Jun 2018	Jan-Jun 2017	Increase/ decrease	Growth Rate (%)
Transfer gains of securitized credit assets	**3,069**	218	2,851	1,307.80
Gains from investments in financial assets	**3,076**	360	2,716	754.44
Gains from rediscount of bills	**96**	(24)	120	–
Others	**54**	189	(135)	(71.43)
Net gain from investment securities	**6,295**	743	5,552	747.24

6.3.1.9 Operating expenses

For the reporting period, the Group incurred RMB22.563 billion operating expenses, an increase of RMB1.395 billion or 6.59% year on year; and recorded a cost to income ratio (excluding tax and surcharges) of 26.65%, a rise of 0.13 percentage point year on year.

Unit: RMB million

Item	Jan-Jun 2018	Jan-Jun 2017	Increase/ decrease	Growth Rate (%)
Staff costs	**12,750**	11,855	895	7.55
Property and equipment expenses and amortization	**4,148**	4,169	(21)	(0.50)
Other general operating and administrative expenses	**4,793**	4,316	477	11.05
Subtotal	**21,691**	20,340	1,351	6.64
Tax and surcharges	**872**	828	44	5.31
Total operating expenses	**22,563**	21,168	1,395	6.59
Cost-to-income ratio	**27.73%**	27.60%	Up 0.13 percentage point	
Cost-to-income ratio (excluding tax and surcharges)	**26.65%**	26.52%	Up 0.13 percentage point	

6.3.1.10 Impairment Losses on Assets

The Group's asset impairment losses for the reporting period stood at RMB26.161 billion, increasing by RMB1.747 billion or 7.16% year on year. This amount included RMB23.620 billion impairment losses on loans and advances to customers, an increase of RMB2.146 billion or 9.99% year on year.

Unit: RMB million

Item	Jan-Jun 2018	Jan-Jun 2017	Increase/ decrease	Growth Rate (%)
Loans and advances to customers	**23,620**	21,474	2,146	9.99
Interest receivable	**1,498**	2,324	(826)	(35.54)
Investments in financial assets(1)	**311**	675	(364)	(53.93)
Others(2)	**732**	(59)	791	–
Total	**26,161**	24,414	1,747	7.16

Notes: (1) Impairment losses on investments in financial assets from January to June 2017 included available-for-sale financial assets, held-to-maturity investments and investments classified as receivables presented as per the previous accounting standard on financial instruments.

(2) Including the impairment losses on deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, repossessed assets, other assets and off-balance sheet items.

6.3.1.11 Income Tax

The Group's income tax expense for the reporting period recorded RMB6.267 billion, a decrease of RMB685 million or 9.85% year on year, and its effective tax rate stood at 19.32%, a drop of 3.02 percentage points year on year, mainly because the Group had more items eligible for reduction of taxable amounts on permanent differences such as government bonds and local debts.

6.3.2 Balance Sheet Analysis

6.3.2.1 Assets

As at the end of the reporting period, the Group recorded total assets of RMB5,807.444 billion, an increase of 2.29% from the end of the previous year, mainly because the Group had more loans and advances to customers and investments in financial assets.

Unit: RMB million

	30 June 2018		31 December 2017	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**3,379,294**	**58.2**	3,196,887	56.3
Allowance for impairment of loans and advances to customer measured at amortized cost	**(91,973)**	**(1.6)**	(90,903)	(1.6)
Net loans and advances to customers	**3,287,321**	**56.6**	3,105,984	54.7
Total investments in financial assets(1)	**1,463,487**	**25.2**	1,448,319	25.6
Allowance for impairment of investments in financial assets measured at amortized cost	**(3,249)**	**(0.1)**	(3,021)	(0.1)
Net investments in financial assets	**1,460,238**	**25.1**	1,445,298	25.5
Investments in associates and joint ventures	**3,066**	**0.1**	2,341	–
Cash and deposits with central banks	**521,826**	**9.0**	568,300	10.0
Deposits and placements with banks and non-bank financial institutions	**292,377**	**5.0**	296,419	5.2
Financial assets held under resale agreements	**63,551**	**1.1**	54,626	1.0
Others(2)	**179,064**	**3.1**	204,723	3.6
Total assets	**5,807,444**	**100.0**	5,677,691	100.0

Notes: (1) Investments in financial assets on December 31, 2017 included 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 classified as receivables presented as per the previous accounting standard on financial instruments.

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

Loans and Advances to Customers

As at the end of the reporting period, the Group recorded RMB3,379.294 billion total loans and advances to customers, up 5.71% over the end of the previous year. Net loans and advances to customers accounted for 56.6% of total assets, a growth of 1.9 percentage points over the end of the previous year. Loans and advances to customers measured at amortised cost accounted for 98.5% of the total loans and advances to customers.

The table below sets out the classification of the Group's investment in loans and advances to customers by measurement attribute.

Unit: RMB million

	30 June 2018	
Item	**Balance**	**Proportion (%)**
Loans and advances to customer measured at amortized cost	**3,330,136**	**98.5**
Loans and advances to customer measured at fair value through other comprehensive income	**49,158**	**1.5**
Total loans and advances to customers	**3,379,294**	**100.0**

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

Investments in Financial Assets

As at the end of the reporting period, the Group recorded RMB1,463.487 billion total investments in financial assets, growing by RMB15.168 billion or 1.05% over the end of the previous year, mainly because the Group had more investments in debt securities and funds.

Classification of the Group's investment in financial assets by product is set out in the following table.

Unit: RMB million

	30 June 2018		31 December 2017	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Investments in debt securities	**816,726**	**55.9**	730,982	50.4
Investment funds	**181,685**	**12.4**	121,547	8.4
Investment management products managed by securities companies	**259,423**	**17.7**	268,247	18.5
Trust investment plans	**168,583**	**11.5**	126,794	8.8
Certificates of deposit and interbank certificates of deposit	**32,786**	**2.2**	60,347	4.2
Investment in equity instruments	**3,948**	**0.3**	1,356	0.1
Investment in wealth management products	**336**	**–**	139,046	9.6
Total investment in financial assets	**1,463,487**	**100.0**	1,448,319	100.0

Classification of the Group's investments in financial assets by measurement attribute is set out in the following table.

Unit: RMB million

	30 June 2018	
Item	**Balance**	**Proportion (%)**
Investments in financial assets measured at amortized cost	**673,544**	**46.0**
Investments in financial assets measured at fair value through other comprehensive income	**490,346**	**33.5**
Investments in financial assets measured at fair value through profit and loss for the current period	**299,597**	**20.5**
Total financial assets	**1,463,487**	**100.0**

Investment in Debt Securities

As at the end of the reporting period, the Group had RMB816.726 billion investments in debt securities, an increase of RMB85.744 billion or 11.73% over the end of the previous year, primarily because the Group made optimization to the structure of asset allocation and increased investments in tax-light and capital-light government bonds.

Classification of Debt Securities Investment by Issuing Institution

Unit: RMB million

	30 June 2018		31 December 2017	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Banks and non-bank financial institutions	**181,591**	**22.2**	146,627	20.1
Government	**380,301**	**46.6**	314,813	43.1
Policy banks	**124,361**	**15.2**	130,509	17.9
Business entities	**127,929**	**15.7**	137,879	18.7
Public entities	**2,544**	**0.3**	1,154	0.2
Total debt securities	**816,726**	**100.0**	730,982	100.0

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 30 June 2018.

Unit: RMB million

Name of Debt Securities	**Book value**	**Maturity Date (DD/MM/YY)**	**Annual interest rate (%)**	**Impairment allowance**
Debt Securities 1	4,434	18/08/2029	5.98%	–
Debt Securities 2	4,225	18/02/2021	2.96%	–
Debt Securities 3	3,740	04/03/2019	2.72%	–
Debt Securities 4	3,497	28/04/2020	4.20%	–
Debt Securities 5	3,025	27/02/2023	3.24%	–
Debt Securities 6	3,021	22/02/2019	2.82%	–
Debt Securities 7	2,998	08/03/2021	3.25%	–
Debt Securities 8	2,782	07/01/2019	2.77%	–
Debt Securities 9	2,717	27/07/2021	2.96%	–
Debt Securities 10	2,639	25/08/2026	3.05%	–
Total debt securities	33,078			

Investments in Associates and Joint Ventures

Unit: RMB million

Item	**As of 30 June 2018**	As of 31 December 2017
Investments in joint ventures	**2,020**	1,196
Investments in associates	**1,046**	1,145
Allowance for impairment losses	**–**	–
Net investments in associates and joint ventures	**3,066**	2,341

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	–	Investments in subsidiaries	Cash purchase
2	CNCB Investment	100	1,578,732	–	1,578,732	–	Investments in subsidiaries	Cash purchase
3	Lin'an CITIC Rural Bank	51	102,000	5,100	102,000	–	Investments in subsidiaries	Sponsorship
4	CITIC Financial Leasing	100	4,000,000	–	4,000,000	–	Investments in subsidiaries	Sponsorship
Subtotal of investment in subsidiaries			22,249,958	5,100	22,249,958	–		
5	CITIC aiBank	70	1,570,908	(125,459)	1,196,367	–	Investment in joint ventures	Sponsorship
6	JSC Altyn Bank	50.1	449,479	17,085	–		Investment in joint ventures	Cash purchase
Subtotal of investment in joint ventures			2,020,387	(108,374)	1,196,367	–		
6	CIAM	46	913,677	(113,524)	1,013,538	707	Investment in associates	Equity investment
7	BFAE	20	97,313	–	97,313	–	Investment in associates	Equity investment
8	Others[note]	–	34,958	–	33,954	–	Investment in associates	Equity investment
Subtotal of investment in associates			1,045,948	(113,524)	1,144,805			
Total			25,316,293	(216,798)	24,591,130			

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

Derivatives

Unit: RMB million

Item	30 June 2018 Nominal principal	30 June 2018 Fair value Assets	30 June 2018 Fair value Liabilities	31 December 2017 Nominal principal	31 December 2017 Fair value Assets	31 December 2017 Fair value Liabilities
Interest rate derivatives	**1,797,659**	**4,736**	**4,572**	1,641,988	2,553	2,312
Currency derivatives	**2,664,442**	**32,739**	**32,110**	3,347,855	62,030	62,368
Other derivatives	**71,949**	**852**	**235**	51,586	868	257
Total	**4,534,050**	**38,327**	**36,917**	5,041,429	65,451	64,937

On-Balance Sheet Interest Receivables

Unit: RMB million

Item	31 December 2017	Effects from beginning conversion	Increase during the current period	Decrease during the current period	30 June 2018
Interest receivables on loans and advances	13,543	–	78,913	(79,739)	**12,717**
Interest receivable on investments in financial assets	20,646	(6,164)	23,399	(22,197)	**15,684**
Other interest receivables	2,400	–	10,067	(8,233)	**4,234**
Total	36,589	(6,164)	112,379	(110,169)	**32,635**
Allowances for impairment losses on interest receivables	(3,946)	(1,024)	(1,498)	2,377	**(4,091)**
Net interest receivable	32,643	(7,188)	110,881	(107,792)	**28,544**

Repossessed Assets

Unit: RMB million

Item	30 June 2018	31 December 2017
Original value of repossessed assets		
– Land, premises and buildings	**2,118**	1,931
– Others	**532**	518
Allowances for impairment of repossessed assets		
– Land, premises and buildings	**(353)**	(80)
– Others	**(165)**	(320)
Total book value of repossessed assets	**2,132**	2,049

Changes in Allowances for Impairment

Unit: RMB million

Item	31 December 2017	Effects from beginning conversion	Accruals/ reversals during the period	Write-offs during the current period	Others[1]	30 June 2018
Loans and advances to customers[2]	90,903	7,002	23,620	(30,596)	1,091	**92,020**
Investments in financial assets[3]	3,021	973	311	–	3	**4,308**
Interbank business[4]	1	261	64	–	1	**327**
Interest receivable	3,946	1,024	1,498	(2,441)	64	**4,091**
Other assets	2,601	133	167	(1,131)	6	**1,776**
Subtotal	100,472	9,393	25,660	(34,168)	1,165	**102,522**
Off-balance-sheet credit assets	402	4,155	501	–	12	**5,070**
Total	100,874	13,548	26,161	(34,168)	1,177	**107,592**

Notes: (1) Including unwinding of discount on allowance, recovery of write-offs and impacts of exchange rate changes.

(2) Including allowances for impairment of loans and advances to customers measured at amortized cost, and allowances for impairment of loans and advances to customers measured at fair value through other comprehensive income.

(3) Including allowances for impairment of investments in financial assets measured at amortized cost, and allowances for impairment of investments in financial assets measured at fair value through other comprehensive income.

(4) Including deposits and placements with banks and non-bank financial institution and financial assets held under resale agreements.

6.3.2.2 Liabilities

As at the end of the reporting period, the Group recorded total liabilities of RMB5,383.683 billion, up 2.25% from the end of last year, primarily due to the increase in deposits from customers and debt certificates issued.

Unit: RMB million

	30 June 2018		31 December 2017	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Borrowings from central banks	**266,100**	**4.9**	237,600	4.5
Deposits from customers	**3,587,994**	**66.6**	3,407,636	64.7
Deposits and placements from banks and non-bank financial institutions	**751,486**	**14.0**	875,602	16.6
Financial assets sold under repurchase agreements	**70,308**	**1.3**	134,500	2.6
Debt certificates issued	**555,498**	**10.3**	441,244	8.4
Others (note)	**152,297**	**2.9**	168,676	3.2
Total liabilities	**5,383,683**	**100.0**	5,265,258	100.0

Note: Including financial liabilities, derivative financial liabilities, staff remunerations payable, tax and fee payables, interest payables, estimated liabilities, deferred income tax liabilities and other liabilities, et cetera measured at fair value through profit or loss for the current period.

Deposits from Customers

As at the end of the reporting period, the Group's total deposits from customers recorded RMB3,587.994 billion, an increase of RMB180.358 billion or 5.29% over the end of the previous year; and customer deposits accounted for 66.6% of total liabilities, a rise of 1.9 percentage points from the end of the previous year. The Group's balance of corporate deposits was RMB2,930.921 billion, a rise of RMB56.723 billion or 1.97% over the end of the previous year; and that of personal deposits stood at RMB657.073 billion, an increase of RMB123.635 billion or 23.18% over the end of the previous year.

Unit: RMB million

	30 June 2018		31 December 2017	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**1,559,766**	**43.5**	1,651,180	48.5
Time and call deposits	**1,371,155**	**38.2**	1,223,018	35.8
Including: negotiated deposits	**81,062**	**2.3**	28,092	0.8
Subtotal	**2,930,921**	**81.7**	2,874,198	84.3
Personal deposits				
Demand deposits	**267,581**	**7.4**	234,961	6.9
Time and call deposits	**389,492**	**10.9**	298,477	8.8
Subtotal	**657,073**	**18.3**	533,438	15.7
Total deposits from customers	**3,587,994**	**100.0**	3,407,636	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	30 June 2018		31 December 2017	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Renminbi	**3,211,597**	**89.5**	3,053,751	89.6
Foreign currencies	**376,397**	**10.5**	353,885	10.4
Total	**3,587,994**	**100.0**	3,407,636	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

	30 June 2018		31 December 2017	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Head Office	**15,931**	**0.4**	12,361	0.4
Bohai Rim	**865,935**	**24.1**	806,528	23.7
Yangtze River Delta	**890,517**	**24.9**	823,925	24.2
Pearl River Delta and West Strait	**639,771**	**17.8**	619,598	18.2
Central	**481,189**	**13.4**	478,097	14.0
Western	**390,828**	**10.9**	378,958	11.1
Northeastern	**75,739**	**2.1**	62,311	1.8
Overseas	**228,084**	**6.4**	225,858	6.6
Total deposits from customers	**3,587,994**	**100.0**	3,407,636	100.0

Breakdown of Deposits by Remaining Maturity

Unit: RMB million

	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
30 June 2018	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**
Corporate deposits	**1,615,953**	**45.1**	**589,126**	**16.4**	**455,476**	**12.7**	**240,352**	**6.7**	**30,014**	**0.8**	**2,930,921**	**81.7**
Personal deposits	**288,595**	**8.0**	**169,698**	**4.7**	**129,039**	**3.6**	**69,741**	**2.0**	**–**	**–**	**657,073**	**18.3**
Total	**1,904,548**	**53.1**	**758,824**	**21.1**	**584,515**	**16.3**	**310,093**	**8.7**	**30,014**	**0.8**	**3,587,994**	**100.0**

Unit: RMB million

	Repayable-on-demand		Within 3 months		Within 3-12 months		Within 1-5 years		After 5 years		Total	
31 December 2017	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	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

6.3.3 Shareholders' Equity

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

Unit: RMB million

	January – June 2018							
Item	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
31 December 2017	48,935	34,955	58,977	(11,784)	105,434	163,121	12,795	412,433
Changes to the Accounting Policies				4,544	(939)	(9,502)	(235)	(6,132)
1 January 2018	48,935	34,955	58,977	(7,240)	104,495	153,619	12,560	406,301
1. Net profit						25,721	454	26,175
2. Other comprehensive income				4,293			(89)	4,204
3. Profit distribution						(12,772)	(147)	(12,919)
30 June 2018	48,935	34,955	58,977	(2,947)	104,495	166,568	12,778	423,761

6.3.4 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	30 June 2018	31 December 2017
Credit commitments		
– Acceptance	**396,122**	427,561
– Guarantee	**175,414**	195,746
– Letters of credit	**100,279**	88,772
– Irrevocable loan commitments	**50,000**	72,360
– Credit card commitments	**363,318**	310,315
Subtotal	**1,085,133**	1,094,754
Operating leasing commitments	**13,114**	13,614
Capital commitments	**5,608**	7,385
Pledged assets	**453,635**	460,646
Total	**1,557,490**	1,576,399

6.3.5 Cash Flow Statement Analysis

Net Cash Flows from Operating Activities

The Group's net cash flows from operating activities registered RMB12.400 billion, an increase of RMB99.914 billion year on year, primarily because the cash inflows resulting from the increase in deposits from customers and decrease in investments in financial assets offset the cash outflows resulting from 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 flows used in investing activities recorded RMB133.015 billion, an increase of RMB82.239 billion year on year, mainly because investment in debt securities and redemption of debt securities both went down while net cash outflow increased year on year.

Net Cash Flows Generated from Financing Activities

The Group's net cash flows generated from financing activities registered RMB90.979 billion, an increase of RMB13.512 billion year on year, primarily because the cash inflow in the form of proceeds from issuance of interbank deposit certificates offset cash flows used to repay matured interbank deposit certificates and their interests and pay dividends and gave rise to a net cash inflow.

Unit: RMB million

Item	January –June 2018	Year-on-year increase (%)	Main reason
Operating Cash Flow	**12,400**	–	
Including: Cash inflow due to reduced investments in financial assets	**111,520**	(45.97)	Decrease in matured investments classified as receivables
Cash outflow due to decrease in deposits from customers	**177,301**	–	Increase in various deposits
Cash outflow due to increase in loans and advances to customers	**(211,393)**	(10.78)	Increase in various loans
Net cash outflow due to increase in interbank business (Note)	**(192,167)**	–	Decrease in interbank assets for the same period of last year
Cash Flow Used in Investing Activities	**(133,015)**	161.96	
Including: Proceeds from redemption of investments	**329,914**	(44.69)	Decrease in sale and redemption of debt securities
Payments on acquisition of investments	**(461,372)**	(28.40)	Decrease in debt securities investments
Cash Flow Generated from Financing Activities	**90,979**	17.44	
Including: Proceeds from Issuance of debt certificates	**567,403**	41.61	Issuance of interbank deposit certificates and bonds
Principal repayment for issued debt certificates	**(452,980)**	43.65	Repayment of matured interbank deposit certificates and bonds
Interest payment for issued debt certificates	**(11,532)**	46.51	Increase in payment of interests on interbank deposit certificates and debt securities
Payment of dividends	**(11,912)**	–	Increase in payment of cash dividends

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

6.3.6 Major Accounting Estimates and Assumptions

The preparation of the 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, classification and measurement of investments in financial assets, impairment on investments in financial assets, fair value of financial instruments, income tax, retirement benefit liabilities and judgments on the extent of control over investment targets.

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

Unit: RMB million

Item	End of June/ First Half 2018	Increase over previous year-end/ Same period	Main Reason
Deposits with banks and non-bank financial institutions	**85,069**	(31.59)	Decrease in deposits with other domestic banks
Precious metals	**8,997**	168.73	Increase in self-held precious metals
Derivative financial assets	**38,327**	(41.44)	Decrease in revaluation net gain from currency derivatives
Investments in associates and joint ventures	**3,066**	30.97	Acquisition of JSC Altyn Bank and capital increase for CITIC aiBank
Derivative financial liabilities	**36,917**	(43.15)	Decrease in revaluation net gain from currency derivatives
Financial assets sold under repurchase agreements	**70,308**	(47.73)	Decrease in domestic sale of repurchased bonds and bills
Tax payables	**5,051**	(42.98)	Decrease in balance of income tax payable
Estimated liabilities	**5,463**	586.31	Increase in allowance for impairment losses of off-balance-sheet items
Other comprehensive income (loss)	**(2,947)**	74.99	Impacts of beginning conversion due to classification and measurement requirements of new accounting standard on financial instruments and increase in revaluation reserve for investments in financial assets for the current period
Net gain from investment securities	**6,295**	747.24	1. Increase in investment gains from asset securitization; 2. Implementation of the new accounting standard on financial instruments, resulting in changes in the measurement of some businesses, i.e., changing from recognition of interest income to recognition of investment gains.

6.3.8 Segment Report

6.3.8.1 Business Segments

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

Unit: RMB million

Business Segment	January – June 2018				January – June 2017			
	Segment Operating Income	Proportion (%)	Segment Profit before tax	Proportion (%)	Segment Operating Income	Proportion (%)	Segment Profit before tax	Proportion (%)
Corporate banking	43,649	53.6	14,556	44.9	44,019	57.4	13,854	44.5
Retail banking	28,129	34.6	11,641	35.9	25,299	33.0	11,564	37.2
Financial markets business	8,011	9.8	6,508	20.1	4,384	5.7	3,483	11.2
Other businesses	1,591	2.0	(263)	(0.9)	3,007	3.9	2,215	7.1
Total	81,380	100.0	32,442	100.0	76,709	100.0	31,116	100.0

6.3.8.2 Geographical Segments

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

Unit: RMB million

Geographical Segments	30 June 2018				January – June 2018	
	Total assets[1]		Total liabilities[2]		Profit before tax	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Head Office	2,380,295	41.1	2,109,649	39.2	18,576	57.3
Yangtze River Delta	1,170,473	20.2	1,131,343	21.0	4,633	14.3
Pearl River Delta and West Strait	800,046	13.8	825,333	15.3	3,705	11.4
Bohai Rim	1,164,144	20.1	1,117,557	20.8	3,200	9.9
Central	597,766	10.3	581,933	10.8	1,787	5.5
Western	536,445	9.3	508,171	9.4	303	0.9
Northeastern	94,966	1.6	100,448	1.9	(1,745)	(5.4)
Overseas	317,736	5.5	261,111	4.9	1,983	6.1
Offset	(1,274,495)	(22.0)	(1,251,876)	(23.3)	–	–
Total	5,787,376	100.0	5,383,669	100.0	32,442	100.0

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

Unit: RMB million

Geographical Segments	31 December 2017				January – June 2017	
	Total assets[1]		Total liabilities[2]		Profit before tax	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Head Office	2,300,101	40.7	2,466,613	46.8	14,987	48.2
Yangtze River Delta	1,288,981	22.8	1,135,639	21.6	3,115	10.0
Pearl River Delta and West Strait	916,081	16.2	820,311	15.6	1,541	5.0
Bohai Rim	1,228,113	21.7	1,079,757	20.5	6,248	20.1
Central	626,587	11.1	565,919	10.7	2,390	7.7
Western	574,942	10.2	483,560	9.2	1,781	5.7
Northeastern	94,618	1.7	86,047	1.6	(550)	(1.8)
Overseas	307,796	5.4	266,293	5.1	1,604	5.1
Offset	(1,681,353)	(29.8)	(1,638,889)	(31.1)	–	–
Total	5,655,866	100.0	5,265,250	100.0	31,116	100.0

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

6.4 Business Overview

6.4.1 Corporate Banking Business

During the reporting period, in its corporate banking business, the Bank adhered to the overall tone of progress amid stability and continued to deepen transformation for development. Focusing on the "Three Large and One High"[1] customers and inclusive financial services, the Bank stepped up structural adjustment and actively optimized business models, in a bid to promote the transformation of its development pattern from scale-oriented growth to profit-oriented growth. As a result, the Bank continuously enhanced its capability for sustainable development and further enhance market competitiveness of its corporate banking business.

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. In particular, the Bank took the initiative to adjust the pace of asset expansion, 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 transaction banking business, deepened management of customers by category and stratum and strove to expand the base of effective corporate customers to solidify the foundation for development. In its corporate business, the Bank 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 development by implementing its own strategy and following the general national trends at the same time.

In the face of complicated and grim external business environment, the Bank realized RMB41.009 billion net operating income from corporate banking business for the reporting period, a decline of 1.14% year on year, accounting for 53.54% of its total operating income. Of this amount RMB6.458 billion was net non-interest income from corporate banking, taking up 21.51% of the Bank's total net non-interest income.

6.4.1.1 Corporate Customer Management

The Bank paid great attention to coordinated development of its customer structure. While continuing to deepen the management of the "Three Large and One High" customers, the Bank made dedicated efforts in "chain" marketing among large customers and kept expanding small and medium customers, giving rise to a robust customer management profile characterized by "large customers facilitating and taking along the small ones". During the reporting period, the Bank continued to improve the mechanisms for fine management of customers and precise service provision for customers, actively promoted upgrades of the CRM system, focused on perfecting the panoramic view of its customer management and paced up efforts to achieve online smart customer management. As at the end of the reporting period, the Bank recorded 613,000 accounts of corporate customers in total, an increase of 18,000 accounts over the end of the previous year. During the reporting period, 47,300 additional companies opened new accounts with the Bank, indicating continuous solidification of its customer base.

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

Management of Strategic Customers

During the reporting period, the Bank continued to deepen concentrated marketing for strategic customers, i.e., “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 with relevant programs; the middle and back offices provided support services and safeguard measures. As such, the Bank provided strategic customers with customized integrated services and extended its services to the upstream and downstream enterprises along the industry chains of the strategic customers. In particular, the Bank further deepened its full-range cooperation with a group of strategic customers including but not limited to China Mobile Communications Group Co., Ltd., Beijing Automotive Group Co., Ltd. and Alibaba (China) Co., Ltd.

During the reporting period, the daily average balance of deposits from strategic customers of the Bank stood at RMB933.688 billion, an increase of RMB4.582 billion over the end of the previous year. The strategic customers continued to record robust asset quality and higher than Bank average return on venture capital.

Management of Institutional Customers

The Bank fully leveraged on the unique competitiveness of its institutional customer business, made constant innovation of its professional and 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 continued to develop the partnership with its institutional customers in the government sector. Among others, it further deepened the “shareholder + strategic cooperation” relationship with China Tobacco, participated in the top-level design of the Ministry of Transport’s reform of its transportation investment and financing system, and once again became the only joint-stock bank qualified to partner with the MIIT for major technology transformation projects, and concluded strategic partnership agreements with multiple local governments including the Gansu Provincial People’s Government. Thanks to the more vigorous innovation of its product and service models, the Bank optimized and upgraded the products and functionalities of the “Smart Payment” system, offering payment management and online lending services to institutional customers and the general public that it serves, which enhanced customer viscosity and effectively promoted growth of settlement funds.

Management of Small Business Customers

Since the beginning of this year, the Bank paced up its promotion of small and micro business finance in an enthusiastic response to the government policy on inclusive finance. It focused on developing high-quality small and micro 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 a small, medium and micro business customer management model throughout the industry chains. In addition, the Bank deepened the development of a service system for small and micro 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 belongs to industries and sectors supported by the Bank, strictly restricted access to heavy pollution, high energy consumption and overcapacity industries and made proactive exit from risky customers to resolutely guard its risk bottom line. At the same time, the Bank adopted the differentiated categorized management model for different products and regions to intensify access control and control business risks.

As at the end of the reporting period, the Bank registered 76,800 accounts of small and micro enterprise customers[1], an increase of 14.98% over the end of the previous year; and RMB497.079 billion balance of loans to these enterprises, a decrease of 5.40% from the end of previous year. The approval rate of loan applications submitted by small and micro enterprises stood at 78.14%, a growth of 0.70 percentage point year on year.

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

6.4.1.2 Corporate Deposit and Loan Business

Corporate Deposit Business

In proactive response to market changes and peer competition, the Bank further promoted chain marketing among corporate customers, continued to boost marketing among listed company customers and strategically increased the absorption of market-oriented deposits such as structured deposits. As a result, 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 RMB2,748.9 billion, an increase of RMB61.8 billion over the beginning of the year, keeping its leading position among joint-stock banks; and cost rate of corporate deposits was 1.85%, up 0.21 percentage point compared with the end of last year.

Corporate Loan Business

The Bank actively promoted the transformation in management of corporate assets. It actively served the government's supply-side structural reform, accelerated its exit from loans that were granted to industries in the "reduce and exit" categories, and focused on "reducing virtual items and increasing real items". In addition, the Bank actively optimized the regional and sector structures of its corporate asset business by expanding the loan coverage of the credit-support industries such as 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. These efforts effectively connected economic and financial needs of the real economy and helped the Bank achieve stable high-quality development of the asset business. As at the end of the reporting period, the Bank's balance of corporate loans recorded RMB1,877.9 billion, a growth of 6.38% over the end of the previous year. Of this amount the balance of corporate loans to the six industries suffering severe overcapacity[1] registered RMB76.3 billion, a decrease of 4.86% from the end of the previous year.

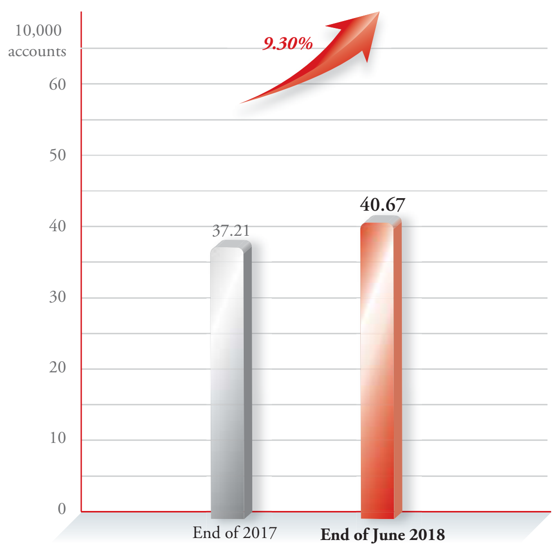
6.4.1.3 Key Corporate Businesses

Transaction Banking Business

Based on its advantages in 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 the construction of Transaction Banking 2.0 to optimize the corporate online banking functionality, which reinforced the efficiency and convenience of customer transactions and improved customer experience. By constructing a financial service platform for transaction banking, the Bank integrated customers, products and channels to provide one-stop comprehensive transaction banking services.

As at the end of the reporting period, the Bank recorded 406,700 accounts of customers in transaction banking, a growth of 9.30% over the end of the previous year. For the reporting period, transaction banking completed 31.5913 million transactions, a decrease of 1.92% year on year, and realized transaction value of RMB37.77 trillion, an increase of 9.28% year on year.

Transaction Banking Accounts



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

Investment Banking Business

The Bank took investment banking business as an important support for practicing the strategy on providing the best comprehensive financial services. With the orientation of "returning to the basics of financial services and serving the real economy", the Bank enhanced its capacity for product innovation, and vigorously developed businesses and products such as equity financing, financing 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, the Bank realized a revenue of RMB4.579 billion from investment banking; underwrote RMB173.4 billion debt financing instruments, ranking the 5th in the entire market in terms of the total value underwritten[1] and the 4th in terms of the number of instruments underwritten. Thanks to its robust capability for business innovation and financing arrangement, the Bank successfully executed a group of M&A projects with market influence. In close alignment with the direction of market innovation, the Bank boosted innovation in bond financing areas such as asset-backed notes (ABN) and special bonds in key areas. During the reporting period, the Bank successfully issued the first state-owned enterprise commercial property mortgage loan ABN, the first home-purchase payment ABN and the first green public transport ABN. Further, the Bank successfully registered the nation's first publicly offered social impact bond.

International Business

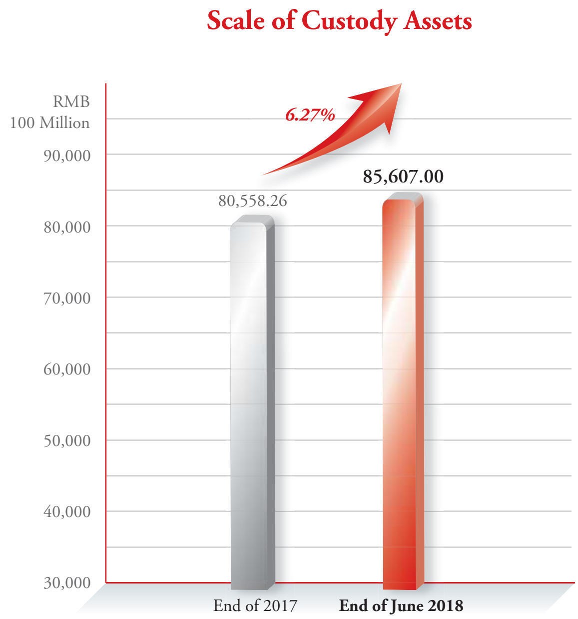
The Bank continued to adjust the structure of its international business. Among others, it actively promoted all-front development of traditional international business, cross-border investment and finance and management of corporate foreign currency denominated assets and liabilities. As a result, the brand image and market influence of its international business continued to improve. For the reporting period, the Bank's forex purchase and sale recorded USD74.58 billion, an increase of 18% year on year, exceeding the national average growth rate by 6 percentage points, ranking the 5th among all domestic banks[2] and the first among all joint-stock banks. The Bank realized USD138.21 billion forex purchase and sale in international balance of payments, topping all joint-stock banks and ranking the 5th among all domestic banks. The Bank continued to strengthen the pricing management of foreign currency loans, with the weighted average interest rate of new USD corporate loans registering a steady rise in the ranking of banking industry.

In the light of the trend of Chinese enterprises "going global" for development, the Bank facilitated international business letters of guarantee, cross-border syndicated loans, export credit and overseas bond issuance by Chinese enterprises, placing its focus on supporting cross-border investment and financing needs compliant with the government's "Belt and Road" strategy. The Bank made active use of the free trade zone policy dividends, executed the first non-resident FTN (free trade account of overseas institutions) non-risk-bearing wealth management transaction and issued a number of non-resident foreign currency working capital loans, which effectively expanded the channels for investment with foreign currency assets. Actively riding the technology trend, the Bank successfully launched the blockchain-based domestic letter of credit (L/C) system. At the time of the report, the system was connected with a number of banks, and recorded a business volume of more than RMB2 billion on the blockchain since its inception.

1 Ranking based on Wind Info data.

2 According to data published by SAFE; the same applies to data in the same paragraph below.

Asset Custody Business



The Bank continued to deepen its business development model of "commercial banking + investment banking + custody". In particular, it strengthened the innovation of special products such as publicly offered funds, trust and custody, improved the custody business architecture, and actively promoted bank-fund partnership, bank-insurance partnership and cross-border business custody, in a bid to create a development pattern featuring diversified asset custody. In addition, the Bank actively pushed forward development of the custody system. Among others, the Bank launched the new-generation custody operation system, and innovatively put forward the smart custody robot project to create a unique path of development and realize convenient operation, smart process, integrated configuration and real-time monitoring.

As at the end of the reporting period, assets under the Bank's custody recorded RMB8,560.700 billion, an increase of 6.27% over the end of the previous year. Each of its five categories of "big single products" in asset custody business, i.e., publicly offered funds, investment management products managed by securities companies, bank wealth management products, third-party regulatory products and trust, exceeded RMB1 trillion in terms of the scale. Its enterprise annuity custody stood at RMB67.0 billion, keeping its leading ranking among all joint-stock banks[1]. During the reporting period, the Bank achieved an income of RMB1.880 billion from its asset custody business, a year-on-year increase of 14.04%, becoming a market leader in asset custody business and topping all joint-stock banks in terms of the scale and incremental revenue of such business.

Auto Finance

The Bank defined auto finance as a priority "big single product" of its corporate banking business, and designated three focus areas for auto finance, i.e., mid-to-high end brands, new energy vehicles and full-industry-chain operation. The purpose was to maintain its competitive advantages as a full-industry-chain financing service provider for the auto industry by creating robust and efficient systems for product development, customer service and risk control.

As at the end of the reporting period, the Bank recorded 3,942 accounts of valid dealers in the auto finance business, a year-on-year increase of 10.26%; an online contract signing rate of 72.51%, up 15.69% from the end of the previous year; a financing balance of RMB99.474 billion, up 22.45% year on year. The auto finance business segment continued to maintain robust risk control with the ratio of overdue advances staying at a mere 0.18%.

1 According to the statistics released by the China Banking Association; the same applies to data in the same paragraph below.

Inclusive Finance

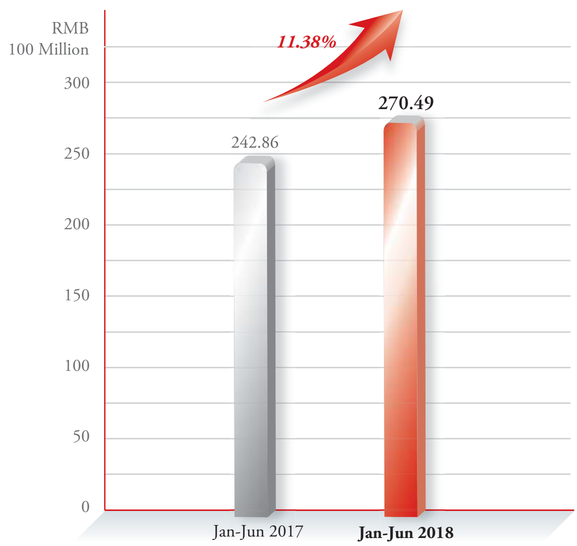
The Bank rendered active support to the development of inclusive finance. In particular, it strengthened its top-level design for inclusive finance and formulated the plan on development of inclusive finance, defining small and micro financial services as its central work in inclusive finance and comprehensively promoting business development in key areas of inclusive finance such as small and micro enterprises, "agriculture, farmers and rural areas" and poverty alleviation. In addition, the Bank created a five-in-one inclusive financial service system 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". It also laid down an operation model whereby the Head Office uniformly designed and promoted regulations, processes, products, systems, risk control and brands, while the branches carried out concentrated review and approval of loan applications, loan disbursement and post-lending management. With these efforts, the Bank was able to continuously improve the coverage, availability and satisfaction of its inclusive financial services. The Bank started the development of full-process online credit extension products for small and micro enterprises in the "online and smart" direction and enhanced the cooperation and interoperability with CITIC aiBank to continuously upgrade the level of inclusive financial services.

During the reporting period, the Bank built on the experiences of its Nanjing and Guangzhou branches in piloting inclusive finance to take Suzhou, Hangzhou, Shenzhen and Zhengzhou branches on board the pilot project. With 6 branches piloting inclusive finance, the architecture of the Bank's inclusive finance system took preliminary shape.

6.4.2 Retail Banking Business

During the reporting period, the Bank was confronted by internal and external economic and financial situations such as deepening of the deposits migration and more intensive competition in wealth management business. In response, the Bank upheld the "customer focus" development concept in order to become "the bank offering the best customer experience" in its retail banking business. It made continuous efforts in unique products such as Xinjin Bao, robo-advisor, going abroad finance, family trust, carte blanche asset management, mobile banking and credit card, and focused on pushing forward the three major business areas of asset business, wealth management and payment settlement. With innovations made to mobile channels and customer acquisition models and with the support 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.

Retail Banking Business Operating Income



During the reporting period, the Bank realized RMB27.049 billion net operating income from retail banking, an increase of 11.38% year on year, accounting for 35.32% of its total net operating income. Of this amount, RMB19.304 billion was net non-interest income, up 28.79% from last year, taking up 64.30% of the Bank's total, an increase of 5.44 percentage points.

6.4.2.1 Retail Customer Management

The Bank focused on initiatives such as gifts for new customers, conversion of credit card customers, customer acquisition through agency salary payment, and targeted marketing among specific customer groups such as women, the elderly and customers of going-abroad financial services for precision marketing and more effective stratified management of retail customers. These efforts led to systematic management of and service provision for retail customers and relatively high growth in the number of retail customers. As at the end of the reporting period, the Bank recorded 79.85 million accounts of retail customers[1], a growth of 10.89% over the end of the previous year; and 651,100 accounts of retail VIP customers (each of whom had at least RMB500,000 AUM with the Bank), representing a growth of 16.11% over the end of the previous year.

By means of constructing customer management systems, integrating online and offline channels and making scenario-based customer acquisition, the Bank conducted differentiated branding for middle and old-aged, female and young customers (collectively the "three-big 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 44.37 million of "three-big" customers in aggregate, a growth of 9.5% over the end of the previous year.

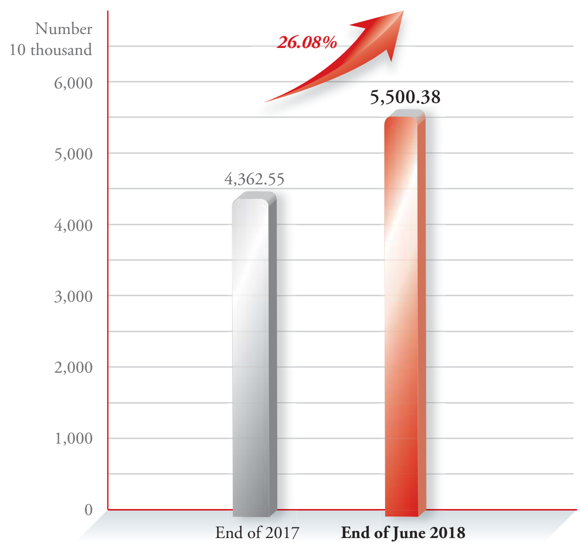
The Bank continued to strengthen its mechanism for interaction between corporate and retail banking businesses to achieve mutual conversion of premium corporate and retail customer resources. During the reporting period, the Bank newly acquired 3,412 accounts of high-end retail customers through such interaction. 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 recorded 3.9324 million valid accounts of customers receiving its agency salary payments and registered corresponding RMB177.257 billion retail AUM for these customers, both of which maintained a fairly rapid growth rate.

6.4.2.2 Personal Deposit and Loan Businesses

Personal Deposit Business

In the face of the external market where the growth of personal deposits was slowing down and in the light of customer experience and real customer needs, the Bank launched numerous innovative products to cater to the different demands of different customer groups. Among others, it launched "Yue Yue Xi" for old-age customers, which, characterized by one-time deposit and monthly interest earning, took into account customer need for both safety and yield and covered the daily expenses of the customers with the monthly interest earning; the children's "Smart Piggy Bank" for families with children under 8 years of age, which was connected to the parents' debit cards so that the parents could take care of their children's lucky money; and "Xin Yue Bao" for retail customers with the need to deposit trading margins, so as to further simplify the operations relating to deposit, freezing and unfreezing of funds. In addition, the Bank further optimized the display and promotion of financial products including deposit products and continued to enhance the experience of personal financial services. As at the end of the reporting period, the Bank's balance of personal deposits registered RMB550.038 billion, an increase of 26.08% from the end of the previous year, a new high in growth rate in recent years.

Balance of Personal Deposits



1 In accordance with management needs, the Bank adjusted the statistical definition of retail customers by deleting invalid credit card customers from the calculation.

Personal Loan Business

The Bank actively responded to the policy requirements by focusing on personal business loan and credit loan products in inclusive finance. As a result, it achieved rapid and coordinated development of personal loan business in terms of scale, quality and profitability. As at the end of the reporting period, the Bank's balance of personal loans (excluding credit card) was RMB945.040 billion, representing an increase of 7.79% over the end of the previous year. The weighted average interest rate of newly granted personal loans recorded 6.21%, a rise of 0.19 percentage point from last year.

During the reporting period, the Bank continued to build and improve the three major approaches of customer acquisition, i.e., online acquisition, channel acquisition and MGM. In terms of personal loan products, the Bank further optimized the business processes and product functions for basic products such as mortgage loans, unsecured loans and pledge loans. In accordance with the requirements of centralization and unification, the Bank built a close loop for full-process operation and management of personal loan business. In addition, the Bank continued to conduct its housing mortgage business in compliance with government requirements, policies and related documents on property regulation and control at all levels.

The Bank vigorously promoted the multi-scenario application of personal consumer loans, launched products based on the mobile banking terminal such as "Xin Miao Dai" (meaning CNCB instant loans), continued to expand credit data channels and continuously augmented the basic customer groups of consumer loans. As at the end of the reporting period, the Bank had accumulatively accessed 76 public provident fund direct data channels and more than 50 indirect data channels. The balance of online unsecured consumer loans stood at RMB30.842 billion, up 24.08% from the end of the previous year; the average pricing of such loans was 55.00% higher than the baseline interest rate; and the NPL rate of these loans was 0.62%. During the reporting period, there were 3,188 loan applications on a daily average basis; the daily average number of loan customers stood at 165,500 accounts; and the daily average loan disbursement recorded RMB28.618 billion.

6.4.2.3 Key Businesses of Retail Banking

Wealth Management Business

During the reporting period, the Bank actively responded to market changes and sped up product innovation in line with customer needs. These efforts contributed to relatively rapid growth of its personal wealth management business. In terms of wealth management for retail customers, the Bank tried its best to push forward the transformation towards NAV products, recording a more than 200% growth in the scale of NAV personal wealth management products by the end of the reporting period. In terms of agency fund sale, the Bank substantially improved its customer acquisition capability based on the big single product "Xinjin Bao" which the Bank prioritized for development. As at the end of the reporting period, the product recorded 1.21 million accounts of newly subscribed customers and a product scale of RMB132.4 billion, an increase of 25% and 52% over the end of last year, respectively. The Bank continued to improve "CITIC Robo-Advisor", launching functions as online adjustment and optimization of positions, monthly investment reporting and fund diagnosis, and initiating the first position adjustment during the reporting period. Since going live, "CITIC Robo-Advisor" achieved a combined cumulative yield that was significantly higher than the main market indices.

As at the end of the reporting period, retail customers of the Bank recorded total AUM balance of RMB1,693.709 billion and daily average AUM balance of RMB1,622.126 billion at the Bank, an increase of 13.97% and 15.63% over the previous year, respectively. VIP retail customers had an AUM balance of RMB789.523 billion at the Bank, 15.27% more compared with the end of the previous year.

Private Banking Business

The Bank positions its private banking business as a business segment providing comprehensive, professional and exclusive financial and non-financial services to individuals, families and businesses in its private banking customer base. During the reporting period, the Bank promoted the construction of private banking centers; increased the teams of professional wealth consultants; built a full product line and actively promoted the transformation towards NAV products; established the demand-driven “five steps” customer management process for full-life-cycle standardized service and better continuity in customer management; used technology as an enabler to deepen business operation and tap potential data value for higher value contribution.

As at the end of the reporting period, the Bank recorded 30,674 accounts of private banking customers, an increase of 15.06% from the end of the previous year; and an AUM balance of RMB438.467 billion for its private banking customers, up 13.49% over the previous year, with its proportion in total AUM for retail customers rising to 26.01%.

Credit Card Business

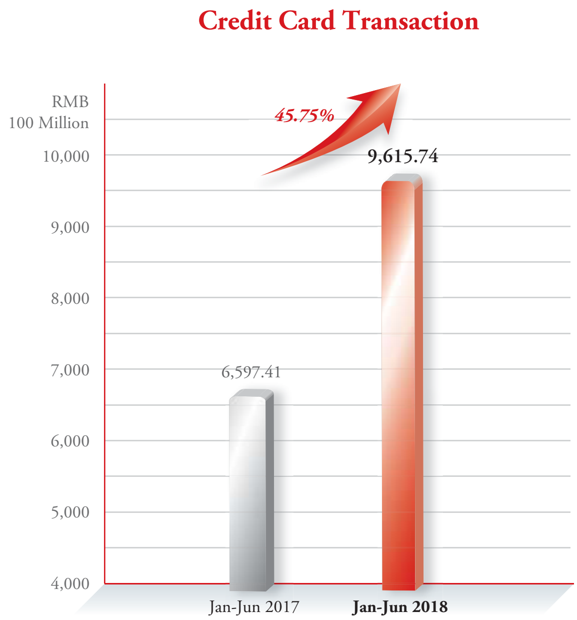
In credit card business, the Bank adhered to the “smart development” concept. Among others, the Bank continuously pioneered into new markets for consumption upgrades, explored new models of cross-sector alliance, improved the new system of allied customer acquisition, and continued to promote optimization of the installment business structure as well as internal control and compliance system. In addition, the Bank worked hard to make deployments in financial technology. As a result, its credit card business achieved healthy and relatively fast development.

In its credit card business, the Bank followed the new trend of consumption upgrades and made proactive arrangements in market segments such as communication, Haitao (Chinese buying overseas) and innovative technology to provide customers with diversified integrated financial services. In addition, the Bank further consolidated its leading advantages at the high-end business travel market and enriched the “finance + business travel” full-chain travel service ecosphere. At the same time, the Bank combined active exploration into cross-sector alliance and independent innovation. In particular, it explored the first-mover advantages by establishing alliances with industry leaders such as Weixin Woka (WeChat SIM card), Xiaomi, Netease Koala, Yidao Yongche, Sichuan Airlines, Luxury Card and others to further enhance market influence of its products. Focusing on “traffic + data + scenario”, the Bank continued to deepen ally customer acquisition. With the support of allies such as Weixin Woka, Xiaomi, Netease Koala and Yidao Yongche to access their “backbone Internet traffic", the Bank achieved ally customer acquisition online. Together with China International Airlines, Xiamen Airlines, Hainan Airlines, InterContinental Hotels Group and other allies, the Bank continued to acquire customers based on business travel big data. With the use of offline scenarios of allies such as Carrefour and Huarentong, the Bank deepened customer acquisition in the supermarket scenario. As such, a diversified holistic system of ally customer acquisition has taken shape.

The Bank continued to strengthen the construction of an Internet platform for its credit cards, expanded the layout of new platform scenarios, optimized platform functions and enhanced fine user management. The Bank was the first in the banking industry to launch its arrangements for short video platform, resulting in continuous increase of follower-users. The Bank completed its deployment on multi-dimensional platforms including social media, information platforms, community forums and video social media. At the same time, for users of its service platform, the Bank carried out fine management of labeling operation to further improve follower-user satisfaction and platform operation efficiency. As at the end of the reporting period, the Bank recorded more than 80 million new-media follower-users of its credit cards, ranking the first echelon in the industry in terms of the cumulative number of follower-users on the Internet platforms.

The Bank continued to optimize its proprietary platform “Mobile Card Space” on the mobile terminal of its Credit Card Center. In particular, the Bank successively launched functions such as “card coupons” and “IphoneX face unlock”, and continuously consolidated basic product functions in combination with artificial intelligence (AI) technology; optimized user experience of core businesses such as “Go Repay Loans” and “Adjust Credit Lines”; launched the monthly Member-Day events for “Mobile Card Space” and focused on events such as “Gift for Loan Repayment”. These efforts resulted in a new round of user growth. As at the end of the reporting period, there were more than 8.5 million monthly active users of “Mobile Card Space”, and the cumulative number of activated users exceeded 33 million.

The Bank continued to promote structural optimization and upgrades of its credit card installment business. With its main installment products such as "installment billing" and its innovative pre-installment product "Yuanmeng Jin", the Bank provided customers with different choices of installment services in different scenarios in terms of product functions, marketing activity and channel contact, etc. At the same time, the Bank strictly implemented the various regulatory requirements, and made continuous improvements to the internal control and compliance system of the installment business to ensure prudent, healthy and balanced development. The Bank continued its vigorous efforts to deploy financial technology. Its comprehensive partnership with IFLYTEK enabled the two parties to jointly explore and cultivate the application of artificial intelligence (AI) in the financial industry, build an AI service era for AI credit cards, and provide users with premium services such as AI credit cards, voice interaction and smart payment.



As at the end of the reporting period, the Bank had issued a cumulative number of 58.2035 million credit cards, an increase of 39.89% year on year, and recorded RMB326.693 billion balance of credit card loans, a growth of 8.12% year on year. During the reporting period, the Bank's credit card transaction volume was RMB961.574 billion, an increase of 45.75% year on year; and the incremental number of credit card issued registered 8.6327 million, representing an increase of 104.25% year on year. For the reporting period, the Bank realized RMB23.328 billion income from credit card business, a growth of 40.54% year on year. In addition, the Bank actively promoted credit-card asset-backed securitization (ABS) business. During the reporting period, the Bank successfully issued RMB95.312 billion credit card installment ABS products and RMB1.433 billion credit card non-performing asset ABS products, effectively accelerating asset turnover.

Going Abroad Financial Services

Going abroad finance is a unique big single product of the Bank's retail banking business with a history of 20 years and has served more than 20 million person-time. Thanks to continuing business expansion, the Bank is now the authorized Chinese financial institution partner of 9 countries' embassies including that of USA, UK, Australia and Singapore for visa services. The Bank developed a system of products in five major categories, i.e., foreign currency liabilities, cross-border settlement, visas, credit certification and global asset allocation. In 2018, the Bank bought up the vision of building "a major bank in handling personal foreign currency business". In the light of the needs and pain points of customer using going abroad financing services, the Bank continuously innovated its products and services, including foreign currency tailor-made deposit services, foreign currency "Xinjin Bao", smart forex purchase and sale, UK visa visiting service and many other products and services with advantages. These efforts further enhanced the Bank's brand advantage and output contribution. Also the going abroad online finance platform went alive, building an "online + offline" and "financial + non-financial" going abroad financial ecosphere which satisfied 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.

As at the end of the reporting period, the Bank recorded more than 5 million accounts of customers using going abroad financial services, and their corresponding balance of AUM reached RMB636.532 billion, accounting for more than one third of the Bank's total retail customer AUM.

6.4.2.4 Consumer Rights Protection and Service Quality Management

The Bank made positive efforts to improve its consumer rights protection system. 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 at the Head Office, and continuously constructed and improved the management system for consumer rights protection at the branches. During the reporting period, the Bank adopted multiple measures to continuously enhance service quality and protect legitimate consumer rights. (1) The Bank executed the retail business process penetration project, whereby it collected information on the pain points of customers when they use channels such as outlets and the Internet so as to find out the existing problems, formulate process optimization plans, improve and optimize business handling, system operation and product design, and build customer service capacity. (2) According to the behavioral characteristics, business preferences and service needs of its main customer groups, the Bank carried out corresponding outlet design, customer service, event organization and product marketing to form a distinctive business and service system. (3) The Bank boosted service training to build employee capacity for "whole-hearted" perception of customers and service provision for customers, which helped improve customer service level in a continuing manner. (4) With the themes of retail customer service and consumer rights protection, the Bank published bank-wide case studies on consumer rights protection and customer service experience on a regular basis, conducted peer comparison and cross-examination and popularized knowledge and experience about consumer rights protection. (5) The Bank enhanced public education on financial knowledge and organized publicity events such as "March 15 International Consumer Rights Day", "Disseminate Financial Knowledge to Safeguard Money Bags", "10,000-Mile Journey for Dissemination of Financial Knowledge" and "Financial Knowledge Entering Millions of Households" to vigorously popularize knowledge on consumer rights protection.

6.4.3 Financial markets business

In face with the grim and complex external environment, 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. These efforts enabled continuing optimization of the asset-liability structure and significantly improved the profitability of the Bank's financial markets business.

For the reporting period, the Bank's financial markets business segment recorded operating income of RMB7.009 billion, a growth of 91.50% year on year, representing a 9.15% proportion in the Bank's total operating income. Of this income figure, non-interest income from financial markets business recorded RMB4.2 billion, an increase of 39.35% year on year, accounting for 13.99% of the Bank's net non-interest income.

6.4.3.1 Interbank Business

The Bank strove to make its interbank business "light in capital, focused on operating income and competitive in operation", and promoted the transformation of customer service in this segment in terms of "approach and content, channel system, coverage and resource support". With regard to approach and content, the Bank focused on expanding customer service in the vertical and intersecting direction of sales integration. With regard to channel system, the online and offline channels were combined to enhance customer service experience. With regard to coverage, for key non-banking customers, the Bank tapped new areas of cooperation. With regard to resource support, the Bank further optimized the allocation of resources relating to credit extension and credit access for customers. In accordance with the regulatory requirement that a commercial bank shall apply a specialized department system to the interbank business, the Bank continued to optimize the organizational structure, upgraded the information system, and revised and improved the risk control system of this business segment. As at the end of the reporting period, the Bank's balance of financial interbank assets (including deposits and placements with banks and non-bank financial institutions) recorded RMB257.820 billion, representing an increase of 2.45% from the end of the previous year; and its balance of financial interbank liabilities (including deposits and placements from banks and non-bank financial institutions) amounted to RMB709.530 billion, a decrease of 14.86% from the end of the previous year.

During the reporting period, the bill business followed the trend of developing towards standard centralized operation. In response, the Bank leveraged its advantages in centralized operation of its bill business at the Head Office and branch centers. In particular, the Bank continuously accelerated the turnover rate of bills and effectively improved resource utilization efficiency for economy of scale. It adopted multiple measures at the same time to promote the development of bill direct discount business, and thereby help improve the financing efficiency for the real economy. At the same time, it actively researched and judged the price trend of the secondary market, and vigorously carried out the low-capital-consumption rediscount business. These efforts continuously improved the yield of bill business while enabling the Bank to meet the requirements on scale and risk capital management. As at the end of the reporting period, the balance of bill assets of the Bank amounted to RMB285.546 billion, representing an increase of 54.54% compared with the end of the previous year; and the proportion of electronic bill business accounted for 99.59% of the total, representing an increase of 1.07 percentage points over the end of last year. During the reporting period, the Bank incurred RMB213.641 billion bill direct discount business with a yield of 5.25%, up 0.29 percentage points year on year.

The "CITIC Interbank +" platform, the interbank financial service platform that the Bank built with priority efforts, continued to research and develop new products and optimize exiting functions during the reporting period, resulting in constant improvements to customer experience. As at the end of the reporting period, the platform had 1,011 accounts of interbank legal-person customers, an increase of 24% over the end of the previous year and a signing rate of 36% among main targeted customers, and recorded a transaction volume of RMB648.4 billion, up 69% year on year.

6.4.3.2 Financial markets business

The Bank actively conducted currency market transactions such as Renminbi interbank lending/borrowings and bond repos, and fully leveraged on financing instruments such as interbank certificates of deposit. While meeting the needs for liquidity management, the Bank improved the operational efficiency of short-term capital. As at the end of the reporting period, the Bank recorded a RMB9.60 trillion total volume of currency market transactions leading the market in terms of the number of interbank deposit certificates issued.

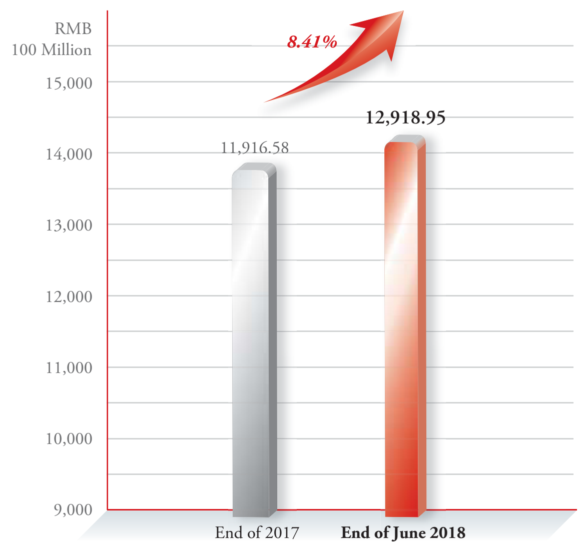
The Bank offered pertinent multi-layer exchange rate risk management solutions to meet corporate customer needs for financing and value appreciation, cross-border M&A, hedging forex receipt and payment, and management of Renminbi and foreign currency denominated assets and liabilities. Its innovative exchange rate product portfolios included forex trading, spot and forward forex purchase and sale, swaps, options and others. Thus, the Bank helped customers achieve value preservation and appreciation of their forex assets. During the reporting period, the Bank completed USD0.65 trillion forex market making transactions, and continued to be on the top list of market makers at the interbank forex market.

The Bank closely followed market trends, optimized bond asset allocation and made flexible trading strategies in order to tap the relative value of different assets and comprehensively improve the return on bond assets. In response to regulatory policies, the Bank actively promoted the development of "Bond Connect" business, further consolidating its status as a core market maker at the interbank bond market. The Bank further optimized the structure of the precious metal leasing business, actively supported the gold-user entities in the real economy, and at the same time boosted its own trading to promote steady development of the gold import business. During the reporting period, the Bank became a member of the first group offering silver quotations on the Shanghai Gold Exchange, further cementing its status as an interbank precious metals inquiry market maker.

6.4.3.3 Asset Management Business

The Bank actively promoted the transformation and development of its asset management business, gradually guiding the business segment to return to the basics of financial services and better serve the real economy. As at the end of the reporting period, the scale of all wealth management products issued by the Bank was in the amount of RMB1,291.895 billion, an increase of 8.41% over the end of the previous year, of which non-risk-bearing products and open-ended products took up a proportion of 69.33% and 52.21% respectively; and the revenue generated for customers was RMB27.175 billion, up 36.43% year on year.

Scale of Wealth Management Products



The Bank paced up product innovation and boosted the creation and issuance of NAV products, with the proportion of NAV products registering a significant increase. Specifically, the Bank rolled out "Tiantian Bao", the first wealth management product that supported 7×24 redemption, thereby satisfying investor need for cash consumption management. The Bank also accelerated its deployment for overseas asset management business. Among others, it set up investment funds in cooperation with CITIC Group's overseas financial institutions and successfully started overseas asset management business. The launch of the overseas "fund supermarket" enabled investors to invest overseas with greater convenience. As at the end of the reporting period, the balance of the Bank's non-risk-bearing NAV products totaled RMB75.6 billion, and its non-risk-bearing NAV wealth management products accounted for 8.4% of all non-risk-bearing wealth management products.

During the reporting period, the central bank and other ministries jointly issued the New Regulations on Asset Management, which, while laying down comprehensive norms and requirements on asset management business of banks, also brought along new opportunities and challenges for development of asset management business. In this regard, the Bank will carry out the following efforts: improve its institutional framework, promote product innovation and continuously enrich product lines through the transformation of existing products and issuance of NAV products; optimize asset allocation, accelerate the reduction and exit of non-standard assets, and increase investment in standard assets as well as capital-market and equity-investment products that meet the requirements of the new regulations, and vigorously develop the cross-border asset management business; strengthen marketing services, enhance capacity for active marketing and program marketing, and strengthen the construction of a marketing platform system; improve risk pricing capability, establish and improve the business valuation system, and strengthen the management of cost and income accounting in asset management business; enhance risk management capability, strengthen liquidity risk and investment portfolio management and improve asset pricing management; build capacity for investment research, conduct forward-looking research and optimize allocation of general assets; accelerate system construction, increase input of resources, optimize top-level design, and promote deep integration of technology and business; promote institutional and mechanism innovation, improve internal institutional setup, build professional teams, and accelerate the establishment of a market-oriented talent system.

In accordance with the requirements of the New Regulations on Asset Management and in order to ensure steady business development during the transition period of the asset management business and control various types of risks, the Bank comprehensively sorted out the existing processes and operational specifications of asset management business. On the asset side, the Bank comprehensively screened the risks of existing assets and ensured smooth transition of existing unmatured assets. Upon issuance of new products, the Bank strengthened liquidity management during the old to new product transition to ensure liquidity safety. To place credit risk under strict control, the Bank elevated the review level by means of credit qualification rating scorecard, quantitative analysis model, field survey and setting asset-category-specific and industry-specific review standards. In key risk areas, the Bank prepared the business access name list and established the limit management mechanism to improve the efficiency of asset allocation management. The Bank also intensified post investment risk management of wealth management funds. Specifically, the Bank established daily risk monitoring mechanisms, improved risk pre-judgment and resolution capabilities, enhanced development of the risk management system and formulated risk early warning and disposal processes and mechanisms. These made continuous contribution to the development of a robust risk management system.

6.4.4 Business Collaboration

The Bank made full use of the unique CITIC Group advantages in placing financial and non-financial businesses on an equal footing and keenly leveraged synergy and cooperation with subsidiaries of CITIC Group. At the same time, it effectively integrated the business of its subsidiaries in China and overseas and strengthened parent-subsidiary synergy with CITIC Financial Leasing and CITIC aiBank and cross-border synergy with CNCBI and CNCB Investment to jointly create good customer experience for comprehensive financial service.

During the reporting period, in line with the diversification trend of customer needs, the Bank provided corporate customers with comprehensive finance of RMB271.195 billion in conjunction with CITIC Group's financial and non-financial subsidiaries by means of on-balance-sheet loans, bond underwriting, equity investment, financial leasing and various funds. In addition, the Bank made RMB310.756 billion accumulated agency sale of products from CITIC Group's financial subsidiaries, a year-on-year growth of 145.56%. As at the end of the reporting period the Bank jointly managed RMB16.371 billion enterprise annuity in partnership with CITIC Group's subsidiaries, an increase of RMB406 million over the end of the previous year; and provided custody services to RMB1.21 trillion products of CITIC Group's subsidiaries, representing an increase of RMB73.773 billion compared with the end of last year.

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 12 bank-leasing projects with total investment of RMB3.934 billion. In addition, the Bank executed 40 joint projects in cooperation with CITIC aiBank, with total investment of RMB1.049 billion.

In line with the trend of internationalization, the Bank used cross-border synergy as a highlight feature 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" Chinese customers. During the reporting period, the Bank had 48 cross-border projects in collaboration with CNCBI and CNCB Investment with the cooperation scale reaching RMB98.205 billion.

The Bank incorporated "enhance top-level design to promote regional coordinated development" into the 2018-2020 development plan. It established the Regional Coordinated Development Committee at the Head Office and the Beijing-Tianjin-Hebei, Jiangsu-Zhejiang-Shanghai and Guangdong-Hong Kong-Macao regional coordination leading groups. As such, the Bank coordinated policies, resources and projects and promoted coordination and interaction between branches in key regions from the strategic height so as to provide customers in those regions with financial services of higher quality.

6.4.5 Financial Technology

The Bank regards financial technology as an important breakthrough for its innovation and development. For the purpose of "improving customer experience", the Bank sought the best balance of service efficiency, safety and experience and promoted its "light-style" transformation with the help of science and technology.

The Bank adhered to the mobile finance strategy. In particular, it constantly improved the "financial + non-financial" ecosphere of mobile banking and relied on the open Internet account to promote the transformation of mobile banking from a trading tool to an operation platform. During the reporting period, the Bank added and optimized financial products such as mobile banking fast loans, structured deposits, foreign currency "Xinjin Bao" and credit card linkages, made product recommendations in combination with artificial intelligence (AI), and thereby kept enriching daily-life mobile banking products and services, thus effectively reducing marketing cost and improving service experience. During the reporting period, the Bank's mobile banking transaction substitution rate reached 62.20%, an increase of 11.79 percentage points year on year; and its active mobile banking transaction customers registered 5.6438 million accounts, an increase of 28.23% year on year.

The Bank actively responded to changes in regulatory policies and maintained steady development of its Internet payment and settlement business. During the reporting period, the Bank completed full connection with the Nets Union Clearing Corporation (NUCC) platform and realized the full-function launch of UnionPay products, further consolidating the foundation of its payment platform. In addition, the Bank accelerated the upgrade of big single products for online payment settlement, and further improved the "Party Membership Fee Connect" account settlement system, achieving payment and cross-bank settlement of Party membership fee for non-CNCB customers. The "Payment All in One" pool billing product realized the integration of UnionPay, WeChat and Alipay QR codes, among the first in the industry to support transfer settlement of QR code payment. "CITIC Bank e-Pay" supported QR code payment functions of WeChat, Alipay and UnionPay, enjoying increasingly extensive application scenarios. During the reporting period, the Bank's Internet payment business realized total income of RMB673 million, a year-on-year increase of 54.14%.

6.4.6 Information Technology

Based on the 2018-2020 development plan, the Bank revised and released the 13th Five-Year Plan for Information Technology (2018 Edition), further defining the goals, paths and task arrangements for science and technology to lead innovation and development throughout the Bank, and providing technology solutions for digital, smart, mobile and platform-based transformation and upgrades in the next three years. During the reporting period, in accordance with the information technology plan, the Bank drove forward the strategy on having science and technology lead innovation in a solid and orderly manner. Specific achievements include the following: the core business system moved downward smoothly, with implementation progress meeting expectations; the construction of "CITIC Brain" has completed development and testing of the core components and is now undergoing the research and development of multiple application models such as risk control, custody and precision retail marketing; the CNCBI (China) IT system started operation, achieving comprehensive custody of the subsidiary information systems on the unified technology platform and the core business system; the overseas core system based on completely independent research and development was launched, rendering strong support to the application for establishment of overseas institutions the second phase of Transaction Banking 2.0 and the first phase of Inclusive Finance started operation, giving a continuous boost to online operation and service capability of its corporate business; retail customer labeling, now in operation, produced portraits of retail customers from multiple perspectives in a comprehensive micro manner, laying the foundation for the construction of the smart marketing system characterized by different portraits for different people; the financial sharing center based on the sharing concept started online operation, providing a comprehensive service platform for unified budget management and control, expense reimbursement, fund settlement and statistical analysis of all units at all levels in the Bank.

6.4.7 Distribution Channels

6.4.7.1 Physical outlets

As at the end of the reporting period, the Bank had 1,423 outlets in 143 large and medium-sized cities in mainland China, including 38 tier-one branches (directly managed by the Head Office), 114 tier-two branches, and 1,271 sub-branches (including 72 community/small and micro sub-branches), plus 2,386 self-service banks, 8,440 self-service terminals and 5,210 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.

With its outlets basically covering all large and medium-sized cities in China, the Bank shifted its focus of domestic outlet construction to layout optimization and profit improvement. Allocation of resources for outlet construction favored developed cities and regions such as Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Nanjing. 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.

In terms of the layout of overseas outlets, CNCBI, an affiliate of the Bank, had 39 outlets in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and mainland China. The Bank made active efforts to promote the construction and development of overseas outlets. Its London Branch and Sydney Branch preparation teams continued to push forward their applications for branch licenses and advanced their efforts to establish the branches. Preparation for establishment of its Hong Kong Branch was also in orderly progress. During the reporting period, the Bank and China Shuangwei Investment Co., Ltd (a wholly-owned subsidiary of China Tobacco Corporation) successfully completed their joint acquisition of the 60% stake in JSC Altyn Bank owned by JSC Halyk Bank of Kazakhstan, making the Bank the first Chinese joint-stock bank to acquire a bank in Kazakhstan.

6.4.7.2 Online Channels

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

The Bank's mobile banking maintained its relatively fast growth. There was an obvious trend of customer transaction moving to the mobile terminal. As at the end of the reporting period, the Bank recorded 31.7734 million accounts of mobile banking customers, an increase of 4.4364 million accounts over the end of the previous year; registered 5.6438 million accounts of active mobile banking customers, a year-on-year increase of 28.23%; and the volume and value of mobile banking transactions stood at 80.4546 million and RMB2.99 trillion, up 39.58% and 61.41% year on year, respectively. There were 33.2062 million accounts of personal online banking users, an increase of 4.3514 million accounts over the end of the previous year.

During the reporting period, the hotline of the Bank's Credit Card Customer Service Center received 62.5250 million incoming calls, and achieved a customer satisfaction rate of 98.38% and a satisfaction rate of 98.71% 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 130,700 person-times in total. The hotline of the Bank's Debit Card Customer Service Center received 34.4595 million incoming calls and achieved a customer satisfaction rate of 99.09% and a satisfaction rate of 99.88% regarding the handling of customer complaints. By actively making outgoing calls to customers, the Customer Service Center communicated with customers by 1.7606 million person-times in total.

6.4.8 Subsidiaries and Joint Ventures

6.4.8.1 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 and has HKD7.502 billion shares issued. CIFH is the main platform for the Bank to conduct its overseas businesses. The business scope of CIFH includes commercial banking and non-banking financial services. CIFH conducts its commercial banking business mainly via its holding subsidiary CNCBI (in which CIFH holds a 75% equity interest), and conducts its non-banking financial business primarily via CIAM (in which CIFH holds a 46% equity interest).

As at the end of the reporting period, CIFH had total assets of HKD353.024 billion, an increase of 2.20% over the end of the previous year, and a total number of 2,069 employees. For the reporting period, CIFH realized net profit of HKD1.461 billion, a growth of 6.57% year on year.

CNCBI: As at the end of the reporting period, CNCBI recorded total assets of HKD348.372 billion, a growth of 1.56% over the end of the previous year. For the reporting period, CNCBI realized operating income of HKD4.362 billion, an increase of 9.62% year on year, and net profit of HKD1.622 billion, a growth of 16.86% year on year.

During the reporting period, CNCBI vigorously developed its cross-border business by fully grasping the opportunities arising from "the Belt and Road" initiative and the "going global" of Chinese enterprises plus the Guangdong-Hong Kong-Macau Bay Area Development initiative and through increasingly close interaction and cooperation with the Bank. It realized RMB65.037 billion cross-border Renminbi trade settlement in total. With the growing need of mainland Chinese enterprises for overseas borrowings and rapid growth in cross-border mergers and acquisitions made by such enterprises, CNCBI actively assisted Chinese enterprises in their issuance of overseas USD bonds, ranking the 4th among all Chinese institutions in Hong Kong in terms of the amount underwritten as per the Bloomberg calculation of China offshore bond underwriting. During the report period, CNCBI realized HKD156 million commission income from the debt capital market and recorded a 58% year-on-year growth in cross-border business income relating to personal and commercial banking.

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 dove deeper into synergistic businesses with its shareholders. At the same time, CIAM prudently selected premium partners and actively expanded the third-party asset management business with the development concept of "building symbiosis to enlarge the ecosphere".

6.4.8.2 CNCB Investment

CNCB Investment is an overseas controlling subsidiary of the Bank established in Hong Kong in 1984 with a registered capital of HKD1.889 billion. The Bank holds 99.05% of the 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 to engage in licensed investment banking businesses in Hong Kong, such as securities underwriting, securities consulting, corporate financing advisory services and asset management, and conduct private equity investment fund management business in mainland China. During the reporting period, CNCB Investment focused on developing its licensed investment banking businesses and key cross-border investment and financing businesses, started its active asset management business, and at the same time enhanced the mobilization of existing assets and built capacity for stronger risk control and compliance. All these contributed to higher business profit and ongoing improvement of internal management.

During the reporting period, CNCB Investment recorded net profit attributable to its equity holders equivalent to RMB453 million, a growth of 132.14% year on year. As at the end of the reporting period, it had total assets equivalent to RMB23.548 billion, 16.52% more than last year end, and consolidated AUM equivalent to RMB120.901 billion, up 2.22% from the end of the previous year.

6.4.8.3 CITIC Financial Leasing

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

During the reporting period, CITIC Financial Leasing completed its 2018-2020 development plan, defining its development direction and objectives for the next three years. The company continued business operation in areas relating to "new energy, new environment and new materials" and the "Belt and Road" initiative, cumulatively implementing 45 lease projects with aggregate lease grant amounting to RMB7.487 billion, of which 64.03% were green lease grant. As at the end of the reporting period, CITIC Financial Leasing recorded total assets of RMB50.297 billion, a decline of 2.84% from the end of last year; and realized net profit of RMB293 million, an increase of 42.47% year on year.

6.4.8.4 Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, located in Lin'an District of 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%. Pursuant to regulatory requirements, Lin'an CITIC Rural Bank mainly conducts simple deposit, loan and remittance businesses, without engaging in businesses such as wealth management, foreign exchange and credit cards.

Lin'an CITIC Rural Bank realized net operating income of RMB41 million and net profit of RMB20 million for the reporting period, a growth of 31.81% and 60.1% over the end of the previous year, respectively. As at the end of the reporting period, it recorded total assets of RMB1.521 billion, up 14.12% over the end of the previous year; an NPL ratio of 1.68%, an allowance coverage ratio of 281.56% and a 4.73% ratio of allowance for impairment of loans to total loans.

6.4.8.5 CITIC aiBank

CITIC aiBank officially opened for business on 18 November 2017 with an initial 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. The Bank and Baidu own 70% and 30% of the equity interest in CITIC aiBank, respectively. CITIC aiBank is an important platform for the Bank to develop "internet + finance" and an experimental field for the Chinese banking industry to echo government strategies, carry out reforms and make innovations. As such, it is of landmark significance. During the reporting period, the Bank and Baidu subscribed for the new shares issued by CITIC aiBank with their original shareholding ratios remaining unchanged. After the capital increase, the registered capital of CITIC aiBank reached RMB4 billion.

In the 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 financial service platform that adheres to the guideline of "market-oriented, differentiated and smart" business development. CITIC aiBank conducts business all over the country. Its main target customer groups are urban young white collars, emerging middle class, small and micro enterprises and "agriculture, farmers and rural areas". CITIC aiBank insists on returning to the basics of financial services and serving the real economy. It uses technology as a financial enabler and is creating a group of contextualized innovative financial products and services. 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. During the reporting period, CITIC aiBank rapidly developed its consumer loan business, comprehensively started businesses such as small and micro finance, wealth management and innovative payment, and significantly improved its integrated capability. As at the end of the reporting period, CITIC aiBank recorded total assets of RMB21.304 billion.

6.5 Risk Management

During the reporting period, the Bank continued to vigorously promote the construction of risk control and compliance culture. It fully implemented the risk control culture system that covered "all aspects, all processes and all employees" and worked hard to develop a "safe CITIC Bank". The Bank strengthened the development of risk management policies and regulations, further optimized its system of regulations on corporate loan extension, worked hard to build optimized processes for its corporate loan business and carried out uniform risk management and control thereof. In addition, the Bank made continuous efforts to improve its risk management comprehensive assessment system. At the same time, the Bank increased support to the real economy by enhancing proactive risk control capability, strengthening active management of problem assets and preventing and resolving major risks.

The Bank continued to enhance its capacity for research and development of risk management technology and deepened the application of risk quantification results. During the reporting period, independent optimization and verification of the rating models for corporate and retail banking businesses were continuously conducted to effectively control model risks. In the meantime, the Bank actively explored the application of artificial intelligence and big data technology in risk management and carried out risk early warning research with the use of information on public opinion. In parallel with its steady efforts to promote the construction of its bond rating system and online approval model for inclusive finance, the Bank also appropriately responded to changes in the external bond market. In particular, the internal rating approach was used for both the corporate and the retail credit asset businesses (excluding credit cards) for economic capital evaluation during the reporting period.

6.5.1 Credit Risk Management

6.5.1.1 Credit Risk Management in Corporate Business

During the reporting period, the Bank boosted its support to the real economy. In particular, it guided investment towards areas with new economic growth drivers such as "big culture, big health and big environmental protection", "high tech, high-end manufacturing, high quality service and consumption industries", and "new materials, new energy and new business models" to improve its capacity for sustainable development. The Bank strictly implemented its 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". 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 complied with regulatory requirements and had secure sources for loan repayment. In addition, the Bank strictly implemented the policy on management of LGFV, supported the financing needs of projects that were characterized by high-quality owners, project compliance and process compliance, and avoided government financing business in high-risk areas and regions. Further, the Bank upheld the bottom line of policy compliance, grasped the principle of "substance over form", and actively implemented the requirements of the Chinese government and regulatory authorities. As such, the Bank provided its financing services in compliance with laws and regulations.

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, observing the "Dual Core" criteria, optimizing loan investment direction and enhancing loan management. The Bank practiced differentiated policies in the light of the characteristics of changing market risk trends in different regions, and strictly implemented management of property development loans by name list to tighten control of customer access. The Bank rendered active support to commercial housing projects targeting rigid housing needs and housing improvement needs, long-term 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.

With regard to financing for industries suffering severe overcapacity, the Bank followed the general principle of "strict total quantity control, differentiated treatment, optimization of existing capacity and risk control". Different measures, i.e., "support, maintain, reduce and exit", were adopted for different situations. 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 stopped its financial support to zombie enterprises and enterprises with obsolete capacities, eliminated and exited obsolete capacity enterprises that failed to comply with national industrial policies and 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 further implemented the government's industry policy and inclusive finance policy. Focusing on the core risk control measures and centering around "industry chain, real estate and the government sector", the Bank prioritized credit support to small and micro enterprises along the upper and lower streams of the supply chains of premium enterprises, as well as mortgage-based credit extension to small and micro enterprises and small and micro credit business with elements of government cooperation. For small and micro enterprises in strategic emerging industries with growth potentials, the Bank explored the service model of interaction between investment and lending. In addition, the Bank 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.

6.5.1.2 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, e.g., embedding risk prevention and control elements into the course of product creation and process design. By establishing a standardized personal loan product system, the Bank provided its business units with standard products to realize systematic control of credit risk. It also used scorecards and other retail credit risk measurement models in combination with logicalized business rules to effectively identify and manage credit risk. By optimizing post-lending inspection and the risk early warning system, the Bank was able to carry out online post-lending inspection and achieve early warning management of credit risk. In addition, it realized system monitoring of credit risk via information sharing and rigid control on key process nodes such as pre-lending application, review and approval in the lending process, loan disbursement and post-lending inspection with the use of risk early warning signals.

As at the end of the reporting period, the Bank's balance of personal NPLs (excluding credit card loans) recorded RMB7.082 billion, corresponding to an NPL ratio of 0.75%, a drop of 0.08 percentage point from the end of the previous year.

6.5.1.3 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". The Bank continued to solidify 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 risk control 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 full-process risk measurement and full-life-cycle risk monitoring to ensure that asset quality was controlled within the target range.

As at the end of the reporting period, the Bank recorded RMB3.196 billion credit card NPLs, corresponding to an NPL ratio of 0.98%, down 0.26 percentage point from the end of the previous year. The Bank ranked one of the best among domestic banks in terms of credit card asset quality.

6.5.1.4 Risk Management in Asset Management Business

During the reporting period, the Bank comprehensively sorted out the existing business processes and operational specifications of asset management business in order to actively control various types of risks and ensure steady development of asset management business during the transition period of New Regulation on Asset Management. Among others, the Bank comprehensively screened the risks of existing assets and ensured smooth transition of existing unmatured assets. Upon issuance of new products, the Bank strengthened liquidity management during the old to new product transition to ensure liquidity safety. The Bank elevated the review level and placed credit risk under strict control by means of credit qualification rating scorecard, quantitative analysis model, field survey and setting asset-category-specific and industry-specific review standards. In key risk areas, the Bank prepared the business access name list and established the limit management mechanism to improve the efficiency of asset allocation management. In addition, the Bank intensified post-investment risk management. Specifically, the Bank established daily risk monitoring mechanisms, improved risk pre-judgment and resolution capabilities, enhanced development of the risk management system and formulated risk early warning and disposal processes and mechanisms. These made continuous contribution to the development of a robust risk management system.

6.5.1.5 Credit Risk Management in Financial Markets Business

During the reporting period, in the face of the growing number of default incidents relating to domestic bond issuers, the Bank further strengthened dynamic management of bond credit risk. In particular, it continued to strengthen the construction of the "Three Defense Lines" mechanism for risk management, and sorted out, from multiple angles, the credit risk of issuers that issued the bonds held by the Bank. Scenario-specific analysis was carried out to develop effective response plans and make active dynamic adjustments.

During the reporting period, the Bank's self-operated bond assets enjoyed excellent credit qualification. The issuers that issued the unsecured bonds held by the Bank were mainly large enterprises and institutions with high credit ratings and sound operating results. All bond assets held by the Bank were free of default.

6.5.2 Loan Monitoring and Post-Lending Management

Against the backdrop of macroeconomic slowdown, tighter regulation and prevention of systemic financial risks, the Bank endeavored to adapt to the 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 established a clear multi-dimensional credit monitoring system. It introduced the system of external data such as PBOC credit reference data, tax data, environmental protection data and judicial data, developed and started online operation of the big data credit analysis model, and established a risk early warning mechanism based on big data. In addition, the Bank embedded into the system monitoring indicators for abnormal movements of capital flow and early warning modules; built the large-customer risk monitoring, control and reporting mechanism; relied on the total risk management system to strengthen online monitoring and conduct off-site inspections on a regular basis; and organized risk screenings of business areas such as stock pledge, comprehensive financing and loan services, installment repayment and property loans.

The Bank completed the classification of its corporate borrowers into “four categories". It managed existing corporate borrowers by category for application of corresponding measures, i.e., “support, maintain, reduce or exit”, and improved the asset management model through optimization of its customer mix and business structure; promoted the establishment and improvement of a proactive exit mechanism, and enhanced the long-term working mechanism for management of customers in the credit reduction and exit categories.

The Bank strengthened the development of the collateral management system. Among others, it initiated the construction of collateral management centers at tier-one branches; promoted the internalization of external regulations on collateral management; further strengthened the management of rating agencies by name list; and optimized the functions of the collateral management system.

The Bank made constant improvements to the new-generation credit business system. It fully realized system control of “full-process, bank-wide, all-customer and all-product” risk management. In the first half of the year, the Bank started online operation of the functions optimized under Phase I of the project for construction of the new-generation credit business system, with supporting regulations formulated and existing regulations revised at the same time. In the second half of the year, the Bank will launch Phase II of the project to build a big data inquiry center, construct a monitoring and early warning center, further optimize the functions of the credit management APP, vigorously promote the construction of digital archives, and combine the guidelines and practical measures of the new strategy to further optimize the total risk management system.

6.5.2.1 Distribution of Loans

Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group registered a total loan balance of RMB3,379.294 billion, an increase of RMB182.407 billion or 5.71% 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 RMB972.672 billion, RMB765.311 billion and RMB536.259 billion, and accounting for 28.78%, 22.65% and 15.87% of the Group total, respectively. In terms of growth rate, the Yangtze River Delta, the Northeastern region, and the Pearl River Delta and West Strait recorded the highest numbers, reaching 10.72%, 10.69% and 8.75%, respectively.

The Group

Unit: RMB million

	30 June 2018		31 December 2017	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim [(1)]	**972,672**	**28.78**	967,864	30.29
Yangtze River Delta	**765,311**	**22.65**	691,183	21.62
Pearl River Delta and West Strait	**536,259**	**15.87**	493,118	15.42
Western	**409,192**	**12.11**	389,152	12.17
Central	**446,455**	**13.21**	421,810	13.19
Northeastern	**74,836**	**2.21**	67,609	2.11
Overseas	**174,569**	**5.17**	166,151	5.20
Total Loans	**3,379,294**	**100.00**	3,196,887	100.00

Note: (1) Including the Head Office.

The Bank

Unit: RMB million

	30 June 2018		31 December 2017	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bohai Rim [(1)]	**923,002**	**29.31**	918,255	30.86
Yangtze River Delta	**762,213**	**24.20**	687,731	23.11
Pearl River Delta and West Strait	**533,969**	**16.95**	491,367	16.52
Western	**409,192**	**12.99**	389,152	13.08
Central	**446,455**	**14.17**	421,160	14.16
Northeastern	**74,836**	**2.38**	67,609	2.27
Total Loans	**3,149,667**	**100.00**	2,975,274	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 RMB1,889.485 billion, an increase of RMB31.638 billion or 1.70% over the end of the previous year; and its balance of personal loans reached RMB1,295.619 billion, an increase of RMB64.035 billion or 5.20% over the end of the previous year. Personal loans grew faster than corporate loans, and took up a proportion of 38.34% in total. Balance of discounted bills increased by RMB86.734 billion over the end of the previous year.

The Group

Unit: RMB million

	30 June 2018		31 December 2017	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**1,889,485**	**55.91**	1,857,847	58.12
Personal loans	**1,295,619**	**38.34**	1,231,584	38.52
Discounted bills	**194,190**	**5.75**	107,456	3.36
Total loans	**3,379,294**	**100.00**	3,196,887	100.00

The Bank

Unit: RMB million

	30 June 2018		31 December 2017	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Corporate loans	**1,686,044**	**53.53**	1,659,698	55.78
Personal loans	**1,271,733**	**40.38**	1,210,026	40.67
Discounted bills	**191,890**	**6.09**	105,550	3.55
Total loans	**3,149,667**	**100.00**	2,975,274	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 RMB311.861 billion and RMB309.383 billion, respectively, collectively taking up 32.88% of the Group's total corporate loans, down 2.49% from the end of the previous year. In terms of growth rate, loans to the five sectors, namely, rental and business services, water, environment and public utilities management, production and supply of electric power, gas and water, transportation, storage and postal service and construction grew faster, up 12.64%, 10.31%, 5.23%, 3.82% and 2.18% over the end of the previous year, respectively, all being higher than the average growth rate of corporate loans.

The Group

Unit: RMB million

	30 June 2018		31 December 2017	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**311,861**	**16.51**	324,029	17.44
Real estate	**309,383**	**16.37**	333,055	17.93
Wholesale and retail	**173,662**	**9.19**	193,818	10.43
Transportation, storage and postal service	**158,687**	**8.40**	152,851	8.23
Water, environment and public utilities management	**197,946**	**10.48**	179,441	9.66
Construction	**79,579**	**4.21**	77,878	4.19
Rental and business services	**249,814**	**13.22**	221,786	11.94
Production and supply of electric power, gas and water	**74,213**	**3.93**	70,523	3.80
Public management and social organizations	**15,685**	**0.83**	18,566	1.00
Others	**318,655**	**16.86**	285,900	15.38
Total corporate loans	**1,889,485**	**100.00**	1,857,847	100.00

The Bank

Unit: RMB million

	30 June 2018		31 December 2017	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Manufacturing	**292,324**	**17.35**	303,218	18.27
Real estate	**291,714**	**17.30**	292,055	17.60
Wholesale and retail	**160,026**	**9.49**	177,526	10.70
Transportation, storage and postal service	**152,975**	**9.07**	146,574	8.83
Water, environment and public utilities management	**189,236**	**11.22**	170,235	10.26
Construction	**78,893**	**4.68**	76,282	4.60
Rental and business services	**247,214**	**14.66**	218,412	13.16
Production and supply of electric power, gas and water	**47,357**	**2.81**	45,772	2.76
Public management and social organizations	**15,416**	**0.91**	18,173	1.09
Others	**210,889**	**12.51**	211,451	12.73
Total corporate loans	**1,686,044**	**100.00**	1,659,698	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 combined balance of loans secured by collateral and pledge loans stood at RMB1,965.853 billion, an increase of RMB98.409 billion over the previous year, and took up a proportion of 58.17%, 0.25 percentage point lower than the end of the previous year. The combined balance of unsecured loans and guaranteed loans recorded RMB1,219.251 billion, a drop of RMB2.736 billion over the end of the previous year, accounting for 36.08% of the total, down 2.14 percentage points from the end of the previous year.

The Group

Unit: RMB million

	30 June 2018		31 December 2017	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**695,560**	**20.58**	708,164	22.15
Guaranteed loans	**523,691**	**15.50**	513,823	16.07
Loans secured by collateral	**1,589,888**	**47.05**	1,510,366	47.25
Pledge loans	**375,965**	**11.12**	357,078	11.17
Subtotal	**3,185,104**	**94.25**	3,089,431	96.64
Discounted bills	**194,190**	**5.75**	107,456	3.36
Total loans	**3,379,294**	**100.00**	3,196,887	100.00

The Bank

Unit: RMB million

	30 June 2018		31 December 2017	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**645,915**	**20.51**	664,288	22.33
Guaranteed loans	**461,133**	**14.64**	449,347	15.10
Loans secured by collateral	**1,539,350**	**48.87**	1,464,038	49.20
Pledge loans	**311,379**	**9.89**	292,051	9.82
Subtotal	**2,957,777**	**93.91**	2,869,724	96.45
Discounted bills	**191,890**	**6.09**	105,550	3.55
Total loans	**3,149,667**	**100.00**	2,975,274	100.00

Concentration of Borrowers of Corporate Loans

The Group focused 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	30 June 2018	31 December 2017	31 December 2016
Percentage of loans to the largest single customer (%) (1)	≤10	2.29	2.25	2.71
Percentage of loans to the top 10 customers (%) (2)	≤50	16.17	16.88	16.40

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

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

The Group

Unit: RMB million

		30 June 2018		
	Sector	Balance	Percentage in total loans (%)	Percentage in net capital (%)
Borrower A	Real estate	11,527.93	0.34	2.29
Borrower B	Public management, social security and social organizations	11,296.82	0.33	2.25
Borrower C	Information transmission, software and information technology services	10,000.00	0.30	1.99
Borrower D	Hotel and catering	9,027.74	0.27	1.79
Borrower E	Manufacturing	7,266.31	0.21	1.44
Borrower F	Real estate	6,800.00	0.20	1.35
Borrower G	Others	6,692.67	0.20	1.33
Borrower H	Transportation, storage and postal service	6,424.30	0.19	1.28
Borrower I	Rental and business services	6,291.79	0.19	1.25
Borrower J	Transportation, storage and postal service	6,031.18	0.18	1.20
Total loans		81,358.74	2.41	16.17

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB81.359 billion, taking up 2.41% of its total loans and 16.17% of its net capital.

6.5.2.2 Loan Quality Analysis

Five-Class Loan Classification

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

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

	30 June 2018		31 December 2017	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Pass	**3,232,762**	**95.66**	3,074,855	96.18
Special mention	**85,667**	**2.54**	68,384	2.14
Substandard	**31,547**	**0.93**	21,931	0.68
Doubtful	**27,093**	**0.80**	25,157	0.79
Loss	**2,225**	**0.07**	6,560	0.21
Total Loans	**3,379,294**	**100.00**	3,196,887	100.00
Performing loans	**3,318,429**	**98.20**	3,143,239	98.32
Non-performing loans	**60,865**	**1.80**	53,648	1.68

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

The Bank

Unit: RMB million

	30 June 2018		31 December 2017	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Pass	**3,011,704**	**95.62**	2,859,262	96.10
Special mention	**78,171**	**2.48**	64,430	2.17
Substandard	**31,397**	**1.00**	20,807	0.71
Doubtful	**26,187**	**0.83**	24,230	0.81
Loss	**2,208**	**0.07**	6,545	0.21
Total Loans	**3,149,667**	**100.00**	2,975,274	100.00
Performing loans	**3,089,875**	**98.10**	2,923,692	98.27
Non-performing loans	**59,792**	**1.90**	51,582	1.73

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 RMB157.907 billion over the end of the previous year, and accounted for 95.66% of its total loan balance, representing a drop of 0.52 percentage point over the end of the previous year; and the balance of special mention loans increased by RMB17.283 billion, accounting for 2.54% of its total loan balance, a growth of 0.40 percentage point from the end of the previous year. The balance of special mention loans increased, mainly because some industries and companies increased their risk exposure 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 RMB60.865 billion, representing an increase of RMB7.217 billion over the end of the previous year; and its NPL ratio recorded 1.80%, up 0.12 percentage point from the end of the previous year.

During the reporting period, the Group's NPL balance and NPL ratio both went up. The main influencing factors included the following: (1) the Bank tightened the recognition of non-performing loans, degrading loans overdue for 90 days and above to the non-performing category; (2) some enterprises were still high in leverage ratios, which placed the enterprises under pressure in a time of rising financing cost; (3) upgrades of domestic environmental protection policies led to the shutdown of some enterprises that failed to comply with environmental regulations, stimulated price rise of some raw materials and exerted pressure on downstream industries; and (4) the economic restructuring in some regions continued to expose enterprises to growing credit risk.

At the beginning of 2018, the Group had already made sufficient projection and preparation in response to the changing trends of loan quality. Thanks to its pertinent measures for risk prevention and resolution, the Group was able to put the movements in non-performing loans under control.

During the reporting period, the Group worked hard to improve loan quality. Among others, it reinforced the disposal of NPLs, disposing RMB41.564 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.

	30 June 2018	31 December 2017	31 December 2016
Migration ratio of pass loans (%)	**1.89**	1.96	2.09
Migration ratio of special mention loans (%)	**40.45**	35.16	28.94
Migration ratio of substandard loans (%)	**26.67**	46.05	55.37
Migration ratio of doubtful loans (%)	**17.06**	32.05	43.67
Ratio of migration from performing to non-performing loans (%)	**1.19**	1.45	1.58

As at the end of the reporting period, the Bank's ratio of migration from performing to non-performing loans was 1.19%, a drop of 0.26 percentage point from the end of last year or an increase of 0.42 percentage point from the same period of the previous year, mainly because the Bank tightened the recognition of non-performing loans, degrading loans overdue for 90 days and above to the non-performing category. The migration ratios of substandard and doubtful loans also went down slightly year on year.

Loans Overdue

The Group

Unit: RMB million

	30 June 2018		31 December 2017	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**3,287,503**	**97.28**	3,105,363	97.14
Loans overdue [1]				
1-90 days	**34,626**	**1.03**	32,842	1.03
91-180 days	**15,239**	**0.45**	13,207	0.41
181 days or above	**41,926**	**1.24**	45,475	1.42
Subtotal	**91,791**	**2.72**	91,524	2.86
Total loans	**3,379,294**	**100.00**	3,196,887	100.00
Loans overdue for 91 days and above	**57,165**	**1.69**	58,682	1.84
Restructured loans [2]	**23,123**	**0.68**	23,245	0.73

Notes: (1) Loans overdue refer to loans with principals or interest 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

	30 June 2018		31 December 2017	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**3,059,934**	**97.15**	2,886,823	97.03
Loans overdue [1]				
1-90 days	**33,042**	**1.05**	31,372	1.05
91-180 days	**15,232**	**0.48**	12,518	0.42
181 days or above	**41,459**	**1.32**	44,561	1.50
Subtotal	**89,733**	**2.85**	88,451	2.97
Total loans	**3,149,667**	**100.00**	2,975,274	100.00
Loans overdue for 91 days and above	**56,691**	**1.80**	57,079	1.92
Restructured loans [2]	**22,670**	**0.72**	22,797	0.77

Notes: (1) Loans overdue refer to loans with principals or interest 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 increased 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 RMB91.791 billion, an increase of RMB267 million over the end of previous year, and the proportion of overdue loans in total loans went down by 0.14 percentage point over the end of last year to 2.72%. Of these overdue loans, 1.03% were short-term temporary loans with a maturity of less than 3 months. The proportion of loans overdue for 90 days and above was 1.69%, a decrease of 0.15 percentage point from the beginning of the year. The increase in balance of overdue loans was mainly due to the growing risk exposures in some regions and industries.

The Group managed and controlled loan restructuring in a stringent and prudent manner. As at the end of the reporting period, the Group restructured RMB23.123 billion loans, a reduction of RMB122 million in amount and a decrease of 0.05 percentage point in proportion from the end of the previous year.

Breakdown of NPLs by Product

The Group

Unit: RMB million

	30 June 2018			31 December 2017		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**50,537**	**83.03**	**2.67**	42,213	78.68	2.27
Personal loans	**10,328**	**16.97**	**0.80**	11,419	21.29	0.93
Discounted bills	**0**	**0.00**	**0.00**	16	0.03	0.01
Total	**60,865**	**100.00**	**1.80**	53,648	100.00	1.68

The Bank

Unit: RMB million

	30 June 2018			31 December 2017		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Corporate loans	**49,514**	**82.81**	**2.94**	40,187	77.91	2.42
Personal loans	**10,278**	**17.19**	**0.81**	11,379	22.06	0.94
Discounted bills	**0**	**0.00**	**0.00**	16	0.03	0.02
Total	**59,792**	**100.00**	**1.90**	51,582	100.00	1.73

As at the end of the reporting period, the Group's balance and ratio of corporate NPLs (excluding discounted bills) went up by RMB8.324 billion and 0.40 percentage point over the end of the previous year, respectively; its balance of personal NPLs decreased by RMB1.091 billion and the corresponding NPL ratio dropped 0.13 percentage point compared with the end of the previous year.

Breakdown of NPLs by Geographic Location

The Group

Unit: RMB million

	30 June 2018			31 December 2017		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim [(1)]	**15,597**	**25.63**	**1.60**	15,225	28.38	1.57
Yangtze River Delta	**8,784**	**14.43**	**1.15**	9,672	18.03	1.40
Pearl River Delta and West Strait	**10,697**	**17.58**	**1.99**	6,029	11.24	1.22
Western	**9,856**	**16.19**	**2.41**	7,809	14.56	2.01
Central	**10,141**	**16.66**	**2.27**	10,705	19.95	2.54
Northeastern	**4,889**	**8.03**	**6.53**	2,271	4.23	3.36
Overseas	**901**	**1.48**	**0.52**	1,937	3.61	1.17
Total	**60,865**	**100.00**	**1.80**	53,648	100.00	1.68

Note: (1) Including the Head Office.

The Bank

Unit: RMB million

	30 June 2018			31 December 2017		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Bohai Rim [(1)]	**15,476**	**25.88**	**1.68**	15,225	29.52	1.66
Yangtze River Delta	**8,760**	**14.65**	**1.15**	9,652	18.71	1.40
Pearl River Delta and West Strait	**10,670**	**17.85**	**2.00**	5,920	11.48	1.20
Western	**9,856**	**16.48**	**2.41**	7,809	15.14	2.01
Central	**10,141**	**16.96**	**2.27**	10,705	20.75	2.54
Northeastern	**4,889**	**8.18**	**6.53**	2,271	4.40	3.36
Total	**59,792**	**100.00**	**1.90**	51,582	100.00	1.73

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 Pearl River Delta and West Strait and the Central region. Their NPL balances summed up to RMB36.435 billion, accounting for a combined 59.87% of the Group total. In terms of incremental NPLs, the Pearl River Delta and West Strait registered the largest amount namely RMB4.668 billion and its NPL ratio increased by 0.77 percentage point; followed by the Northeastern region, which recorded RMB2.618 billion incremental NPLs and 3.17 percentage points rise in its NPL ratio.

NPLs geographic distribution changed mainly because: (1) 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 (2) NPL exposures in inland areas, especially the Western region, were still on the rise.

Breakdown of Corporate NPLs by Sector

The Group

Unit: RMB million

	30 June 2018			31 December 2017		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	**20,642**	**40.85**	**6.62**	16,843	39.90	5.20
Real estate	**1,884**	**3.73**	**0.61**	855	2.03	0.26
Wholesale and retail	**12,965**	**25.65**	**7.47**	10,680	25.30	5.51
Transportation, storage and postal service	**1,327**	**2.63**	**0.84**	771	1.83	0.50
Water, environment and public utilities management	**390**	**0.77**	**0.20**	432	1.02	0.24
Construction	**1,412**	**2.79**	**1.77**	2,063	4.89	2.65
Rental and business services	**2,436**	**4.82**	**0.98**	1,421	3.37	0.64
Production and supply of electric power, gas and water	**818**	**1.62**	**1.10**	683	1.62	0.97
Public management and social organizations	**0**	**0.00**	**0.00**	0	0.00	0.00
Others	**8,663**	**17.14**	**2.72**	8,465	20.04	2.96
Total corporate NPLs	**50,537**	**100.00**	**2.67**	42,213	100.00	2.27

The Bank

Unit: RMB million

	30 June 2018			31 December 2017		
	Balance	**Proportion (%)**	**NPL ratio (%)**	Balance	Proportion (%)	NPL ratio (%)
Manufacturing	**20,547**	**41.50**	**7.03**	16,095	40.05	5.31
Real estate	**1,873**	**3.78**	**0.64**	826	2.06	0.28
Wholesale and retail	**12,888**	**26.03**	**8.05**	10,630	26.45	5.99
Transportation, storage and postal service	**1,327**	**2.68**	**0.87**	771	1.92	0.53
Water, environment and public utilities management	**390**	**0.79**	**0.21**	432	1.07	0.25
Construction	**1,412**	**2.85**	**1.79**	2,061	5.13	2.70
Rental and business services	**2,436**	**4.92**	**0.99**	1,421	3.54	0.65
Production and supply of electric power, gas and water	**818**	**1.65**	**1.73**	683	1.70	1.49
Public management and social organizations	**0**	**0.00**	**0.00**	0	0.00	0.00
Others	**7,823**	**15.80**	**3.71**	7,268	18.08	3.44
Total corporate NPLs	**49,514**	**100.00**	**2.94**	40,187	100.00	2.42

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 66.50% of the Group total, and respectively increased by RMB3.799 billion and RMB2.285 billion over the end of the previous year, corresponding to a 1.42 and 1.96 percentage points rise in their respective NPL ratios compared with the end of the previous year, respectively.

The the industry distribution changes of NPLs were caused by the following main reasons: (1) some enterprises in the manufacturing, wholesale and retail and rental and business services sectors incurred credit risks due to fiercer industry competition and declining profitability that resulted from multiple factors such as overcapacity and insufficient market demand; (2) the price hike of raw materials led to rising production and operation costs of the relevant upstream and downstream enterprises, which in turn resulted in worsening credit risks; and (3) the divided real estate market intensified risks of property development loans.

As at the end of the reporting period, the Group's NPL balances in the four sectors, namely, real estate, rental and business services, transportation, storage and postal service, and production and supply of electric power, gas and water increased by RMB1.029 billion, RMB1.015 billion, RMB556 million and RMB135 million over the end of the previous year, and their corresponding NPL ratios went up by 0.35, 0.34, 0.34 and 0.13 percentage point, respectively. The Group's NPL balances in construction, and water, environment and public utilities management decreased by RMB651 million and RMB42 million over the end of the previous year, and their corresponding NPL ratios went down by 0.88 and 0.04 percentage point, respectively.

6.5.2.3 Analysis of Allowance for Loan Impairment

The Group set aside adequate allowance for loan impairment in a timely manner according to the principles of prudence and truthfulness.

The Group

Unit: RMB million

	30 June 2018	31 December 2017
Effects from beginning conversion	**7,002**	–
Beginning balance	**97,905**	75,543
Accruals during the period [(1)]	**23,620**	50,170
Unwinding of discount on allowance [(2)]	**(110)**	(555)
Transfer out [(3)]	**(7)**	(421)
Write-offs	**(30,596)**	(35,301)
Recovery of loans and advances written off in previous year	**1,208**	1,467
Ending balance	**92,020**	90,903

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

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

(3) Including allowance for loan impairment released due to the conversion of loans to repossessed assets.

The Bank

Unit: RMB million

	30 June 2018	31 December 2017
Effects from beginning conversion	**5,651**	–
Beginning balance	**94,240**	74,016
Accruals during the period [(1)]	**22,975**	48,622
Unwinding of discount on allowance [(2)]	**(90)**	(523)
Transfer out [(3)]	**(70)**	(343)
Write-offs	**(29,711)**	(34,629)
Recovery of loans and advances written off in previous year	**1,208**	1,446
Ending balance	**88,552**	88,589

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

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

(3) Including allowance for loan impairment released due to the conversion of loans to repossessed assets.

As at the end of the reporting period, the Group's balance of allowance for loan impairment registered RMB92.020 billion. After the change of beginning standard, the balance of the Group's allowance for loan impairment loss stood at RMB97.905 billion, and at the end of the reporting period, there was a drop of RMB5.885 billion compared with the beginning balance. 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 151.19% and 2.72%, respectively. The allowance coverage ratio and the ratio of allowance for impairment of loans to total loans went down by 18.26 and 0.12 percentage point over the end of the previous year, respectively.

During the reporting period, the Group accrued RMB23.620 billion as allowance for loan impairment, an increase of RMB2.146 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.

6.5.3 Market Risk Management

The main market risk confronting the Bank includes interest rate risk of bank books[1], exchange rate risk and market risk of trading accounts. The Bank has established a market risk management system that covers risk identification, measurement, monitoring and control. It manages market risk through product access approval and risk limit management, and thus controls potential losses arising from market risk within the acceptable level and maximizes risk-adjusted returns.

6.5.3.1 Interest Rate Risk of Bank Books

Interest rate risk of bank books refers to the risk of a bank's positions in financial instruments and commodities incurring losses in overall earnings and economic value due to unfavorable changes in factors such as interest rate and maturity structure. It includes gap 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 in the Bank's earnings and value are controllable.

During the reporting period, global economic development was very uneven, while domestic and foreign market interest rates continued to change. Internationally, the US Federal Reserve entered the interest rate hike channel at the end of 2015, raising interest rates seven times by June 2018; the European Central Bank also indicated that it would end its asset purchase (quantitative easing) policy at the end of December 2018 if inflation data was in line with expectations; some emerging markets experienced severe economic shocks; and international market interest rates exhibited increasingly complicated trends of fluctuation. In China, although the PBOC kept the benchmark interest rates for deposits and loans unchanged, market interest rates recorded greater fluctuations, making it even more difficult for financial institutions to carry out benchmark risk management. The CBIRC officially promulgated the Guidelines for Management of Interest Rate Risk of Bank Books of Commercial Banks (as amended in 2018) in May 2018, which raised 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.

In the face of the external situational changes, the Bank continued to improve the risk management framework and optimized the risk monitoring indicators. It also completed the optimization upgrade and trial operation of the relevant risk management system, elevating dynamic simulation and automated data collection of the system. The Bank analyzed item by item the gaps between the latest regulatory requirements on interest rate risk management of bank books and the status quo of such interest rate risk management, completing the first round of data governance work pursuant to the latest regulatory stipulations. As at the end of the reporting period, the Bank were basically in line with the regulatory requirements in terms of system function, measurement framework and institutional architecture. Subsequent regulatory compliance mainly involves model improvement and appropriate revision of some existing regulations on risk management. At the same time, the Bank continued to make comprehensive use of multiple methods including interest rate sensitivity gap analysis, net interest income sensitivity analysis and stress test to measure and analyze various types of 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 the interest rate risk of bank books within the tolerable range.

6.5.3.2 Exchange Rate Risk Management

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 Renminbi 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.

1 "Interest rate risk of bank books" is a concept adopted by the Guidelines for Management of Interest Rate Risk of Bank Books of Commercial Banks (as amended in 2018) promulgated by the CBIRC in May 2018, with effect from 1 January 2019.

The exchange rate risk of the Bank was mainly subject to impacts of the Renminbi exchange rate against the US dollar. During the reporting period, the exchange rate of the RMB against the US dollar jumped up first and went down later, depreciating by a cumulative 1.70%. 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.

6.5.3.3 Market Risk of Trading Accounts

The Bank established a complete risk limit system for trading accounts, setting sensitivity limits and stop-loss limits for trading accounts respectively in line with different product characteristics, and regularly used stress test and other tools to measure market risk of trading accounts, thus controlling market risk within the acceptable range of its risk preference.

The first half of 2018 witnessed somewhat abundant liquidity in the overall sense. The trade friction between China and the United States developed in twists and turns; currency market terminal interest rates dropped significantly and the yield curve of the RMB interest rate bond plummeted. The macroeconomic de-leveraging and stringent financial regulation, however, made it harder for non-financial entities to re-finance, and widened the credit spread. In terms of precious metals, due to the continued strength of the US dollar and the interest rate hike by the US Federal Reserve, global capital returned to the United States. In the first half of the year, the prices of gold and silver fell sharply. In the face of the above market situation, the Bank held trading strategy consultations on a regular basis, carried out profound research and made judgment on domestic and international market and policy changes, reinforced risk monitoring, control and reporting, timely re-examined and adjusted risk limits in the light of capital allocation and market changes, and thus prudently controlled the risk exposures of its trading business.

6.5.4 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 and 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, domestic commercial banks found the policy and market environments for liquidity management improving in the overall sense. The central bank continued its prudent and neutral monetary policy, using monetary policy instruments such as contingent reserve arrangement (CRA), targeted reserve requirement ratio (RRR) cut for the sake of inclusive finance, open market operation and medium-term lending facility (MLF) to hedge the impacts of fiscal revenues and expenditures, seasonality and other factors on liquidity. These efforts helped maintain generally moderate market liquidity. During the reporting period, the short-term money market terminal interest rate remained stable, while the medium and long-term money market terminal interest rates went down to some extent. Therefore, the Bank continued to reinforce liquidity risk management, enhanced liquidity risk measurement and monitoring, kept practicing liquidity risk limit management, conducted stress test on a regular basis, and organized emergency drills where necessary and appropriate. It also coordinated management of assets and liabilities to ensure a basic match between funding sources and fund uses. Moreover, the Bank reinforced management of active liabilities to ensure smooth financing channels, including borrowings from the central bank, money market, interbank certificates of deposit and interbank deposits, and diversified the sources of liabilities. The Bank also improved routine liquidity management, reinforced market analysis and pre-judgment and thereby managed liquidity in a more forward-looking and proactive manner.

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

Unit: RMB million

	30 June 2018	31 December 2017	Increase/ Decrease	31 December 2016
Liquidity coverage ratio	**110.96%**	97.98%	Up 12.98 percentage points	91.12%
Qualified premium liquid assets	**521,906**	507,004	2.94%	398,555
Net cash outflow in the coming 30 days	**470,342**	517,472	-9.11%	437,403

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).

6.5.5 Operational Risk Management

Operational risk refers to the risk of losses resulting from imperfect or deficient internal procedures, employees, 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 management and 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 for in-process monitoring of operational risk. The Bank also made further efforts to develop regulations and sort out processes relating to important business areas such as corporate loan grant, thus further optimizing the risk management system. At the same time, the Bank reinforced the mechanism for grading and reporting risk incidents and gave the priority to the screening of areas highly prone to operational risk such as pledge of receivables, in a bid to achieve 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. It kept improving outsourcing risk management and control by strengthening outsourcing risk assessment and optimizing the outsourcing management information system. In addition, the Bank made continuous efforts to optimize the business continuity management system, built capacity for business emergency response, developed emergency drill plans and organized such 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 maintained stable operation, placing operational risk under control in the overall sense.

6.6 Internal Control

6.6.1 Internal Control System

During the reporting period, the Bank continued to strengthen the construction of its internal control mechanism and elevate its internal control and compliance level. In particular, it vigorously pushed forward dedicated works to rectify market chaos of the banking industry. A comprehensive bank-wide self-examination was organized with accumulative input of 17,886 person-times, covering all branches and sub-branches of the Bank across the country. The principles of "correction amid examination" and "immediate action for rectification" were observed throughout such dedicated efforts. The Internal Control and Compliance Bulletin was created to guide the branches in their exchange of experiences and useful practices making full use of reports and special issues for joint promotion of the rectification work. Further, the Bank compiled the Special Journal on Deepening Rectification of Market Chaos and reported the progress of its rectification work to the CBIRC on a regular basis. By keeping abreast of regulatory requirements, clarifying work priorities and improving work approaches, the Bank made its rectification work more practical and effective.

During the reporting period, the Bank formulated and issued the Key Work Points of CITIC Bank on Management of Internal Control and Compliance in 2018, defining its work requirements as "returning to the basics, strengthening compliance and promoting transformation". It also made continuous efforts to improve and enhance its compliance management system across the bank for ongoing reinforcement of compliance management as well as comprehensive improvement and elevation of the level of internal control and compliance work. Further, the Bank strove to develop better regulations on internal control management and build a robust framework of internal control and compliance regulations. The Bank boosted the development of its authorization system and reinforced its awareness as a tier-one legal person. The matrix-based authorization system got a further boost. A concise and clear credit-grant authorization system was built based on the Bank's 2018-2020 development plan, whereby the 2018 annual letter of authorization was prepared and issued and differentiated authorization for financial review and approval optimized. In line with regulatory requirements and the needs for business development, and risk prevention and control, the Bank strengthened change management and dynamic adjustment of authorization, timely completing 19 changes and adjustments of authorization to ensure business and managerial operation within the authorized mandates and reinforce bank-wide management as a tier-one legal person.

During the reporting period, the Bank improved its conduct management system and carried out more effective case prevention and control. It formulated the annual case prevention work plan in line with the case risk situation, defining the key areas of case prevention including conduct control and risk screening, and laying out corresponding work schemes for such areas. In addition, the Bank implemented accountability for those responsible for case prevention, clarified the management requirements on case prevention in relation to its business units and Defense Line One. Moreover, it formulated and issued the Administrative Measures of CITIC Bank for Management of Employee Conduct, detailing the responsibilities of managing both business operation, including corporate banking, retail banking and operational segments, and employee conduct. It also strengthened management and control of employee conduct by more rigorous screening of abnormal transactions in employee accounts and more severe punishments thereon, thereby maintaining the high-pressure momentum of case prevention. In addition, the Bank organized a series of education events on case prevention and whistle blowing to enhance the bottom-line awareness of internal control and compliance among all employees.

6.6.2 Compliance Management

During the reporting period, the Bank promoted the construction of compliance and risk control culture with the theme of "Safe CITIC Bank". Through a variety of forms and means such as on-site training and publicity and education, the Bank effectively carried out communication and implementation of culture and education on whistle blowing. By guiding the promotion and implementation and enabling the entire bank to get better knowledge of internal control and deeper understanding of compliance culture, the Bank raised the awareness of compliance risk among all employees. In addition, the Bank organized events for interpretation of regulatory policies, i.e. special video conferences on internal control and compliance across the bank, further clarifying the regulatory situation, institutional requirements, topical issues and key implementation points in the current year.

The Bank localized the management of branch regulations, made continuous improvement to the system of regulations, and standardized life-cycle management of the regulations. In particular, the Bank explicitly required reporting-based management of the branches' local business regulations and filing-based management of their rules of implementation. The regulations were evaluated and clean-up plans were set up. In total, the Bank combed 14,193 ongoing regulations, for which plans of "development, amendment and abolishment" were formulated accordingly, with 9,129 regulations preserved, 3,562 abolished, 1,025 amended and 477 abolished. These efforts furthered the development of internal rules and regulations and consolidated the foundation for healthy stable development.

The Bank continued to enhance the internalization of external regulations. The latest regulatory requirements from CBIRC, PBOC, MOF and National Audit Office of the People's Republic of China were benchmarked and analyzed in a timely manner for incorporation into its own regulations and measures. Quarterly trainings on new regulatory requirements were carried out to clarify the regulatory red lines, ensure timely communication and transmission of regulatory policies and promote compliant operation of all businesses across the bank. During the reporting period, the Bank organized special trainings on new regulations such as the Guidance on Regulating Asset Management Business of Financial Institutions, Measures for Management of Entrusted Loans in Commercial Banks, Guidelines for Management of Employee Conduct in Banking Financial Institutions, Measures for Management of Large-amount Risk Exposures in Commercial Banks and Measures for Management of Liquidity Risk in Commercial Banks, recording more than 3,000 participants. Such internalization of external regulations and training on new regulatory requirements played an active role in promoting the implementation of regulatory policies.

6.6.3 Anti-Money Laundering

During the reporting period, the Bank actively implemented new regulatory requirements from PBOC to improve the effectiveness of customer identity identification. It made coordinated deployment and formulated work plans to lay down the rules on the management and control of customer ID documents expiry and standardize the criteria on collecting basic customer identity information. System-based management and control of expired customer identity became a reality through system optimization and improvement. The entire bank was mobilized and organized to improve the management of existing customer identity information. As such, the Bank was able to conduct business based on a full understanding of customer information and gave full play to the effectiveness of basic measures for risk prevention and control.

The Bank carried out FATF[1] mutual evaluation to strictly comply with regulatory requirements. The leading group and working group for on-site FATF evaluation response were established to guide the participation in various aspects of such mutual evaluation. Response plans were issued and countermeasures were formulated. Key work points at different stages of the on-site evaluation were explicitly set out. The Bank submitted compliance and effectiveness evaluation questionnaires to the PBOC as scheduled and organized special trainings for comprehensive understanding of the evaluation requirements. In addition, the Bank made relevant preparations, organized drills and carried out subsequent rectification and improvement work according to the plans.

The Bank continued to establish and improve the total-process control mechanism regarding suspicious transactions, and effectively enhanced the value of intelligence on suspicious transactions. Further efforts were made to improve the monitoring, assessment and process of transactions and continuously optimize system monitoring criteria for suspicious transactions, which included the research and development of 30 transaction monitoring models and 6 core monitoring indicators. With a better monitoring mechanism of "screening, review, and verification" of suspicious transactions, the Bank achieved "dual decline" in both the number and value of suspicious transactions year-on-year. By laying down the follow-up control measures and work mechanism after a suspicious transaction is reported, the Bank adopted effective control measures against the customers and accounts involved in the reported suspicious transaction, so as to put an end to business dealings with those suspected of money laundering and those suspected of upstream criminal activities and thereby effectively prevent the risk of money laundering.

6.7 Internal Audit

In accordance with its work objective and positioning of "risk whistle blowing, supervisory assessment and adding value to management", pursuant to the work arrangements set out in the Bank's 2018-2020 development plan and with the guidance of the Bank's Five-year Plan on Audit Development (2016-2020), the Bank earnestly performed its duties of audit supervision, enhanced the rigor of audit supervision and expanded its audit coverage in both depth and width. The independence and effectiveness of audit work enjoyed further enhancement.

During the reporting period, the Bank amended its internal audit charter in accordance with the Regulations of the National Audit Office on Internal Audit Work (CNAO Order No. 11), clarifying that its internal audit function shall conduct its work under the direct leadership of the party committee of the Head Office and the Board of Directors. Thanks to a more optimized organization model for its audit projects, the internal audit function was able to incorporate regular audit, special audit and economic responsibility audit into its comprehensive audit and thereby expanded the audit coverage. In addition, the internal audit function made further efforts to reinforce audit supervision of key units, key risk areas, key operational and managerial components and personnel at key posts, carried out special audits in multiple areas including credit reference management, information systems of overseas branches, abnormal large-amount transactions made by employees, consumer rights protection and information technology. At the same time, the function made full disclosure of internal control deficiencies and intensified supervisory assessment of subsequent rectification. In addition, it made active use of off-site audit approaches to dig for audit trails and tighten routine monitoring, giving full play to the all-round supervisory role of audit.

1 The full name of FATF is Financial Action Task Force on Money Laundering. Established in 1989, FATF is one of the world's most influential and authoritative intergovernmental international organizations for international anti-money laundering and anti-terrorist financing. China joined the FATF in 2007.

6.8 Capital Management

During the reporting period, in line with changes in both the internal and external situations, the Group continued to uphold the "capital light, asset light and cost light" development strategy. It drove forward light-style asset business in accordance with the asset-liability arrangement strategy of "accelerating turnover and adjusting structure" to save capital occupation. The Bank 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 comply with capital regulatory regulations and policy requirements, maintain a reasonable level of capital adequacy ratio, 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 Provisional Measures for Capital Management of Commercial Banks promulgated by the CBIRC (formerly CBRC) in June 2012.

The Group continued to strengthen its capability for internal capital accumulation and at the same time took the initiative to optimize its business structure and control capital consumption, in a bid 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, the Group recorded the following capital adequacy profile as at the end of the reporting period: a capital adequacy ratio of 11.34%, which marked a decrease of 0.31 percentage point from the end of the previous year; a 9.36% tier-one capital adequacy ratio, 0.02 percentage point higher than the end of the previous year; and a 8.53% core tier-one capital adequacy ratio, up by 0.04 percentage point from the end of the previous year.

During the reporting period, the Group continued to reinforce its capital constraint and allocation mechanisms for continuous implementation of the 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 constraint and limit control, and guided the business units to rationalize their asset structures under the capital constraints. The Group continued to accelerate its asset turnover and 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, its personal loans increased by RMB64 billion, accounting for 35.11% of the Group's total incremental loans. As at the end of the reporting period, the Group's risk-weighted assets increased by RMB117.9 billion or 2.73% higher over the end of the previous year, indicating a 0.05 percentage point drop of the growth rate over the same period of last year.

Capital adequacy ratios

Unit: RMB million

Item	**30 June 2018**	31 December 2017	Increase (%)/ Decrease	31 December 2016
Net core tier-one capital	**378,270**	366,567	3.19	342,563
Net tier-one capital	**415,210**	403,378	2.93	382,670
Net capital	**503,058**	502,821	0.05	475,008
Risk-weighted assets	**4,435,418**	4,317,502	2.73	3,964,448
Core tier-one capital adequacy ratio	**8.53%**	8.49%	Up 0.04 percentage point	8.64%
Tier-one capital adequacy ratio	**9.36%**	9.34%	Up 0.02 percentage point	9.65%
Capital adequacy ratio	**11.34%**	11.65%	Down 0.31 percentage point	11.98%

Leverage ratio

Unit: RMB million

Item	30 June 2018	31 December 2017	Increase (%)/ Decrease	31 December 2016
Leverage ratio	**6.31%**	6.18%	Up 0.13 percentage point	5.47%
Net tier-one capital	**415,210**	403,378	2.93	382,670
Adjusted balance of on-and off-balance sheet assets	**6,580,013**	6,527,276	0.81	6,994,025

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/.

6.9 Material Acquisitions, Disposals of Assets and Mergers of Enterprises

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 acquisitions or disposals of assets or equity or mergers of enterprises that took place in the reporting period.

Please refer to the relevant announcements that 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.

6.10 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.

6.11 Investments

The meeting of the Board of Directors of the Bank convened on 7 June 2017 deliberated and approved the Proposal on the Matters relating to the Acquisition of Equity Interests in JSC Altyn Bank, giving consent that the Bank and its partner China Shuangwei Investment Co., Ltd. (a subsidiary of China Tobacco Corporation) jointly acquire the 60% stake in JSC Altyn Bank previously owned by JSC Halyk Bank of Kazakhstan. The Bank acquired 50.1% equity in JSC Altyn Bank. Both parties signed an equity transaction agreement with the JSC Halyk Bank of Kazakhstan on the same day. The acquisition target JSC Altyn Bank is a commercial bank established in Kazakhstan mainly engaging in corporate and personal deposit and loan businesses. The acquisition was approved by the relevant regulators in both China and Kazakhstan and equity delivered on 24 April 2018 (Beijing time). After the acquisition, the Bank holds a 50.1% stake in JSC Altyn Bank. For details, please refer to the relevant announcements published by the Bank on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

The meeting of the Board of Directors of the Bank convened on 26 March 2018 deliberated and approved the Proposal on Increasing Share Capital of CITIC aiBank Corporation Limited (aiBank), giving consent that the Bank and Fujian Baidu Borui Network Technology Co., Ltd. (Baidu) respectively subscribe for 1.4 billion and 600 million shares of aiBank's additional new share issued in cash at a par value of RMB1 per share while maintaining their original shareholding percentages. As such, the Bank and Baidu increased the share capital of aiBank by RMB1.4 billion and RMB600 million respectively.

After the capital increase, aiBank's registered capital went up from RMB2 billion to RMB4 billion, and its total number of shares grew from 2 to 4 billion, all of which were registered ordinary shares with a par value of RMB1 per share. The Bank and Baidu now hold 2.8 billion and 1.2 billion shares of aiBank, with their shareholding percentages remaining at 70% and 30%, respectively. The shareholder rights and obligations of the Bank and Baidu, their number of seats on the Board of Directors and their voting rights as agreed in aiBank's articles of association remain unchanged.

6.12 Equity Financing

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

6.13 Outlook

During the reporting period, the Bank's profit grew steadily; asset quality pressure was relieved to some extent; and the growth of business scale met expectations. In the second half of the year, the Bank will conscientiously implement the requirements of various regulatory policies, promote the implementation of the 2018-2020 development plan at a quicker pace, and focus on the following operation and management aspects. The Bank will improve customer management by stratum and category. While managing core customers in a more in-depth and thorough manner, the Bank will further improve its inclusive financial service system, comprehensively carry out chain marketing, and batch acquire value customers and settlement funds. The Bank will reinforce total risk management, push forward the execution of the unified credit extension rules and regulations, upgrade the total risk management system, enhance customer classification and access management, and accelerate the disposal of problem assets. The Bank will intensify internal control and compliance management, strictly implement various regulatory policies, tighten employee conduct control, and establish a long-term mechanism for the construction of a risk and compliance culture.

Chapter 7 Significant Events

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

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

7.2 Profit Distribution

The Bank complied with the provisions of its Articles of Association and requirements of the General Meeting resolutions in the formulation and implementation of its policy on cash dividends distribution. The policy is clear and explicit in terms of the dividend distribution criteria and proportion, and complete and robust in terms of the decision-making procedures and mechanisms. The 2017 Annual Profit Distribution Plan was reviewed and agreed upon by the Bank's independent directors and later endorsed at the 2017 Annual General Meeting convened on 25 May 2018 by more than 99.99% of the shareholders with less than 5% equity in the Bank. As such, the Bank effectively safeguarded the rights and interests of its minority shareholders.

7.2.1 2017 Annual Profit Distribution Plan

As approved by the 2017 Annual General Meeting convened on 25 May 2018, the Bank paid cash dividends to its A-share holders on register by 2 July 2018 and its H-share holders on register by 5 June 2018 at RMB2.61 (pre-tax) per 10 shares, with the total dividend payment amounting to approximately RMB12.77 billion. The Bank made detailed explanations about its 2017 Annual Profit Distribution Plan in its 2017 Annual Report, documentation for the 2017 Annual General Meeting, H-Share Circular of the 2017 Annual General Meeting and Announcement on the Implementation of 2017 A-Share Dividend Distribution. For details thereof, 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).

7.2.2 2018 Interim Profit Distribution

No interim plan for either profit distribution or transfer of capital reserve to share capital will be applied for 2018.

7.2.3 Distribution of Dividends on Preference Shares

The Bank approved the 2018 Dividend Distribution Plan of Preference Shares at the meeting of the Board of Directors convened on 27 August 2018, approving that the preference share dividends accrued between 26 October 2017 and 25 October 2018 would be paid on 26 October 2018. The Bank will distribute dividends on the preference shares to all the shareholders of "CITIC Excellent 1" (with the preference stock code of 360025) registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch after the close of trading on the SSE on 25 October 2018. The Bank will pay out a preference dividend of RMB3.80 per share (tax inclusive) calculated at a nominal dividend rate of 3.80%, with a total dividend payment amounting to RMB1.330 billion (tax inclusive). The dividends on the preference shares will be paid on 26 October 2018 (Friday), with the record date and ex-dividend date being 25 October 2018 (Thursday) and the last trading date being 24 October 2018 (Wednesday). The dividends on the preference shares will be fully paid by the Bank itself. Resident enterprise shareholders (including institutional investors) as defined by the Enterprise Income Tax Law of the People's Republic of China shall pay income tax on their preference share cash dividends on their own; and other preference shareholders shall pay income tax on their preference share cash dividends pursuant to relevant regulations.

7.3 Material Contracts and Their Performance

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

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

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

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

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

7.5 Material Related Party Transactions

When engaging in related party transactions with related parties during its ordinary and usual course of business, the Bank followed general commercial principles and executed the transactions with terms available to the 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 "Related Parties and Related Party Transactions" to the financial statements contained in this report.

7.5.1 Related Party Transactions Involving Disposal and Acquisition of Assets

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

7.5.2 Credit Extension Continuing Related Party Transactions

With approval from the 2nd Extraordinary General Meeting of 2017 convened on 30 November 2017, and in line with the need for business development, the Bank respectively applied to the SSE and the SEHK for the annual caps on credit extension for related party transactions with CITIC Group and its related parties, Xinhu Zhongbao and its related parties, and China Tobacco and its related parties from 2018 to 2020, which came to the amounts of RMB150 billion, RMB20 billion and RMB20 billion respectively, provided that all regulatory requirements applicable to the Bank were complied with. Credit extension transactions between the Bank and the above-mentioned related parties followed general commercial principles and were executed with terms 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 more intensive 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 RMB42.513 billion, including RMB37.636 billion to CITIC Group and its related parties, RMB4.702 billion to Xinhu Zhongbao and its related parties, RMB0.175 billion to Poly Group and its related parties and no credit to China Tobacco and its related parties. Such credit extensions to related companies were performing loans of good quality and will not exert material impacts on the normal operation of the Bank in terms of transaction volume, structure and quality.

The Bank stringently followed the SSE and CBIRC requirements on review 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 Exchanges 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 party loans between the Bank and CITIC Group and its related parties, between the Bank and Xinhu Zhongbao and its related parties, between the Bank and China Tobacco and its related parties, and between the Bank and Poly Group and its related parties had no adverse impact on the operating results or financial position of the Bank.

7.5.3 Non-Credit Extension Continuing Related Party Transactions

With approval from the 25th meeting of the 4th Session of the Board of Directors convened on 24 August 2017 and the 2nd Extraordinary General Meeting of 2017 convened on 30 November 2017, and in line with the need for business development, the Bank applied to the SSE and the SEHK for the annual caps on the seven main categories of non-credit extension continuing related party transactions with CITIC Group and its related parties for 2018-2020. Non-credit extension transactions between the Bank and the above-mentioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties for similar transactions.

During the reporting period, the Bank, Xinhu Zhongbao and its related parties, China Tobacco and its related parties, and Poly Group and its related parties did not apply for annual caps on non-credit extension continuing related party transactions. None of the transactions between the Bank and the above-mentioned related parties reached the SSE or 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 related parties according to the applicable provisions of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Chapter 10 of the Rules of the Shanghai Stock Exchange for the Listing of Stocks. Particulars thereof are described as follows:

7.5.3.1 Third-Party Escrow Services

According to the Third-Party Escrow Services Framework Agreement entered into between the Bank and CITIC Group in August 2017, third-party escrow services between the Bank and CITIC Group and its related parties 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 related parties shall be determined on the basis of relevant market rates and subject to periodic reviews. In 2018, the annual cap for the Bank's transactions with CITIC Group and its related parties under the Third-Party Escrow Service Framework Agreement was RMB80 million. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB5 million, which did not exceed the approved annual cap.

7.5.3.2 Asset Custody Services

According to the Asset Custody Services Framework Agreement entered into between the Bank and CITIC Group in August 2017, asset custody services, account management services and third-party regulatory services provided between the Bank and CITIC Group and its related parties 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 2018, the annual cap for the Bank's transactions with CITIC Group and its related parties under the Asset Custody Services Framework Agreement was RMB1.4 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB288 million, which did not exceed the approved annual cap.

7.5.3.3 Financial Consulting Service and Asset Management Service

According to the Financial Consulting Service and Asset Management Service Framework Agreement entered into between the Bank and CITIC Group in August 2017, the financial consulting service and asset management service provided between the Bank and CITIC Group and its related parties 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 2018, the annual cap for the Bank's transactions with CITIC Group and its related parties under the Financial Consulting Service and Asset Management Service Framework Agreement was RMB4.5 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB154 million, which did not exceed the approved annual cap.

7.5.3.4 Capital Transactions

According to the Capital Transactions Framework Agreement entered into between the Bank and CITIC Group in August 2017, the Bank and CITIC Group and its related parties 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, currency market transactions, and bond transactions, the two parties shall price their transactions according to publicly available market prices; for agency settlement of bonds, the two parties shall decide on the rates thereof according to prevailing industrial regulations; and for financial derivatives, transaction prices shall be fixed in accordance with factors such as the level of market activity of the underlying products, openly available market quotes and the Bank's requirements relating to the management of various risks. In 2018, the annual caps for the Bank's transactions with CITIC Group and its related parties under the Capital Transactions Framework Agreement between the Bank and CITIC Group were: RMB1.5 billion for gains and losses of transactions, RMB2.5 billion for fair value of derivative financial instruments recorded as assets, and RMB4.5 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: RMB54 million for gains and losses, RMB52 million for fair value recorded as assets and RMB31 million for fair value recorded as liabilities, none of which exceeded the corresponding approved annual caps of the Bank.

7.5.3.5 Comprehensive Services

According to the Comprehensive Services Framework Agreement entered into between the Bank and CITIC Group in August 2017, CITIC Group and its related parties 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 related parties 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 according to applicable market prices and rates. In 2018, the annual cap for the Bank's transactions with CITIC Group and its related parties under the framework agreement was RMB3.5 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB864 million, which did not exceed the approved annual cap.

7.5.3.6 Asset Transfer

According to the Asset Transfer Framework Agreement entered into between the Bank and CITIC Group in August 2017 and approved by the Bank's 2017 Second Extraordinary General Meeting convened on 30 November 2017, the transactions involving asset transfer between the Bank and CITIC Group and its related parties 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, make a parity transfer without discount or premium, and prioritize the consideration of post-transfer obligations to be performed by the transferor and the transferee in addition to the consideration of market supply and demand; (2) for transfer of assets in asset securitization, the Bank shall use the loan principal as the transaction price when transferring a credit asset to a related party. Except for securitization of non-performing assets, the Bank shall make parity transfers in general. In terms of the issuance rate of the asset-backed securities, the prioritized asset-backed securities (with exclusion of the sections held by the originating institutions) are determined by the approach of single spread (Netherland Style) or book building through the bidding system of China Central Depository & Clearing Co., Ltd., and the secondary asset-backed securities (with exclusion of the sections held by the originating institutions) are determined by the number of tenders or by the book building approach; and (3) where there is no transfer price 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 2018, the annual cap for the Bank's transactions with CITIC Group and its related parties under the Asset Transfer Framework Agreement was RMB210.000 billion. As at the end of the reporting period, the actual transaction amount incurred under the framework agreement was RMB3.879 billion, which did not exceed the Bank's approved annual cap.

7.5.3.7 Wealth Management and Investment Services

According to the Wealth Management and Investment Services Framework Agreement entered into between the Bank and CITIC Group in August 2017 and approved by the Bank's 2017 Second Extraordinary General Meeting convened on 30 November 2017, the Bank and CITIC Group and its related parties 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 related parties 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 related parties 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 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 2018, the Bank's annual caps for wealth management and investment services provided in connection with CITIC Group and its related parties under the Wealth Management and Investment Service Framework Agreement were: RMB2 billion for fees relating to non-principal-protected wealth management and agency services, RMB10 billion for period-end balance of principal in principal-protected wealth management services for customers, RMB400 million for yields on wealth management for customers, RMB85 billion for period-end balance of investment funds, and RMB5.5 billion for the sum of the Bank's return on investment and payment of service fees to intermediaries. As at the end of the reporting period, the actual amounts incurred under the framework agreement were the following: RMB362 million for fees relating to non-principal-protected wealth management and agency services, RMB557 million for period-end balance of principal in principal-protected wealth management services for customers, RMB6 million for yields on wealth management for customers, RMB18.584 billion for period-end balance of investment funds, and RMB78 million for the sum of the Bank's return on investment and payment of service fees to intermediaries. None of the actual amounts exceeded the corresponding approved annual caps.

7.5.4 Related Party Transactions in Joint External Investment

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

7.5.5 Related Party Debt Transactions and Guarantees

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

7.5.6 Transaction Balances and Risk Exposures of Related Natural Persons

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

7.6 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 105 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Group's ordinary and usual course of business with the Group being the defendant/respondent and with the disputed amount aggregating RMB565 million.

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

7.7 Undertakings by the Company and Its Relevant Shareholders

On 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.

Save and except for the above-mentioned 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 facto controller, acquirers, directors, supervisors, senior management members or other related parties.

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

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

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

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

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members, controlling shareholder or de facto controller had any record of being subject to investigation by competent authorities or coercive measures by judicial bodies or disciplinary bodies, transfer to judicial bodies or accountability of criminal liabilities, case investigation or administrative penalties by CSRC, ban of entry into securities markets, being identified as inappropriate candidates, material administrative punishments by environmental protection, work safety, taxation or other administrative authorities, or public censure by any stock exchange; nor was the Bank subject to regulatory and administrative measures or requirements for remedial actions within prescribed time limits by the CSRC or its dispatched agencies.

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.

7.10 Compliance with the Corporate Governance Code under the SEHK Listing Rules

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the Corporate Governance Code set out in Appendix 14 of the SEHK Listing Rules throughout the six months ended 30 June 2018, 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 practice complies with applicable PRC laws and regulations, and reasonable time is deemed to have been given.

According to Code A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend the general meetings. Some directors were unable to attend the general meetings of the Bank in person due to conflict of timing or other arrangements.

According to Code A.5.1 of the Corporate Governance Code, independent non-executive directors shall make the majority members on the Nomination and Remuneration Committee. At present, the Nomination and Remuneration Committee is chaired by Mr. Qian Jun, and its members are Ms. Huang Fang and Mr. Yan Lap Kei Isaac. Mr. Yan Lap Kei Isaac will officially assume his membership on the Nomination and Remuneration Committee as of the date when the regulator approves his qualifications for directorship of the Bank, prior to which time his relevant duties on the committee will be performed on his behalf by the other two members.

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 the improvement of internal control of banks. Therefore, the Bank will follow the requirements of external regulators and the work requirements of listed companies to continuously optimize its internal control and management.

7.11 Review of Interim Results

The Audit and Related Party Transactions Control Committee under the Board of Directors and the senior management of the Bank reviewed the accounting policies and practices adopted by the Bank, discussed matters relating to internal control and financial reporting, and reviewed this interim report.

In this interim report, the Bank applied Accounting Standards for Business Enterprises No.14 – Revenue (as revised by MOF in 2017), and Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, No. 23 – Transfer of Financial Assets, No. 24 – Hedge Accounting and No. 37 – Presentation and Reporting of Financial Instruments (collectively referred to as the “new standards on financial instruments”, as revised by MOF in March 2017). The Bank reflected these changes in accounting policies in its 2018 interim financial statements, without restating the data for the comparable periods as per relevant requirements. Except for the afore-mentioned changes, the accounting policies the Group adopted for the interim financial report were consistent with those adopted for the preparation of the financial statements of the Group for the year ended 31 December 2017.

7.12 Equity Incentive Scheme

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

7.13 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.

7.14 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.

7.15 Environment-Related Performance and Policies

In performing its social responsibilities, the Bank strictly abides 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 and implements the development concepts of innovation, coordination, green, open and sharing. The 2018-2020 Development Plan of CITIC Bank makes it clear that during the plan period the Bank will "boost support for the green economy and enhance total-process management of environmental and social risks".

During the reporting period, the Bank continued to strengthen the management of environmental and social risks in accordance with the requirements of the Administrative Measures of CITIC Bank on Implementation of Green Credit and the Administrative Measures of CITIC Bank for the Classification of Environmental and Social Risks, and integrated the 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.

During the reporting period, the Bank formulated the 2018 Credit Policy of CITIC Bank, defining green finance as its credit policy. First, in line with its industry stratification and customer policy and under the premise of risk controllability and business sustainability, the Bank followed the business orientation of green finance and gradually realized the green transformation of its customer structure by rendering further credit support to some customers and exiting from some others. Second, the Bank strictly controlled credit extension to the "high energy consumption, high emission and overcapacity" industries, classified the different enterprises in these industries for implementation of different policies, identified different situations and adopted different measures such as "support, maintain, reduce and exit". Continuing support was rendered to premium enterprises that were characterized by advanced technology, high efficiency, good potentials and ready markets. With regard to other enterprises, the Bank developed relevant programs as soon as possible to gradually reduce its support or make an exit. At the same time, the Bank strengthened credit management of enterprises with major risks such as environmental and safety risks, including those involved in violation of environmental protection laws and regulations, irregular production activities, obsolete production capacity, and non-compliance with measures on prevention and control of occupational diseases. Third, the Bank reinforced management of environmental and social risks. With regard to customers with higher risks, efforts were made to intensify total-process management, covering pre-lending investigation, review and approval of loan applications, contract management, review of loan use and post-lending management, so that environmental and social risks could be placed under effective control. Fourth, the Bank set goals for development of green finance and integrated the provision of green financial services into the bank-wide program on comprehensive performance evaluation so as to promote the development of green finance services.

7.16 Access to the Interim Report

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

8.1 Changes in Ordinary Shares

8.1.1 Table on Changes in Shareholdings

Unit: share

	31 December 2017		Changes (+, -)					30 June 2018	
	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**

8.1.2 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, 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 total. As per the duration of restrictions on sale, the privately offered shares subscribed for by China Tobacco 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.

8.2 Issuance and Listing of Securities

8.2.1 Issuance of Bonds

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

8.2.2 Issuance of Convertible Bonds

The Bank proposed to make a public issuance of up to RMB40 billion A-share convertible corporate bonds. The plan on this public issuance 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 of 2017, the 1st A Shareholders Class Meeting of 2017, and the 1st H Shareholders Class Meeting of 2017 convened on 7 February 2017.

The CBIRC (formerly CBRC) issued the Reply of the China Banking Regulatory Commission on Approving the Relevant Matters relating to CITIC Bank's Public 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 public issuance of A share convertible corporate bonds. On 24 November 2017, the Bank disclosed the Announcement of China CITIC Bank Corporation Limited on Its Reply 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 Corporate Bonds at the 1st Extraordinary General Meeting of 2018, the 1st A Shareholders Class Meeting of 2018 and the 1st H Shareholders Class Meeting of 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.

8.3 Information on Ordinary Shareholders

8.3.1 Total Number of Shareholders

As at the end of the reporting period, the Bank had 178,485 accounts of ordinary shareholders in total, including 148,279 accounts of A shareholders and 30,206 accounts of registered H shareholders, and no preference shareholders with restored voting right.

8.3.2 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	Overseas legal person	H share	12,125,901,156	24.78	0	6,546,994	Unknown
3	China Tobacco Corporation	State-owned legal person	A share	2,147,469,539	4.39	2,147,469,539	0	0
4	China Securities Finance Corporation Limited	State-owned legal person	A share	1,101,122,280	2.25	0	68,452,463	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	Macao Monetary Authority-proprietary fund	Overseas legal person	A share	71,572,948	0.15	0	34,601,745	0
8	Hong Kong Securities Clearing Company Limited	Overseas legal person	A share	61,867,913	0.13	0	15,657,653	0
9	National Social Security Fund 412 Portfolio	State-owned legal person	A share	39,129,900	0.08	0	39,129,900	0
10	Mao Tian Capital Limited	State-owned legal person	A share	31,034,400	0.06	0	0	0

Note: (1) Except for CITIC Corporation Limited, the shareholdings of A-share holders and H-share holders in the table above were calculated based on the Bank's share registers respectively maintained with China Securities Depository and Clearing Corporation Limited Shanghai Branch and Computershare Hong Kong Investor Services Limited.

(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 the end of the reporting period. 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 shares, 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 shares, 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 Nominees Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares. Summit Idea Limited is a wholly-owned affiliate of Xinhu Zhongbao Co., Ltd ("Xinhu Zhongbao"). In addition to the afore-mentioned stake, Hong Kong Xin Hu Investment Co., Ltd., a wholly-owned subsidiary of Xinhu Zhongbao, also owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares.

(5) Note on connected relations or concerted actions of the above ordinary shareholders: Hong Kong Securities Clearing Company Nominees Limited is a wholly owned subsidiary of Hong Kong Securities Clearing Company Limited. According to the Report of China Construction Bank Corporation for the First Quarter of 2018, as at 31 March 2018, 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.

8.3.3 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	Class and number of shares: Number
1	CITIC Corporation Limited	31,988,728,773	A Share H Share	28,938,928,294 3,049,800,479
2	Hong Kong Securities Clearing Company Nominees Limited	12,125,901,156	H Share	12,125,901,156
3	China Securities Finance Corporation Limited	1,101,122,280	A Share	1,101,122,280
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	Macao Monetary Authority-proprietary fund	71,572,948	A Share	71,572,948
7	Hong Kong Securities Clearing Company Limited	61,867,913	A Share	61,867,913
8	National Social Security Fund 412 Portfolio	39,129,900	A Share	39,129,900
9	Mao Tian Capital Limited	31,034,400	A Share	31,034,400
10	Kuwait Investment Authority – proprietary fund	29,989,618	A Share	29,989,618

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

The table below sets out the interests and short positions in the ordinary shares and underlying shares of the Bank held by substantial shareholders and other persons as recorded in the register that the Bank maintained pursuant to Section 336 of the Securities and Futures Ordinance as at the end of the reporting period.

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)	22.02(L)	H share
	28,938,928,294(L)	84.98(L)	A share
CITIC Corporation Limited	7,018,100,475(L)	47.16(L)	H share
	710(S)	0.00(S)	H share
	28,938,928,294(L)	84.98(L)	A share
CITIC Limited	3,276,373,479(L)	22.02(L)	H share
	28,938,928,294(L)	84.98(L)	A share
CITIC Shengxing Co., Ltd.	7,018,099,055(L)	47.16(L)	H share
	28,938,928,294(L)	84.98(L)	A share
Summit Idea Limited	2,292,579,000(L)	15.40(L)	H share
Total Partner Global Limited	2,292,579,000(L)	15.40(L)	H share
	2,292,579,000(S)	15.40(S)	
Li Ping	2,398,165,000(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
Xinhu Zhongbao 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
BlackRock, Inc.	781,392,162(L)	5.25(L)	H share
	303,000(S)	0.00(S)	

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 Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

8.5 Controlling Shareholder and De Facto Controller of the Bank

8.5.1 Changes in controlling shareholder and de facto controller

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

8.5.2 Information on the controlling shareholder and the de facto controller

As at the end of the reporting period, CITIC Corporation Limited was the controlling shareholder of the Bank; CITIC Limited was the single direct controlling shareholder of CITIC Corporation Limited; and 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 domestically 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 (currently CBIRC), 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 shares 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%.

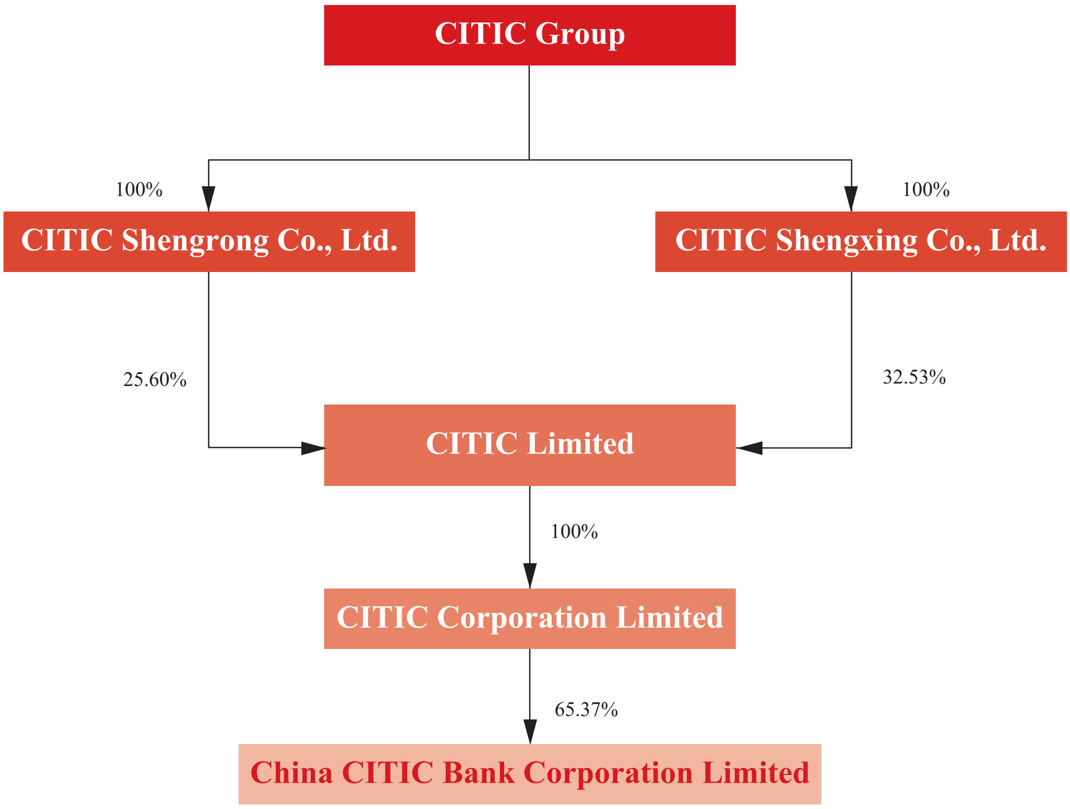
In January 2016, CITIC Limited notified the Bank that it planned to increase its shareholding in the Bank by 21 January 2017 when it is appropriate, provided that the accumulative percentage of such incremental shareholding did not exceed 5% of the Bank's total shares. As at 21 January 2017, the implementation 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, including 28,938,928,294 A shares and 3,345,299,479 H shares and together representing 65.97% of the total shares of the Bank.

As at the end of the reporting period, CITIC Group's legal representative was Chang Zhenming. Its business scope covered: information services under value-added telecommunication services of Category II (only restricted to internet information services) which exclude press, publication, education, medical and health care, pharmaceuticals, and medical devices but include electronic advertising services, and will expire on 9 January 2019; external allocation of required workers to overseas projects compatible with its resources, scale and business performance; investment in and management of domestic and overseas financial enterprises and related industries including banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; investment businesses in energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, information infrastructure, basic telecommunications and value-added telecom services, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, publication, media, culture and sports, domestic and overseas project design, construction, contracting and sub-contracting, and industrial investment; project tendering, exploration, design, construction, supervision, contracting and sub-contracting and consulting services; asset management; capital operation; and import and export. (The entity shall discretionally choose its business projects and conduct its business activities according to the law; it shall 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 it 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 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 shall 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 shares of the Bank, including 28,938,928,294 A shares and 3,049,800,479 H shares.

The chart below sets out the ownership structure between the Bank, its controlling shareholder and its de facto controller as at the end of the reporting period[1]:



1 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 issued shares of the Bank, in addition to which, CITIC Limited also held part of the Bank's shares via its wholly-owned subsidiaries and CITIC Corporation Limited's wholly-owned subsidiaries.

8.6 Information on Other Substantial Shareholders

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

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 shares, with 1,123,363,710 H Shares of the Bank pledged as collateral as at the end of the reporting period. Summit Idea Limited is a wholly owned affiliate of Xinhu Zhongbao. In addition to the afore-mentioned stake, Xinhu Zhongbao also directly owned 153,686,000 H shares of the Bank via its wholly owned subsidiary Hong Kong Xinhu Investment Co., Ltd, taking up 0.314% of the Bank's total shares. Xinhu Zhongbao (SH.600208) was listed on the Shanghai Stock Exchange in 1999. Its principal business is real estate and finance. As at the end of December 2017, the company recorded registered capital of RMB8.599 billion, total assets of RMB124.5 billion and net assets of RMB32 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, Xinhu Zhongbao has developed more than 50 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 Zhongbao 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 ecosphere, 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. As at the end of the reporting period, China Tobacco held 2,147,469,539 A shares of the Bank, accounting for 4.39% of the Bank's total shares, with no pledge of the Bank's equity as collateral. China Tobacco is an enterprise owned by the whole people with registered capital of RMB57 billion. Its legal representative is Ling Chengxing. 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.

Poly Group is a large-scale central state-owned enterprise administered by the State-owned Assets Supervision and Administration Commission of the State Council. As at the end of the reporting period, Poly Group held 27,216,400 A shares of the Bank, accounting for 0.056% of the Bank's total shares, with no pledge of the Bank's equity as collateral. Poly Group was incorporated in 1992 with approval of the State Council and the Central Military Commission. Its registered place is 28th Floor, No. 1 Chaoyangmen Beidajie, Dongcheng District, Beijing and its legal representative is Zhang Zhengao. With registered capital of RMB2 billion, Poly Group is mainly engaged in the following core businesses: military and civilian goods trade, real estate development, light industry research and development and related engineering services, arts and crafts business and services (both raw materials and products), culture and arts business, and production and sale of explosives for civilian uses and related services. As at the end of December 2017, Poly Group registered total assets of RMB904.363 billion and net assets of RMB202.532 billion. Poly Group has established a development pattern focusing on international trade, real estate development, culture and arts business, production and sale of explosives for civilian uses, development and application of light industry materials and products, and development and utilization of raw materials for arts and crafts. Its business spreads over 100 countries around the world and more than 100 cities in China.

Chapter 9 *Preference* Shares

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

After obtaining the Reply of China Banking and Insurance Regulatory Commission (formerly known as 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.

9.2 Number of Preference Shareholders and Their Shareholdings

As at the end of the reporting period, the Bank recorded 31 accounts of preference shareholders. Information on the top 10 preference shareholders is set out in the table below.

Unit: shares

No.	Name of shareholder (full name)	Nature of Shareholder	Changes in shareholding in the reporting period (+, -)	Number of shares held at the end of the period	Shareholding percentage (%)	Class of shares held	Number of shares subject to restrictions on sale	Shares pledged or frozen Status	Quantity
1	China Mobile Communications Group Corporation Limited[1]	State – owned legal person	–	43,860,000	12.53	Onshore preference shares	–	–	–
2	China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai	Other	–	38,430,000	10.98	Onshore preference shares	–	–	–
3	China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai	Other	–	38,400,000	10.97	Onshore preference shares	–	–	–
4	China Ping An Life Insurance Co., Ltd. – Universal – Individual Universal Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
5	China Ping An Life Insurance Company Limited – Dividends – Dividends for Individual Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
6	BOCOM International Trust Co., Ltd. – Jin Sheng Tian Li No. 1 Single Fund Trust	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
7	Puyin Ansheng Fund Company – SPDB – Shanghai Pudong Development Bank 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	–	–	–

Note: (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.

9.3 Dividend Distribution for Preference Shares

9.3.1 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.

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

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.

9.3.2 Payment of dividends on preference shares during the reporting period

The Bank did not make any payment of dividends on its preference share during the reporting period. The Bank adopted the 2018 Plan on Payment of Dividends on Preference Shares at the Board meeting convened on 27 August 2018, approving that the preference-share dividends accrued between 26 October 2017 and 25 October 2018 would be paid on 26 October 2018.

9.3.3 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%**	–	–

Note: (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.

9.4 Redemption or Conversion of Preference Shares

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

9.5 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.

9.6 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.

10.1 Information on Directors, Supervisors and Senior Management Members

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

Name	Position	Name	Position
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

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

Name	Position	Name	Position
Liu Cheng	Chairman of the Board of Supervisors	Deng Changqing	Shareholder Representative Supervisor
Wang Xiuhong	External Supervisor	Jia Xiangsen	External Supervisor
Zheng Wei	External Supervisor	Cheng Pusheng	Employee Representative Supervisor
Chen Panwu	Employee Representative Supervisor	Zeng Yufang	Employee Representative Supervisor

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

Name	Position	Name	Position
Sun Deshun	Executive Director, President	Fang Heying	Vice President, CFO
Guo Danghuai	Vice President	Yang Yu	Vice President
Mo Yue	Secretary of the Committee for Disciplinary Inspection	Hu Gang	Vice President
Yao Ming	Chief Risk Officer	Lu Wei	Secretary to the Board of Directors

10.2 Appointment and Departure of Directors, Supervisors and Senior Management Members

10.2.1 Directors

In January 2018, Mr. Chang Zhenming, director of the Bank, 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.

On 25 May 2018, the term of the 4th session of the Board of Directors of the Bank expired. At the 2017 Annual General Meeting, the Bank elected the 5th session of the Board of Directors. As of 25 May 2018, the Bank has Ms. Li Qingping serve as executive director and chairperson of the 5th session of the Board of Directors; Mr. Sun Deshun as executive director of the 5th session of the Board of Directors and President of the Bank; Mr. Zhu Gaoming, Mr. Cao Guoqiang, Ms. Huang Fang and Mr. Wan Liming as non-executive directors of the 5th session of the Board of Directors; and Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Yan Lap Kei Isaac as independent non-executive directors of the 5th session of the Board of Directors. Among them, Ms. Li Qingping, Mr. Zhu Gaoming, Mr. Cao Guoqiang, Ms. Huang Fang and Mr. Wan Liming were nominated by the 4th session of the Board of Directors with recommendations from relevant shareholders of the Bank. Mr. Cao Guoqiang and Mr. Yan Lap Kei Isaac will assume their directorship upon approval of regulatory authorities of their qualifications for office. The remaining directors were re-elected and took office on 25 May 2018. Before Mr. Yan Lap Kei Isaac officially takes office, Ms. Wu Xiaoqing and Mr. Wong Luen Cheung Andrew, independent non-executive directors of the 4th session of the Board of Directors serving the Bank for nearly six years, continue to perform their duties.

10.2.2 Supervisors

In February 2018, Mr. Shu Yang resigned his positions as supervisor, 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, Mr. Cao Guoqiang resigned his positions as chairman and member of the Board of Supervisors of the Bank due to work rearrangements, with effect from 23 March 2018.

On 20 April 2018, all employee representatives at the Employee Representative Assembly of the Bank elected Mr. Liu Cheng employee representative supervisor of the 4th session of the Board of Supervisors of the Bank. On 23 April 2018, the 27th meeting of the 4th session of the Board of Supervisors of the Bank elected Mr. Liu Cheng chairman of the 4th session of the Board of Supervisors. Mr. Liu Cheng officially assumed his chairmanship on 23 April 2018.

On 25 May 2018, the term of the 4th session of the Board of Supervisors of the Bank expired. After election at the Employee Representative Assembly on 24 May 2018 and deliberation at the 2017 Annual General Meeting on 25 May 2018, the Bank elected the 5th session of the Board of Supervisors. As of 25 May 2018, the Bank has Mr. Liu Cheng serve as chairman of the 5th session of the Board of Supervisors; Mr. Deng Changqing as shareholder representative supervisor of the 5th session of the Board of Supervisors; Ms. Wang Xiuhong, Mr. Jia Xiangsen and Mr. Zheng Wei as external supervisors of the 5th session of the Board of Supervisors; and Mr. Cheng Pusheng, Mr. Chen Panwu and Ms. Zeng Yufang as employee representative supervisors of the 5th session of the Board of Supervisors of the Bank. Among them, Mr. Deng Changqing is a new supervisor and the remaining supervisors were re-elected, all of whom took office on 25 May 2018.

10.2.3 Senior Management Members

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

10.3 Position Changes of Directors, Supervisors and Senior Management Members

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

10.4 Profile of Staff and Affiliates

By the end of the reporting period, the Group had 55,602 employees of all categories, including 51,508 employees under labor contracts with the Group, 4,094 employees dispatched to the Group or hired with letters of engagement by the Group, and 1,281 retirees.

During the reporting period, the Bank continued to deepen its human resources reform in close alignment with its 2018-2020 development plan. With the overall guidance of "new layout, new services and new experiences", the Bank promoted the transformation of human resources management towards human capital management, focusing on key businesses and key talents. In particular, the Bank rationally prepared personnel plans, adjusted and controlled the total number of employees, optimized the human resources structure, and endeavored to match human resources allocation with operational and managerial requirements. In addition, it strengthened value assessment and dynamic management of posts to practice the differentiated remuneration system, optimize performance evaluation of teams and individuals and push for more standard and reasonable performance and remuneration management. Further, the Bank strengthened cadres' selection and appointment by promoting job rotation, improving the mechanism for both upward and downward movement and cultivating different echelons of cadres. It also expanded career development of employees and made efforts to construct a more solid talent base consisting of high-level, high-quality and diversified talent teams at multiple layers. Besides, the Bank reinforced training management by stratum and category, emphasized training system and brand building, and promoted training and examination for qualification certification of all employees. These efforts boosted career development of employees and enhanced capacity building of all teams as a whole.

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	1,581	1,150,373	Business Department of the Head Office	2,978	713,323
Tianjin Branch	964	80,215	Shijiazhuang Branch	1,803	75,407
Jinan Branch	1,497	90,668	Qingdao Branch	1,693	99,378
Shanghai branch	1,628	301,771	Nanjing Branch	3,067	293,365
Suzhou Branch	1,031	126,176	Hangzhou Branch	3,251	376,270
Ningbo Branch	833	74,166	Fuzhou Branch	1,455	68,275
Xiamen Branch	501	33,684	Guangzhou Branch	2,400	249,860
Shenzhen Branch	1,520	384,862	Dongguan Branch	873	50,290
Haikou Branch	336	15,601	Hefei Branch	1,073	96,433
Zhengzhou Branch	2,319	179,716	Wuhan Branch	1,383	140,074
Changsha Branch	1,196	71,971	Nanchang Branch	653	58,826
Taiyuan Branch	907	53,444	Chongqing Branch	1,024	107,726
Nanning Branch	540	31,908	Guiyang Branch	422	30,332
Hohhot Branch	937	69,627	Yinchuan Branch	250	14,824
Xining Branch	220	9,711	Xi'an Branch	1,066	67,173
Chengdu Branch	1,180	118,587	Urumqi Branch	339	25,512
Kunming Branch	821	41,539	Lanzhou Branch	328	13,057
Lhasa Branch	114	9,232	Harbin Branch	513	25,677
Changchun Branch	460	25,789	Shenyang Branch	1,447	44,714
Dalian Branch	863	58,236	London Representative Office	7	–
Sydney Representative Office	4	–			

Notes: The numbers of staff and entities above do not include that of subsidiaries and joint ventures. Except the above numbers, the Bank also have 510 staff in the Data Center and Software Development Center, which are units directly under the Head Office, and 6,238 staff in the Credit card center.

11.1 Overall Profile of Corporate Governance

During the reporting period, the Bank made further efforts to improve its corporate governance system and mechanism so as to ensure coordinated operation of all governance bodies. The governance bodies of the Bank reinforced their institutional development, intensified management of duty performance, expanded channels for duty performance and upgraded performance capability. The Bank completed the election of the Board of Directors and the Board of Supervisors on the expiry of the term of office, and further improved the composition of the specialized committees under the two boards to better adapt to the new situations and new requirements. Engagement of each and every board director was decided based on comprehensive consideration of the competence, skills, knowledge and experience needed for overall operation of the Board of Directors. The membership composition of the Board of Directors complied with Code A.5.6 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules regarding diversification of board membership. The Bank implemented decisions made by its Board of Directors and Board of Supervisors with greater vigor, facilitating better application of governance results. The corporate governance framework of the Bank and its operation complied with relevant provisions and requirements of the CBIRC, securities regulators of its listing venues and the listing rules. This ensured full function of its Board of Directors, Board of Supervisors and their specialized committees, safeguarding the Bank's development with robust corporate governance.

During the reporting period, in accordance with its Articles of Association, the Bank convened 4 general meetings, 6 meetings of the Board of Directors and 6 meetings of the Board of Supervisors. The general meetings included the 1st Extraordinary General Meeting of 2018, the 1st A Shareholders Class Meeting of 2018 and the 1st H Shareholders Class Meeting of 2018, and the 2017 Annual General Meeting. The general meetings, the meetings of the Board of Directors and those of the Board of Supervisors were all held in compliance with relevant laws and regulations and the procedures specified in the Articles of Association of the Bank.

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

11.2.1 General Meetings

During the reporting period, the Bank convened the 1st Extraordinary General Meeting of 2018, the 1st A Shareholders Class Meeting of 2018 and the 1st H Shareholders Class Meeting of 2018 on 6 February 2018, and the 2017 Annual General Meeting on 25 May 2018 in accordance with the listing rules of the two listing venues and its Articles of Association. The meetings deliberated and approved the proposals regarding the Bank's 2017 Annual Report, 2017 Final Accounts Report, 2017 Profit Distribution Plan, 2018 Financial Budget Plan, 2018 Plan for Engagement of Accounting Firms and Their Fees, 2017 Report of the Board of Directors, 2017 Report of the Board of Supervisors, election of directors of the fifth session of the Board of Directors, election of non-employee representative supervisors of the fifth session of the Board of Supervisors, remuneration policy regarding directors of the fifth session of the Board of Directors, remuneration policy regarding supervisors of the fifth session of the Board of Supervisors, 2018-2020 Plan on Return for Shareholders, 2018-2020 Medium Term Capital Plan, Extension of the Validity Period of the Resolution of the General Meeting in respect of the Public Issuance of A Share Convertible Corporate Bonds, and Request to the General Meeting for Extension of the Authorization Period regarding the Board of Directors' Handling of Matters in Relation to the Issuance and Listing of A Share Convertible Corporate Bonds. As such, the general meetings safeguarded legitimate rights and interests of all shareholders, ensured lawful exercise of rights by shareholders, and were critical for promoting long-term, robust and sustainable development of the Bank. Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 7 February 2018 and 26 May 2018 for detailed information thereof.

11.2.2 Board of Directors

During the reporting period, the Board of Directors of the Bank convened 6 meetings in accordance with the listing rules of the two listing venues and the Bank's Articles of Association. The meetings deliberated and approved the proposals regarding the Bank's 2017 Annual Report, 2017 Report on Internal Control Assessment, 2017 Social Responsibility Report, 2017 Report on Environment, Society and Governance, 2017 Profit Distribution Plan, 2018-2020 Development Plan, 2018-2020 Plan on Return for Shareholders, 2018-2020 Medium Term Capital Management Plan, 2018 Business Plan, 2018 Financial Budget Plan, 2018 Plan for Engagement of Accounting Firms and Their Fees, 2017 Report of the Board of Directors, 2018 Work Plan of the Board of Directors, 2018 Audit Plan, 2018 Statement on Risk Preference and Programs of Consolidated Subsidiaries on Risk Preference, First Quarterly Report of 2018, Amendments to the Articles of Association, Report of the Board of Supervisors on Annual Performance Assessment of Directors in 2017, candidates for the fifth session of the Board of Directors and the composition of its specialized committees, capital increase for CITIC aiBank Corporation Limited, participation in funding the National Financing Guarantee Fund, revision of the internal audit charter, and the overall plan on developing the information technology risk management system, and submitted relevant proposals to the general meetings for resolution by voting. At the same time, the Board of Directors regularly listened to presentations on the implementation of the agreed matters to ensure effective application of Board results.

During the reporting period, the Board of Directors listened to and discussed important presentations respectively regarding its 2017 operating results, implementation assessment of the 2015-2017 Strategy, disposal of problem assets in 2017, cooperation with the top ten group loan customers in 2017, risk management in 2017, 2017 Report on the Credit Risk Internal Rating System, 2017 Report on Management of Liquidity Risk, internal control and compliance work in 2017, audit work in 2017, implementation of consolidation management in 2017, service quality and consumer protection in 2017, 2017 Report on Assessment of Outsourcing Risks, innovation work in 2017, briefing about the work meeting on regulation of listed companies under the jurisdiction of CSRC Beijing Bureau, first quarterly operating results of 2018 and total risk management for the first quarter of 2018. In addition, the Board of Directors gained a comprehensive understanding of the business management, risk management, data governance and consumer rights protection of the Bank by reviewing reference materials submitted by the management.

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

11.2.3 Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank held 6 meetings in accordance with the listing rules of the two listing venues and the Bank's Articles of Association. The meetings deliberated and adopted the proposals regarding the Bank's 2017 Annual Report, 2017 Social Responsibility Report, 2017 Report on Internal Control Assessment, 2017 Profit Distribution Plan, 2017 Report of the Board of Supervisors, First Quarterly Report of 2018, and Report of the Board of Supervisors on Annual Performance Assessment on the Part of the Board of Directors, the Board of Supervisors and Senior Management Members in 2017. As such, the Board of Supervisors actively performed its supervisory duties and responsibilities.

In the reporting period, the Board of Supervisors, in combination with the central tasks of the Bank, placed financial activities, risk management, internal control and performance of due diligence under more stringent supervisory scrutiny. The supervisors listened to important presentations regarding the Bank's business operation in 2017, implementation of consolidation management in 2017, total risk management in 2017, internal control and compliance work in 2017, operating results and total risk management for the first quarter of 2018, discussed relevant issues and expressed their view points in a timely manner. And the follow-up and implementation of the resolutions from Board of supervisors meetings and supervisory suggestions were enhanced to promote the use of supervisory results and effectively improved supervisory effectiveness.

During the reporting period, the Board of Supervisors organized its supervisors for survey of 3 branches (Tianjin, Hefei and Wuhan branches), focusing on implementation of the Bank's 2018-2020 development plan. The Board of Supervisors put the expertise of its supervisors into full play, organized concentrated in-depth discussions, prepared specialized reports, and produced systematic and pertinent comments and suggestions for reference of the Board of Directors and the management, which facilitated better performance of its supervisory function. At the same time, the Board of supervisors also communicated branches' suggestions to the management, which promoted the implementation of the Bank's development plan.

During the reporting period, members of the Board of Supervisors attended the meetings of the Board of Directors and the general meetings as non-voting delegates to ensure adequate supervision over the decision-making process of the Bank's significant events.

11.3 Information Disclosure

The Bank made its information disclosure and published its periodic reports and interim announcements in strict compliance with relevant regulatory requirements of its listing venues. During the reporting period, the Bank published at the SSE and the SEHK over 190 documents including its 2017 Annual Report, First Quarterly Report of 2018 and relevant interim announcements, notifying the market of important information pertaining to its financial performance and significant corporate events in a timely manner. During the reporting period, the Bank continued to standardize the process of information disclosure, enhanced refined management of information disclosure, strengthened process management and quality control, and increased efforts to disclose information about topical investor concerns. All these helped provide investors with timely, adequate and effective information, make interim announcements more proactive and transparent, and safeguard the right of shareholders and investors to information in an effective manner.

11.4 Management of Related Party Transactions

During the reporting period, the Bank continued to attach great importance to the management of related party transactions pursuant to the regulatory requirements of the CBIRC, CSRC, SSE and SEHK, and further consolidated the foundation for such management in combination with regulatory policy trends and requirements of new regulations. The efficiency of management of related party transactions and the degree of refinement both enjoyed further enhancement, which promoted the creation of synergistic value and shareholder value under the premise of compliance 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. In strict compliance with the requirements on management of related party transactions, the managerial and business units of the Bank at all levels effectively 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 to the public and filed them with the CBIRC 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 a fair manner on terms no more favorable than those available to independent third parties and in the overall interests of the Bank and all of its shareholders.

During the reporting period, the Bank strictly followed the new regulatory requirements. In particular, to implement the Interim Measures for Equity Management of Commercial Banks and the supporting documents thereof promulgated by the CBIRC in early 2018, the Bank took the initiative to strengthen communication and coordination with the relevant units of its major shareholders such as CITIC Corporation Limited, Xinhu Zhongbao and China Tobacco, consulted its external auditors and securities lawyers to jointly study and determine the scope of identification in relation to its major shareholders and their related parties, and comprehensively collected relevant information thereof. With the support and coordination of its major shareholders, the Bank submitted the information about its major shareholders and their related parties to the CBIRC as required by the latter, and simultaneously incorporated them into its own name list of related parties for effective management of related party transactions in accordance with the regulatory requirements. At the same time, the Bank established a regular work mechanism with its major shareholders, and dynamically updated the information about such major shareholders and their related parties. The Bank continued to enhance refined management of related party transactions, effectively carried out quota management of such transactions, and further strengthened the routine management as well as statistics and monitoring of the annual caps on related party transactions between the Bank and its major shareholders related parties in the 2018-2020 period pursuant to the rules of the SSE and SEHK. With these efforts, the Bank was able to conduct its related party transactions in an orderly and compliant manner.

11.5 Management of Investor Relations

The Bank built a multi-layer investor communication and service system. To begin with, the Bank conducted comprehensive in-depth interactions with its investors through channels and approaches such as results releases, road shows, open day for investors, collective reception day for investors of listed companies in the Beijing jurisdiction, meetings with visiting investors, investor forums, shareholders' general meetings, the investor hotline and email Q&A and the SSE e-interaction platform. In addition, the Bank established and maintained an information database covering institutional investors, individual investors and minority shareholders. In the light of the information needs of investors, the Bank publicized its operational highlights and continuously interacted with investors. At the same time, the Bank listened carefully to investor suggestions, proactively tracked institutional research opinions and investor concerns, continuously kept an eye on how research institutions rated its stocks and analyzed its business performance and transmitted useful market opinions inward in a timely manner, achieving effective interaction with the capital market.

During the reporting period, the Bank further strengthened its communication with the capital market, and actively publicized its business strategies on aspects such as continuing its business transformation, strengthening its risk prevention and control and consolidating its development foundation, so as to promote investor understanding of the Bank. The Bank held annual results releases and explanations in Beijing and Hong Kong SAR, and organized road shows in mainland China, Hong Kong SAR and other countries and regions. In conjunction with the needs and top concerns of the capital market, the Bank organized a special-theme investor open-day for its credit cards. 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 received capital market participants for more than 1,000 person-times cumulatively by offline interaction like meeting with visiting investors and online interaction such as email and telephone. 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.

Chapter 12 Report on Review of Interim Financial Information

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

Introduction

We have reviewed the interim financial information set out on pages 114 to 208, which comprises the consolidated interim statement of financial position of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2018 and the consolidated interim statement of profit or loss and other comprehensive income, the consolidated interim statement of changes in equity, the consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2018

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

For the six months ended 30 June 2018
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2018 Unaudited	2017 Unaudited
Interest income		**112,379**	110,285
Interest expense		**(62,571)**	(60,791)
Net interest income	4	**49,808**	49,494
Fee and commission income		**24,279**	24,749
Fee and commission expense		**(2,417)**	(1,988)
Net fee and commission income	5	**21,862**	22,761
Net trading gain	6	**3,449**	3,454
Net gain from investment securities	7	**6,295**	743
Net hedging gain		**4**	—
Other operating (expenses)/income		**(38)**	257
Operating income		**81,380**	76,709
Operating expenses	8	**(22,563)**	(21,168)
Operating profit before impairment		**58,817**	55,541
Impairment losses on			
— Loans and advances to customers		**(23,620)**	(21,474)
— Others		**(2,541)**	(2,940)
Total impairment losses	9	**(26,161)**	(24,414)
Revaluation gain on investment properties		**8**	16
Share of loss of associates and joint ventures		**(222)**	(27)
Profit before tax		**32,442**	31,116
Income tax expense	10	**(6,267)**	(6,952)
Profit for the period		**26,175**	24,164
Profit attributable to:			
Equity holders of the Bank		**25,721**	24,011
Non-controlling interests		**454**	153
Profit for the period		**26,175**	24,164
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss when specific conditions are met (net of tax):			
— Fair value changes on available-for-sale financial assets		**N/A**	(4,311)
— Fair value changes on financial assets at fair value through other comprehensive income		**3,557**	N/A
— Impairment allowance on financial assets at fair value through other comprehensive income		**116**	N/A
— Exchange differences on translating foreign operations		**522**	(971)
— Others		**—**	(7)
Items that will not be reclassified to profit or loss (net of tax):			
— Fair value changes on equity instruments designated at fair value through other comprehensive income		**10**	N/A
— Net changes on the measurement of defined benefit plans		**(1)**	—
Other comprehensive income, net of tax	11	**4,204**	(5,289)
Total comprehensive income for the period		**30,379**	18,875
Total comprehensive income attribute to:			
Equity holders of the Bank		**30,014**	18,722
Non-controlling interests		**365**	153
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic and diluted earnings per share (RMB)	12	**0.53**	0.49

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

Chapter 12 Consolidated Interim Statement of Financial Position

As at 30 June 2018
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**30 June 2018 Unaudited**	31 December 2017 Audited
Assets			
Cash and balances with central banks	13	**521,826**	568,300
Deposits with banks and non-bank financial institutions	14	**85,069**	124,350
Precious metals		**8,997**	3,348
Placements with and loans to banks and non-bank financial institutions	15	**207,308**	172,069
Financial assets at fair value through profit or loss	16	**N/A**	65,904
Derivative financial assets	17	**38,327**	65,451
Financial assets held under resale agreements	18	**63,551**	54,626
Interest receivables	19	**28,544**	32,643
Loans and advances to customers	20	**3,287,321**	3,105,984
Investments in financial assets	21		
— Financial assets at fair value through profit or loss		**299,597**	N/A
— Financial assets at fair value through other comprehensive income		**490,346**	N/A
— Financial assets at amortised cost		**670,295**	N/A
Available-for-sale financial assets	22	**N/A**	631,690
Held-to-maturity investments	23	**N/A**	216,586
Investments classified as receivables	24	**N/A**	531,118
Investments in associates and joint ventures	25	**3,066**	2,341
Property, plant and equipment	27	**20,610**	21,330
Intangible assets		**1,016**	1,139
Investment properties	28	**307**	295
Goodwill	29	**861**	849
Deferred tax assets	30	**20,068**	21,825
Other assets	31	**60,335**	57,843
Total assets		**5,807,444**	5,677,691
Liabilities			
Borrowings from central banks		**266,100**	237,600
Deposits from banks and non-bank financial institutions	33	**684,616**	798,007
Placements from banks and non-bank financial institutions	34	**66,870**	77,595
Financial liabilities at fair value through profit or loss		**1,917**	—
Derivative financial liabilities	17	**36,917**	64,937
Financial assets sold under repurchase agreements	35	**70,308**	134,500
Deposits from customers	36	**3,587,994**	3,407,636
Accrued staff costs	37	**7,748**	8,838
Taxes payable	38	**5,051**	8,858
Interest payable	39	**39,465**	39,323
Provisions	40	**5,463**	796
Debt securities issued	41	**555,498**	441,244
Deferred tax liabilities	30	**14**	8
Other liabilities	42	**55,722**	45,916
Total liabilities		**5,383,683**	5,265,258

Chapter 12 Consolidated Interim Statement of Financial Position

As at 30 June 2018
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**30 June 2018 Unaudited**	31 December 2017 Audited
Equity			
Share capital	43	**48,935**	48,935
Preference shares	44	**34,955**	34,955
Capital reserve	45	**58,977**	58,977
Other comprehensive income	46	**(2,947)**	(11,784)
Surplus reserve	47	**30,244**	31,183
General reserve	48	**74,251**	74,251
Retained earnings	49	**166,568**	163,121
Total equity attributable to equity holders of the Bank		**410,983**	399,638
Non-controlling interests	50	**12,778**	12,795
Total equity		**423,761**	412,433
Total liabilities and equity		**5,807,444**	5,677,691

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

Approved and authorised for issue by the board of directors on 27 August 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 12 Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2018
(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary shareholders in subsidiaries	Other equity instruments holders	Total equity
As at 31 December 2017		**48,935**	**34,955**	**58,977**	**(11,784)**	**31,183**	**74,251**	**163,121**	**7,646**	**5,149**	**412,433**
Change in accounting policy		**–**	**–**	**–**	**4,544**	**(939)**	**–**	**(9,502)**	**(235)**	**–**	**(6,132)**
As at 1 January 2018		**48,935**	**34,955**	**58,977**	**(7,240)**	**30,244**	**74,251**	**153,619**	**7,411**	**5,149**	**406,301**
(i) Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**25,721**	**312**	**142**	**26,175**
(ii) Other comprehensive income	11	**–**	**–**	**–**	**4,293**	**–**	**–**	**–**	**(89)**	**–**	**4,204**
Total comprehensive income		**–**	**–**	**–**	**4,293**	**–**	**–**	**25,721**	**223**	**142**	**30,379**
(iii) Profit appropriations											
– Dividend distribution to ordinary shareholders of the Bank	49	**–**	**–**	**–**	**–**	**–**	**–**	**(12,772)**	**–**	**–**	**(12,772)**
– Dividend distribution to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
– Dividend distribution to other equity instruments holders	50	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(142)**	**(142)**
As at 30 June 2018		**48,935**	**34,955**	**58,977**	**(2,947)**	**30,244**	**74,251**	**166,568**	**7,629**	**5,149**	**423,761**

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary shareholders in subsidiaries	Other equity instruments holders	Total equity
As at 1 January 2017		48,935	34,955	58,636	(1,142)	27,263	73,911	136,666	123	5,149	384,496
(i) Profit for the period		–	–	–	–	–	–	24,011	6	147	24,164
(ii) Other comprehensive income	11	–	–	–	(5,289)	–	–	–	–	–	(5,289)
Total comprehensive income		–	–	–	(5,289)	–	–	24,011	6	147	18,875
(iii) Profit appropriations											
– Dividend distribution to ordinary shareholders of the Bank	49	–	–	–	–	–	–	(10,521)	–	–	(10,521)
– Dividend distribution to non-controlling interests		–	–	–	–	–	–	–	(5)	–	(5)
– Dividend distribution to other equity instruments holders	50	–	–	–	–	–	–	–	–	(147)	(147)
As at 30 June 2017		48,935	34,955	58,636	(6,431)	27,263	73,911	150,156	124	5,149	392,698

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	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	11	–	–	–	(10,642)	–	–	–	–	–	(10,642)
Total comprehensive income		–	–	–	(10,642)	–	–	42,566	22	290	32,236
(iii) Contribution by non-controlling shareholders	50	–	–	341	–	–	–	–	7,506	–	7,847
(v) Profit appropriations											
– Appropriations to surplus reserve	47	–	–	–	–	3,920	–	(3,920)	–	–	–
– Appropriations to general reserve	48	–	–	–	–	–	340	(340)	–	–	–
– Dividend distribution to ordinary shareholders of the Bank	49	–	–	–	–	–	–	(10,521)	–	–	(10,521)
– Dividend distribution to preference shareholders of the Bank	44	–	–	–	–	–	–	(1,330)	–	–	(1,330)
– Dividend distribution to non-controlling interest		–	–	–	–	–	–	–	(5)	–	(5)
– Dividend distribution to other equity instruments holders	50	–	–	–	–	–	–	–	–	(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

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

Chapter 12 Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2018
(Amounts in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Operating activities		
Profit before tax	**32,442**	31,116
Adjustments for:		
— revaluation loss/(gain) on investments, derivatives and investment properties	**3,525**	(1,629)
— investment gain	**(682)**	(450)
— net loss/(gain) on disposal of property, plant and equipment, intangible assets and other assets	**(17)**	11
— unrealised foreign exchange loss/(gain)	**53**	(220)
— impairment losses	**26,161**	24,414
— depreciation and amortisation	**1,399**	1,461
— interest expense on debt securities issued	**11,326**	8,848
— dividend income from equity investment	**(26)**	(4)
— income tax paid	**(9,490)**	(9,037)
Subtotal	**64,691**	54,510
Changes in operating assets and liabilities:		
Decrease in balances with central banks	**41,888**	18,452
Decrease in deposits with banks and non-bank financial institutions	**5,023**	2,171
Decrease in placements with and loans to banks and non-bank financial institutions	**485**	72,860
Decrease in financial assets at fair value through the profit or loss	**N/A**	12,806
Decrease in investments in financial assets	**111,519**	N/A
Increase/(decrease) in financial assets held under resale agreements	**(8,987)**	151,361
Increase in loans and advances to customers	**(211,393)**	(236,929)
Decrease in investments classified as receivables	**N/A**	193,589
Decrease in deposits from banks and non-bank financial institutions	**(113,425)**	(103,983)
Increase in borrowings from central banks	**28,500**	9,550
Decrease in placements from banks and non-bank financial institutions	**(11,069)**	(15,582)
Increase in financial liabilities at fair value through profit or loss	**1,912**	—
Decrease in financial assets sold under repurchase agreements	**(64,194)**	(53,436)
Increase/(decrease) in deposits from customers	**177,301**	(179,114)
Increase in other operating assets	**(14,158)**	(1,409)
Increase/(decrease) in other operating liabilities	**4,307**	(12,360)
Subtotal	**(52,291)**	(142,024)
Net cash flows from/(used in) operating activities	**12,400**	(87,514)

Chapter 12 Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2018
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2018 Unaudited	2017 Unaudited
Investing activities			
Proceeds from disposal and redemption of investments		**329,914**	596,428
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**65**	12
Cash received from equity investment income		**26**	96
Payments on acquisition of investments		**(461,372)**	(644,339)
Payments on acquisition of property, plant and equipment, land use rights and other assets		**(699)**	(1,571)
Net cash paid for acquisition of associates and joint ventures	25	**(949)**	(2)
Other investing cash flow – net		**—**	(1,400)
Net cash flows used in investing activities		**(133,015)**	(50,776)
Financing activities			
Cash received from debt securities issued		**567,403**	400,677
Cash paid for redemption of debt securities issued		**(452,980)**	(315,334)
Interest paid on debt securities issued		**(11,532)**	(7,871)
Dividends paid		**(11,912)**	(5)
Net cash flows from financing activities		**90,979**	77,467
Net decrease in cash and cash equivalents		**(29,636)**	(60,823)
Cash and cash equivalents as at 1 January		**337,915**	385,356
Effect of exchange rate changes on cash and cash equivalents		**1,552**	(2,734)
Cash and cash equivalents as at 30 June	51	**309,831**	321,799
Cash flows from operating activities include:			
Interest received		**120,580**	113,460
Interest paid		**(51,181)**	(53,126)

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

Chapter 12 Notes to the Unaudited Consolidated Interim Financial Statements

For the six months ended 30 June 2018
(Amounts in millions of Renminbi unless otherwise stated)

1 Corporate information

China CITIC Bank Corporation Limited (the "Bank" or "CNCB") is a joint stock company incorporated in the People's Republic of China (the "PRC" or "Mainland China") on 31 December 2006. Headquartered in Beijing, the Bank's registered office is located at No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing, China. The Bank listed its A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively on 27 April 2007.

The Bank operates under financial services certificate No. B0006H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and unified social credit code No. 91110000101690725E issued by the State Administration of Industry and Commerce of the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, finance leasing and other non-banking financial services.

As at 30 June 2018, the Group mainly operates in Mainland China with branches covering 31 provinces, autonomous regions and municipalities. In addition, the Bank's subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC ("Hong Kong") and other overseas countries and regions.

For the purpose of these consolidated interim financial statements, Mainland China refers to the PRC excluding Hong Kong, the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The consolidated interim financial statements were approved by the Board of Directors of the Bank on 27 August 2018.

2 Basis of preparation

The consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 Principle accounting policies

The consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

The consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017, which have been audited.

(a) Standards and amendments effective in 2018 relevant to and adopted by the Group

In the current interim period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2017.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IAS 28	IASB Annual Improvements 2014 – 2016 cycle
Amendments to IAS 40	Transfer of Investment Property
International Financial Reporting Interpretations Committee 22 ("IFRIC 22")	Foreign Currency Transactions and Advance Consideration

The new accounting policies of IFRS 9 – Financial Instruments and their impacts are disclosed in Note 3(c) Changes in accounting policies and Note 3(e) The impact of changes in principal accounting policies respectively. The adoption of the other new standards and amendments do not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies (Continued)

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

The Group has not adopted the following new or amended standards and interpretations issued by the IASB and the IFRS Interpretations Committee ("IFRIC"), that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	IASB Annual Improvements to IFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19	Employee Benefits' Regarding Plan Amendment, Curtailment or Settlement	1 January 2019

IFRS 16 – Leases

The standard will affect primarily the accounting for the Group's operating leases when the Group is the lessee. As at 30 June 2018, the Group has noncancellable operating lease commitments of RMB13,114 million (Note 52(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.

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 interim financial statements.

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 interim financial statements.

Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 – IASB Annual Improvements 2015 – 2017 Cycle

The IASB Annual Improvements 2015-2017 Cycle include a number of amendments to various IFRSs, including the amendments to IFRS 3 – Business Combinations, the amendments to IFRS 11 – Joint Arrangements, the amendments to IAS 12 – Income taxes and IAS 23 – Borrowing Costs. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated interim financial statements.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

On 12 October 2017, the IASB issued amendments to IAS 28 – Investments in Associates and Joint Ventures to clarify that company's account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated interim financial statements.

3 Principle accounting policies (Continued)

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

Amendments to IAS 19 – Employee benefits' regarding plan amendment, curtailment or settlement

On 8 February 2018, the IASB issued amendments to IAS 19 – Employee benefits' regarding plan amendment, curtailment or settlement to require an entity to determine the amount of any past service cost, or gain or loss on settlement by measuring the net defined benefit liability before and after the amendment, using current assumptions and the fair value of plan assets at the time of the amendment. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated interim financial statements.

(c) Changes in accounting policies

The Group has adopted IFRS 9 issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated interim financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail below.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell asset.

(i) Initial recognition and classification of financial instruments

Financial assets are classified on the basis of the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost

3 Principle accounting policies (Continued)

(c) Changes in accounting policies (Continued)

Financial instruments (Continued)

(i) Initial recognition and classification of financial instruments (Continued)

The business model adopted by the Group for managing its financial assets refers to how the Group manages its financial assets in order to generate cash flows. The business model determines whether the cash flows from the financial assets managed by the Group come from the collection of contractual cash flows, sale of financial assets or a combination of the two methods. In determining the business model for a group of financial assets, the Group considers various factors, including: past experience in collecting cash flows from this group of assets; how to assess the performance of this group of asset and report it to key management personnel; how to assess and manage risks are; and how to compensate people responsible for managing these assets, among others.

The contractual cash flow characteristics of financial assets refer to contractual terms as agreed in the financial instrument contracts that reflect the economic characteristics of the financial assets, i.e., the contractual cash flows arising at a specified date from the financial assets are solely payments of principal and interest on the principal amount outstanding. Of which, the principal is the fair value of the financial asset at initial recognition, and the amount of the principal may change over the life of the financial asset, if, e.g., there are repayments of principal; and the interest includes consideration for the time value of money, and credit risk, other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Financial assets with embedded derivatives are considered in their entirety when determing whether their cash flows are solely payment of principal and interest.

The classification requirements for debt instruments and equity instruments are described below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on: i) the Group's business model for managing the asset; and ii) the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cashflows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost.

- Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

3 Principle accounting policies (Continued)

(c) Changes in accounting policies (Continued)

Financial instruments (Continued)

(i) Initial recognition and classification of financial instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions i) and ii) below are met:

i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses. The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

(ii) Measurement of financial assets

Initial measurement

Financial assets at FVPL are stated at fair value. Financial assets at fair value through profit or loss, transaction costs that are directly attributable to profit or loss. Financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets.

Subsequent measurement

Subsequent measurement of financial assets depends on the categories:

Financial assets measured at amortised cost

The amortised cost is the amount at which the financial asset is measured at initial recognition: i) minus the principal; ii) plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and maturity amount; iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of this gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

3 Principle accounting policies (Continued)

(c) Changes in accounting policies (Continued)

Financial instruments (Continued)

(ii) Measurement of financial assets (Continued)

Subsequent measurement (Continued)

Financial assets measured at amortised cost (Continued)

Interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, except for:

i) a purchased or originated credit-impaired ("POCI") financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to its amortised cost; and ii) a financial assets that is not a POCI financial asset but has subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to its amortised cost. If, in a subsequent period, the financial asset improves its quality so that it is no longer credit-impaired and the improvement in credit quality can be related objectively to a certain event occurring after the application of the above-mentioned rule, then the interest income can again be calculated by applying the effective interest rate to its gross carrying amount. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

When the financial assets is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity instruments

Where an investment in an equity investment not held for trading is designated as a financial asset measured at fair value through other comprehensive income, the fair value changes of the financial asset is recognised in the other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to retained earnings. The dividends on the investment are recognised in profit or loss only when the Group's right to receive payment of the dividends is established.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on a financial assets that is measured at fair value should be recognised in profit or loss.

3 Principle accounting policies (Continued)

(c) Changes in accounting policies (Continued)

Financial instruments (Continued)

(iii) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts.

Expected credit losses is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, ie, all cashshort falls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group measures expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- the time value of money; and

- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Detailed information about expected credit losses in the above areas is set out in note 56(a).

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at fair value through other comprehensive income. The loss allowance is recongnised in other comprehensive income and the impairment loss is recognised in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognise in profit or loss.

At the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets. At each reporting date, the Group recognises in profit or loss the amount of the changes in lifetime expected credit losses as an impairment gain or loss.

(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies (Continued)

(d) Critical accounting estimates and judgements

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 56(a).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 56(a). Except for expected credit loss allowance, other critical accounting estimates and judgements are the same as those in the the Group's annual consolidated financial statements for the year ended 31 December 2017.

(e) The impact of changes in principal accounting policies

(i) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 Carrying amount 31 December 2017	Reclassifi-cation	Remeasure-ments	**IFRS 9 Carrying amount 1 January 2018**
Cash and balances with central banks				
Amortised cost	568,300	—	—	**568,300**
Deposits with banks and non-bank financial institutions				
Amortised cost	124,350	—	(60)	**124,290**
Placements with and loans to banks and non-bank financial institutions				
Amortised cost	172,069	—	(164)	**171,905**
Derivative financial assets				
At fair value through profit or loss	65,451	—	—	**65,451**
Financial assets held under resale agreements				
Amortised cost	54,626	—	(37)	**54,589**
Interest receivables				
Amortised cost	32,643	(6,164)	(1,024)	**25,455**
Loans and advances to customers				
Amortised cost	3,105,984	(5,908)	(6,995)	**3,093,081**
At fair value through other comprehensive income	—	5,908	(5)	**5,903**
Total	3,105,984	—	(7,000)	**3,098,984**

(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies (Continued)

(e) The impact of changes in principal accounting policies (Continued)

(i) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

	IAS 39 Carrying amount 31 December 2017	Reclassifi-cation	Remeasure-ments	**IFRS 9 Carrying amount 1 January 2018**
Financial assets at fair value through profit or loss				
At fair value through profit or loss	60,129	(60,129)	—	**—**
Designated at fair value through profit or loss	5,775	(5,775)	—	**—**
Investments in financial assets				
At fair value through profit or loss	—	65,246	—	**65,246**
Designated at fair value through profit or loss	—	658	—	**658**
Total	65,904	—	—	**65,904**
Available-for-sale financial assets				
At fair value through other comprehensive income	631,690	(631,690)	—	**—**
Investments in financial assets				
At fair value through profit or loss	—	131,442	105	**131,547**
At fair value through other comprehensive income	—	399,192	27	**399,219**
Designated at fair value through other comprehensive income	—	605	—	**605**
Amortised cost	—	100,451	5,122	**105,573**
Total	631,690	—	5,254	**636,944**
Held-to-maturity investments				
Amortised cost	216,586	(216,586)	—	**—**
Investments in financial assets				
At fair value through profit or loss	—	11,620	535	**12,155**
Amortised cost	—	204,966	(80)	**204,886**
Total	216,586	—	455	**217,041**
Investments classified as receivables				
Amortised cost	531,118	(531,118)	—	**—**
Investments in financial assets				
At fair value through profit or loss	—	178,507	5,414	**183,921**
At fair value through other comprehensive income	—	25,094	(415)	**24,679**
Amortised cost	—	327,517	24	**327,541**
Total	531,118	—	5,023	**536,141**
Other financial assets				
Amortised cost	26,313	—	(500)	**25,813**

(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies (Continued)

(e) The impact of changes in principal accounting policies (Continued)

(ii) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

	Allowance and provisions under IAS 39	Reclassifi-cation	Remeasure-ments	Allowance and provisions under IFRS 9
Deposits with banks and non-bank financial institutions	—	—	60	60
Placements with and loans to banks and non-bank financial institutions	1	—	164	165
Financial assets held under resale agreements	—	—	37	37
Interest receivables	3,946	—	1,024	4,970
Loans and advances to customers				
— Amortised cost	90,903	—	6,995	97,898
— At fair value through other comprehensive income	—	—	7	7
Available-for-sale financial assets	78	(78)	—	—
Investments classified as receivables	2,943	(2,943)	—	—
Investments in financial assets				
— At fair value through other comprehensive income	—	337	613	950
— Amortised cost	—	2,684	360	3,044
Other financial assets	2,601	—	133	2,734
Subtotal	100,472	—	9,393	109,865
Off-balance sheet credit assets	402	—	4,155	4,557
Total	100,874	—	13,548	114,422

(iii) Financial assets that have been reclassified to the amortised cost category

For financial assets that have been reclassified to the amortised cost category, the following table shows their fair value as at 30 June 2018 and the fair value gain or loss that would have been recognised if these financial assets had not been reclassified as part of the transition to IFRS 9.

	30 June 2018
Reclassified into amortised cost	
From available-for-sale (IAS 39) reclassified to financial assets at amortised cost (IFRS 9)	
Fair values as at 30 June 2018	**113,855**
Fair value gain that would have been recognised during the period if the financial assets had not been reclassified	**14,207**

(Amounts in millions of Renminbi unless otherwise stated)

4 Net interest income

	Six months ended 30 June	
	2018	2017
Interest income arising from (Note(i)):		
Deposits with central banks	**3,583**	3,833
Deposits with banks and non-bank financial institutions	**1,451**	1,439
Placements with and loans to banks and non-bank financial institutions	**4,414**	2,733
Investments in financial assets		
— at fair value through other comprehensive income	**8,153**	N/A
— at amortised cost	**15,246**	N/A
Financial assets held under resale agreements	**570**	536
Investments classified as receivables	**N/A**	21,324
Loans and advances to customers		
— corporate loans	**46,972**	43,841
— personal loans	**28,827**	22,458
— discounted bills	**3,114**	1,509
Investments in debt securities	**N/A**	12,579
Others	**49**	33
Subtotal	**112,379**	110,285
Interest expense arising from:		
Borrowings from central banks	**(4,024)**	(2,605)
Deposits from banks and non-bank financial institutions	**(13,566)**	(20,657)
Placements from banks and non-bank financial institutions	**(1,678)**	(1,325)
Financial assets sold under repurchase agreements	**(1,133)**	(1,176)
Deposits from customers	**(30,838)**	(26,175)
Debt securities issued	**(11,326)**	(8,848)
Others	**(6)**	(5)
Subtotal	**(62,571)**	(60,791)
Net interest income	**49,808**	49,494

Note:

(i) Interest income includes interest income accrued on credit-impaired financial assets of RMB110 million for the six months ended 30 June 2018 (Six months ended 30 June 2017: RMB379 million).

5 Net fee and commission income

	Six months ended 30 June	
	2018	2017
Fee and commission income:		
Bank card fees	**15,723**	13,525
Guarantee and advisory fees	**2,757**	3,667
Agency fees and commission (Note (i))	**2,483**	2,568
Commission for custodian business and other fiduciary	**2,397**	4,180
Settlement and clearance fees	**687**	644
Others	**232**	165
Total	**24,279**	24,749
Fee and commission expense	**(2,417)**	(1,988)
Net fee and commission income	**21,862**	22,761

Note:

(i) Agency fees and commission represent fees earned for sale of bonds, investment funds and insurance products, and provision of entrusted lending activities.

(Amounts in millions of Renminbi unless otherwise stated)

6 Net trading gain

	Six months ended 30 June	
	2018	2017
Debt securities and certificates of interbank deposit	**2,022**	1,173
Foreign currencies	**1,367**	105
Derivatives and related exposures	**(225)**	2,098
Financial instrument designated at fair value through profit or loss	**285**	78
Total	**3,449**	3,454

7 Net gain from investment securities

	Six months ended 30 June	
	2018	2017
Investments in financial assets		
— at fair value through profit or loss	**3,577**	N/A
— at fair value through other comprehensive income	**(473)**	N/A
— at amortised cost	**28**	N/A
Revaluation loss on transfer out of equity at disposal	**(56)**	N/A
Net gain from sale of available-for-sale securities	**N/A**	360
Net gain from securitisation of financial assets	**3,069**	218
Net gain/(loss) from bills rediscounting	**96**	(24)
Others	**54**	189
Total	**6,295**	743

8 Operating expenses

	Six months ended 30 June	
	2018	2017
Staff costs		
— salaries and bonuses	**9,422**	8,415
— welfare expenses	**484**	608
— social insurance	**640**	660
— housing fund	**675**	600
— labour union expenses and employee education expenses	**175**	156
— housing allowance	**185**	228
— other short-term benefits	**18**	22
— post-employment benefits – defined contribution plans	**1,140**	1,097
— post-employment benefits – defined benefit plans	**7**	7
— other long-term benefits	**4**	62
Subtotal	**12,750**	11,855
Property and equipment expenses		
— rent and property management expenses	**2,278**	2,298
— depreciation	**929**	896
— amortisation expenses	**470**	565
— system operating expenses	**157**	192
— maintenance	**149**	64
— others	**165**	154
Subtotal	**4,148**	4,169
Tax and surcharges	**872**	828
Other general operating and administrative expenses	**4,793**	4,316
Total	**22,563**	21,168

(Amounts in millions of Renminbi unless otherwise stated)

9 Impairment losses on assets

	Six months ended 30 June	
	2018	2017
Credit impairment losses		
Deposits with banks and non-bank financial institutions	**15**	(34)
Placements with and loans to banks and non-bank financial institutions	**25**	—
Financial assets held under resale agreements	**24**	—
Interest receivables	**1,498**	2,324
Loans and advances to customers	**23,620**	21,474
Investments in financial assets at amortised cost	**206**	N/A
Investments in financial assets at fair value through other comprehensive income	**105**	N/A
Available-for-sale financial assets	**N/A**	(103)
Held-to-maturity investments	**N/A**	(2)
Investments classified as receivables	**N/A**	780
Other receivables	**34**	—
Off-balance sheet items	**501**	(88)
Subtotal	**26,028**	24,351
Impairment losses		
Repossessed assets	**133**	14
Others	**—**	49
Subtotal	**133**	63
Total	**26,161**	24,414

10 Income tax

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

	Note	Six months ended 30 June	
		2018	2017
Current tax			
— Mainland China		**4,962**	7,962
— Hong Kong		**345**	216
— Overseas		**39**	26
Deferred tax	30(c)	**921**	(1,252)
Income tax		**6,267**	6,952

Mainland China and Hong Kong income tax have been provided at the rate of 25% and 16.5% respectively. Overseas tax has been provided at the rates of taxation prevailing in the regions in which the Group operates respectively.

(b) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2018	2017
Profit before tax	**32,442**	31,116
Income tax calculated at PRC statutory tax rate	**8,110**	7,779
Effect of different tax rates in other regions	**(171)**	(141)
Tax effect of non-deductible expenses	**176**	126
Tax effect of non-taxable income		
— interest income arising from PRC government bonds	**(1,427)**	(758)
— the dividends of funds and interest income arising from local government bonds	**(365)**	—
— others	**(56)**	(54)
Income tax	**6,267**	6,952

(Amounts in millions of Renminbi unless otherwise stated)

11 Other comprehensive income, net of tax

	Six months ended 30 June	
	2018	2017
Items that may be reclassified subsequently to profit or loss when specific conditions are met		
Other comprehensive income of available-for-sale financial assets		
— net changes in fair value recognised during the period	**N/A**	(5,885)
— net amount transferred to profit or loss	**N/A**	104
— Income tax	**N/A**	1,470
Subtotal	**N/A**	(4,311)
Other comprehensive income of financial assets at fair value through other comprehensive income		
— net changes during the period	**4,858**	N/A
— net amount transferred to profit or loss	**(46)**	N/A
— Income tax	**(1,255)**	N/A
Subtotal	**3,557**	N/A
Impairment allowance on financial assets at fair value through other comprehensive income		
— net changes during the period	**147**	N/A
— Income tax	**(31)**	N/A
Subtotal	**116**	N/A
Exchange differences on translating foreign operations	**522**	(971)
Share of other comprehensive income of associates	**—**	(7)
Subtotal	**4,195**	(5,289)
Items that will not be reclassified to profit or loss	**9**	—
Other comprehensive income, net of tax	**4,204**	(5,289)

12 Earnings per share

Earnings per share information for the six months ended 30 June 2018 and 2017 is computed by dividing the profit for the period attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the period.

The Bank issued non-cumulative preference shares in 2016 under the terms and conditions as detailed in Note 44. No cash dividend on preference shares was declared during the six months ended 30 June 2018.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2018, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Bank	**25,721**	24,011
Less: profit for the period attributable to preference shareholders of the Bank	**—**	—
Profit for the period attributable to ordinary shareholders of the Bank	**25,721**	24,011
Weighted average number of shares (in million shares)	**48,935**	48,935
Basic and diluted earnings per share (in RMB)	**0.53**	0.49

(Amounts in millions of Renminbi unless otherwise stated)

13 Cash and balances with central banks

	Notes	30 June 2018	31 December 2017
Cash		**6,187**	6,740
Balances with central banks			
— statutory deposit reserve funds	(i)	**425,150**	462,743
— surplus deposit reserve funds	(ii)	**85,246**	89,288
— fiscal deposits	(iii)	**3,689**	4,083
— foreign exchange reserve	(iv)	**1,554**	5,446
Total		**521,826**	568,300

Notes:

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

As at 30 June 2018, the statutory deposit reserve funds placed with the PBOC was calculated at 13.5% (31 December 2017: 15%) of eligible Renminbi deposits for domestic branches of the Bank and at 13.5% (31 December 2017: 15%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 5% (31 December 2017: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

The statutory RMB deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of the Group, was at 9% (31 December 2017: 9%).

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

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

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

(iv) The foreign exchange reserve is maintained with the PBOC in accordance with the related notice issued by the PBOC on 31 August 2015. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the Notice. In accordance with the relevant notice issued by the PBOC on 8 September 2017, the Group adjusted the foreign exchange risk reserve ratio required to domestic financial institutions for forward foreign exchange business to 0% from 11 September 2017. The Group's remaining foreign exchange risk reserves will be gradually released after the expiration of the long-term sale of foreign exchange on behalf of clients.

14 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	30 June 2018	31 December 2017
In Mainland China			
— banks		**42,396**	73,832
— non-bank financial institutions		**12,743**	17,557
Subtotal		**55,139**	91,389
Outside Mainland China			
— banks		**24,443**	26,187
— non-bank financial institutions		**5,563**	6,774
Subtotal		**30,006**	32,961
Gross balance		**85,145**	124,350
Less: Allowances for impairment losses	32	**(76)**	—
Net balance		**85,069**	124,350

(Amounts in millions of Renminbi unless otherwise stated)

14 Deposits with banks and non-bank financial institutions (Continued)

(b) Analysed by remaining maturity

	Note	30 June 2018	31 December 2017
Demand deposits (Note (i))		**40,676**	67,370
Time deposits with remaining maturity			
— within one month		**31,237**	45,629
— between one month and one year		**13,232**	11,351
Subtotal		**44,469**	56,980
Gross balance		**85,145**	124,350
Less: Allowances for impairment losses	32	**(76)**	—
Net balance		**85,069**	124,350

Note:

(i) As at 30 June 2018, the carrying amount of pledged deposits with banks and other financial institutions was RMB1,334 million (31 December 2017: RMB1,676 million). These deposits were mainly maintenance margin with a regulatory body.

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

(a) Analysed by types and locations of counterparties

	Note	30 June 2018	31 December 2017
In Mainland China			
— banks		**21,095**	15,320
— non-bank financial institutions		**125,803**	119,065
Subtotal		**146,898**	134,385
Outside Mainland China			
— banks		**60,600**	37,685
Gross balance		**207,498**	172,070
Less: Allowances for impairment losses	32	**(190)**	(1)
Net balance		**207,308**	172,069

(b) Analysed by remaining maturity

	Note	30 June 2018	31 December 2017
Within one month		**107,602**	66,564
Between one month and one year		**94,896**	105,506
Over one year		**5,000**	—
Gross balance		**207,498**	172,070
Less: Allowances for impairment losses	32	**(190)**	(1)
Net balance		**207,308**	172,069

(Amounts in millions of Renminbi unless otherwise stated)

16 Financial assets at fair value through profit or loss

	Notes	31 December 2017
Held for trading financial assets		
— debt securities	(a)	38,728
— certificates of interbank deposit	(b)	19,400
— investment funds		2,001
Subtotal		60,129
Financial assets designated at fair value through profit or loss	(c)	5,775
Total		65,904

(a) Held for trading – debt securities

	31 December 2017
Issued by	
In Mainland China	
— governments	705
— policy banks	4,039
— banks and non-bank financial institutions	2,722
— corporates	30,098
Subtotal	37,564
Outside Mainland China	
— banks and non-bank financial institutions	1,063
— corporates	101
Subtotal	1,164
Total	38,728
Listed in Hong Kong	668
Listed outside Hong Kong	36,788
Unlisted	1,272
Total	38,728

(b) Held for trading – certificates of interbank deposit

	31 December 2017
Issued by	
Banks in Mainland China	19,400
Listed outside Hong Kong	19,400

(Amounts in millions of Renminbi unless otherwise stated)

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

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

	31 December 2017
Issued by	
In Mainland China	
— banks	606
— policy banks	53
— corporates	2,523
Subtotal	3,182
Outside Mainland China	
— banks	2,593
Total	5,775
Listed outside Hong Kong	659
Unlisted	5,116
Total	5,775

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

17 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in foreign exchange, precious metals, interest rate commodity derivatives trading 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 17 (c)), are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

The contractual/notional amounts of derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated interim statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks.

	30 June 2018			31 December 2017		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging instruments (Note (c))						
— interest rate derivatives	**8,202**	**147**	**16**	9,799	123	18
Non-Hedging instruments						
— interest rate derivatives	**1,789,457**	**4,589**	**4,556**	1,632,189	2,430	2,294
— currency derivatives	**2,664,442**	**32,739**	**32,110**	3,347,855	62,030	62,368
— precious metal derivatives	**71,944**	**851**	**234**	51,586	868	257
— commodity derivatives	**5**	**1**	**1**	—	—	—
Total	**4,534,050**	**38,327**	**36,917**	5,041,429	65,451	64,937

(Amounts in millions of Renminbi unless otherwise stated)

17 Derivatives (Continued)

(a) Nominal amount analysed by remaining maturity

	30 June 2018	31 December 2017
Within three months	**2,250,998**	1,868,273
Between three months and one year	**1,750,659**	2,751,469
Between one year and five years	**529,399**	418,881
Over five years	**2,994**	2,806
Total	**4,534,050**	5,041,429

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the CBRC in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 30 June 2018, the total amount of credit risk weighted amount for counterparty was RMB20,208 million (31 December 2017: RMB70,217 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 debt securities at fair value through other comprehensive income, available-for-sale debt securities, certificates of deposit and subordinated bonds issued.

18 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	**30 June 2018**	31 December 2017
In Mainland China			
— banks		**24,573**	28,417
— non-bank financial institutions		**37,126**	26,209
Subtotal		**61,699**	54,626
Outside Mainland China			
— banks		**1,913**	—
Gross balance		**63,612**	54,626
Less: Allowance for impairment losses	32	**(61)**	—
Net balance		**63,551**	54,626

(b) Analysed by types of collateral

	Note	**30 June 2018**	31 December 2017
Debt Securities		**63,612**	54,626
Less: Allowance for impairment losses	32	**(61)**	—
Net balance		**63,551**	54,626

(c) Analysed by remaining maturity

	Note	**30 June 2018**	31 December 2017
Within one month		**63,612**	54,626
Less: Allowance for impairment losses	32	**(61)**	—
Net balance		**63,551**	54,626

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

(Amounts in millions of Renminbi unless otherwise stated)

19 Interest receivables

	Note	30 June 2018	31 December 2017
Loans and advances to customers		**12,717**	13,543
Investments in financial assets			
— at fair value through other comprehensive income		**7,470**	N/A
— at amortised cost		**8,214**	N/A
Investments classified as receivables		**N/A**	11,138
Debt securities		**N/A**	9,508
Others		**4,234**	2,400
Gross balance		**32,635**	36,589
Less: Allowance for impairment losses	32	**(4,091)**	(3,946)
Net balance		**28,544**	32,643

20 Loans and advances to customers

(a) Analysed by nature

	Notes	30 June 2018
Loans and advances to customers at amortised cost		
Corporate loans and advances		
— loans		**1,841,322**
— discounted bills		**145,420**
— finance lease receivables		**47,775**
Subtotal		**2,034,517**
Personal loans and advances		
— residential mortgages		**566,456**
— credit cards		**327,108**
— personal consumption		**227,927**
— business loans		**174,128**
Subtotal		**1,295,619**
Gross balance		**3,330,136**
Less: Allowances impairment losses	32	**(91,973)**
Loans and advances to customers at amortised cost, net		**3,238,163**
Loans and advances to customers at fair value through other comprehensive income		
— loans		**388**
— discounted bills		**48,770**
Carrying amount of loans and advances at fair value through other comprehensive income		**49,158**
— fair value changes through comprehensive income		**5**
Total		**3,287,321**
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	32	**(47)**

(Amounts in millions of Renminbi unless otherwise stated)

20 Loans and advances to customers (Continued)

(a) Analysed by nature (Continued)

	Note	31 December 2017
Corporate loans		
— loans		1,812,589
— discounted bills		107,456
— finance lease receivables		45,258
Subtotal		1,965,303
Personal loans		
— residential mortgages		505,305
— credit cards		333,719
— personal consumption		226,545
— business loans		166,015
Subtotal		1,231,584
Gross balance		3,196,887
Less: Allowances impairment losses	32	
— individually assessed		(28,930)
— collectively assessed		(61,973)
Subtotal		(90,903)
Net balance		3,105,984

(b) Overdue loans analysed by overdue period

	30 June 2018				
	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	**8,536**	**6,851**	**921**	**294**	**16,602**
Guaranteed loans	**8,500**	**8,744**	**5,397**	**1,225**	**23,866**
Loans with pledged assets					
— loans secured by collateral	**15,537**	**16,282**	**13,088**	**386**	**45,293**
— pledged loans	**2,053**	**2,003**	**1,879**	**95**	**6,030**
Total	**34,626**	**33,880**	**21,285**	**2,000**	**91,791**

	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

Overdue loans represent loans of which the principal or interest are overdue one day or more.

(Amounts in millions of Renminbi unless otherwise stated)

20 Loans and advances to customers (continued)

(c) Finance lease receivables

Finance lease receivables transactions are attributable to the Group's subsidiaries, CITIC Financial Leasing Limited ("CFLL") and CITIC International Finance Holdings limited ("CIFH"), include net investment in machines and equipment leased to customers under finance lease and hire purchase contracts which have the characteristics of finance leases. These contracts usually run for an initial period from 1 to 25 years. The total minimum finance lease receivables under finance lease and hire purchase contracts and their present values are as follows:

	30 June 2018		31 December 2017	
	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)	**11,062**	**13,748**	6,920	9,952
One year to two years (including two years)	**10,946**	**12,651**	10,233	11,371
Two years to three years (including three years)	**8,113**	**9,362**	8,365	9,066
Over three years	**17,654**	**19,624**	19,740	22,501
Gross balance	**47,775**	**55,385**	45,258	52,890
Allowance for expected credit losses	**(1,286)**		N/A	
Less: Allowance for impairment losses				
— individually assessed	**N/A**		(1)	
— collectively assessed	**N/A**		(1,003)	
Net balance	**46,489**		44,254	

21 Investments in financial assets

(a) Analysed by types

	Note	**30 June 2018**
Financial assets at fair value through profit or loss		
Investment funds		**181,685**
Debt securities		**58,281**
— designated at fair value through profit or loss		**51**
Trust investment plans (Note(i))		**38,957**
Certificates of deposit		**16,858**
Equity instruments		**3,391**
Wealth management products		**336**
Investment management products managed by securities companies (Note(i))		**89**
Net balance		**299,597**
Financial assets at fair value through other comprehensive income(Note(ii))		
Debt securities		**453,379**
Investment management products managed by securities companies (Note(i))		**19,702**
Certificates of deposit		**14,435**
Trust investment plans (Note(i))		**2,273**
Equity instruments		**557**
Net balance		**490,346**
Financial assets at amortised cost		
Debt securities		**305,066**
Investment management products managed by securities companies (Note(i))		**239,632**
Trust investment plans (Note(i))		**127,353**
Certificates of deposit		**1,493**
Subtotal		**673,544**
Less: Allowance for impairment losses	32	**(3,249)**
Net balance		**670,295**
Total		**1,460,238**
Allowances for impairment losses on investments in financial assets at fair value through other comprehensive income		**(1,059)**

(Amounts in millions of Renminbi unless otherwise stated)

21 Investments in financial assets (Continued)

(a) Analysed by types (Continued)

(i) As of 30 June 2018, RMB72,672 million (31 December 2017: RMB91,976 million) of Trust investment plans and Investment management products managed by securities companies listed above were managed by the subsidiaries and related companies of CITIC Corporation Limited, the Bank's immediate parent company.

The underlying assets of Trust investment plans and Investment management products managed by securities companies primarily include credit assets, interbank assets and rediscounted bills (Note 56 a (vii)).

(ii) Investments in financial assets at fair value through other comprehensive income:

	Note	30 June 2018 Equity instruments	Debt security instruments	Total
Costs/Amortised cost		482	492,982	493,464
Fair value change on accumulated into other comprehensive income		75	(3,193)	(3,118)
Fair value		557	489,789	490,346
Allowance for impairment losses	22	—	(1,059)	(1,059)

(b) Analysed by location of counterparties

	Note	30 June 2018
In Mainland China		
— governments		366,952
— policy banks		127,497
— banks and non-bank financial institutions		790,654
— corporates		121,949
Subtotal		1,407,052
Outside Mainland China		
— governments		13,348
— banks and non-bank financial institutions		25,969
— public entities		2,544
— corporates		14,574
Subtotal		56,435
Total		1,463,487
Less: Allowance for impairment losses	32	(3,249)
Net balance		1,460,238
Listed in Hong Kong		28,028
Listed outside Hong Kong		938,417
Unlisted		493,793
Total		1,460,238

Bonds traded in China's inter-bank bond market are listed outside Hong Kong.

(Amounts in millions of Renminbi unless otherwise stated)

22 Available-for-sale financial assets

	Notes	31 December 2017
Debt securities	(a)	469,843
Certificates of deposit	(b)	40,947
Equity investments		1,356
— measured at fair value	(c)	744
— measured at cost	(c)	612
Investment funds	(d)	119,518
Wealth management products		26
Total		631,690

(a) Debt securities analysed by location of counterparties

	31 December 2017
In Mainland China	
— governments	245,368
— policy banks	72,171
— banks and non-bank financial institutions	31,985
— corporates	78,084
Subtotal	427,608
Outside Mainland China	
— governments	13,635
— banks and non-bank financial institutions	18,535
— public entities	1,151
— corporates	8,914
Subtotal	42,235
Total	469,843
Listed in Hong Kong	23,590
Listed outside Hong Kong	429,769
Unlisted	16,484
Total	469,843

(b) Certificates of deposit analysed by location of counterparties

	31 December 2017
In Mainland China	
— banks	38,391
— policy banks	1,436
Outside Mainland China	
— banks	1,120
Total	40,947
Listed outside Hong Kong	40,947

(Amounts in millions of Renminbi unless otherwise stated)

22 Available-for-sale financial assets (Continued)

(c) Equity investments analysed by location of counterparties

	31 December 2017
In Mainland China	
— corporates	927
Outside Mainland China	
— banks and non-bank financial institutions	145
— corporates	284
Total	1,356
Listed in Hong Kong	284
Listed outside Hong Kong	70
Unlisted	1,002
Total	1,356

(d) Investment funds analysed by location of counterparties

	31 December 2017
In Mainland China	
— banks and non-bank financial institutions	118,925
Outside Mainland China	
— banks and non-bank financial institutions	263
— corporates	330
Total	119,518
Listed outside Hong Kong	118,925
Unlisted	593
Total	119,518

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

(Amounts in millions of Renminbi unless otherwise stated)

23 Held-to-maturity investments

Debt securities analysed by location of counterparties

	Note	31 December 2017
In Mainland China		
— governments		55,105
— policy banks		54,246
— banks and non-bank financial institutions		88,774
— corporates		18,133
Subtotal		216,258
Outside Mainland China		
— banks and non-bank financial institutions		325
— public entities		3
Subtotal		328
Gross balance		216,586
Less: Allowance for impairment losses	32	—
Total		216,586
Listed in Hong Kong		273
Listed outside Hong Kong		209,985
Unlisted		6,328
Total		216,586
Fair value		212,530
— listed securities		206,202

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

24 Investments classified as receivables

	Note	31 December 2017
Investment management products managed by securities companies		268,247
Wealth management products		139,020
Trust investment plans		126,794
Gross balance		534,061
Less: Allowance for impairment losses	32	(2,943)
Net balance		531,118

The underlying assets of investments classified as receivables primarily include interbank assets and wealth management products issued by other banks, credit assets and rediscounted bills (Note 56 a (vii)).

(Amounts in millions of Renminbi unless otherwise stated)

25 Investments in associates and joint ventures

	Note	**30 June 2018**	31 December 2017
Investments in joint ventures	(a)	**2,020**	1,196
Investments in associates	(b)	**1,046**	1,145
Total		**3,066**	2,341

(a) Investment in joint ventures

The details of the joint ventures as at 30 June 2018 were as follows:

Name of company	**Form of business structure**	**Place of incorporation**	**Effective percentage of shares**	**Principal activities**	**Nominal value of issued shares**
CITIC aiBank Corporation Limited ("Baixin") (Note(i))	Corporation	Mainland China	70.0%	Financial services	RMB2.5 billion
JSC Altyn Bank(Note(ii))	Corporation	Kazakhstan	50.1%	Financial services	KZT 7.05 billion

Notes:

(i) Baixin opened on 18 November 2017. According to the Articles of Association, the Bank and Fujian BoRui Network Technology Co.,Ltd. ("Fujian BoRui") shall jointly approve main critical events before further development.

(ii) On 29 December 2017, the Bank's share acquisition of JSC Altyn Bank was approved by the CBRC. On 12 February 2018, the Bank completed the signing of the share acquisition agreement. On 4 April 2018, the National Bank of Kazakhstan approved the share acquisition. On 24 April 2018, the Bank completed the share acquisition and delivery. On 15 June 2018, JSC Altyn Bank held the first shareholders' meeting and approved the new articles of association after the equity change According to the articles of association of JSC Altyn Bank, the major activities of JSC Altyn Bank must be decided by consensus of shareholders of the JSC Halyk Bank and the Bank.

Financial statements of the joint ventures are as follow:

	As at or for the period ended 30 June 2018				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net gain/(loss)**
Baixin	**21,304**	**19,292**	**2,012**	**337**	**(181)**
JSC Altyn Bank	**7,743**	**7,032**	**711**	**61**	**35**

	As at or for the period ended 31 December 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 ventures:

	Six months ended 30 June 2018	Year ended 31 December 2017
Initial investment cost	**2,331**	1,400
As at 1 January	**1,196**	—
Additions	**931**	1,400
Share of net loss of the joint ventures for the period	**(107)**	(204)
As at 30 June/31 December	**2,020**	1,196

(Amounts in millions of Renminbi unless otherwise stated)

25 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 30 June 2018 was as follows:

Name of company	Form 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%	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

Financial statements of the associates are as follow:

	As at or for the period ended 30 June 2018				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net loss**
CIAM	**2,176**	**218**	**1,959**	**(245)**	**(242)**
BFAE	**479**	**5**	**474**	**—**	**(9)**

	As at or for the year ended 2017				
Name of Enterprise	Total assets	Total liabilities	Total net asset	Operating Income	Net loss
CIAM	2,412	236	2,176	181	(251)
BFAE	581	98	483	1	(14)

Movement of the Group's interests in associates:

	Six months ended 30 June 2018	Year ended 31 December 2017
Initial investment cost	**1,184**	1,183
As at 1 January	**1,145**	1,111
Additions	**1**	190
Share of net loss of associates for the period	**(115)**	(81)
Share of other comprehensive income of associates for the period	**1**	8
Dividend received	**—**	(11)
Exchange difference	**14**	(72)
As at 30 June/31 December	**1,046**	1,145

(Amounts in millions of Renminbi unless otherwise stated)

26 Investments in subsidiaries

	Notes	**30 June 2018**	31 December 2017
Investments 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 Group as at 30 June 2018 are as follows:

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

Notes:

(i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope through its subsidiaries covers commercial banking and other financial services. The Bank holds 100% shareholding in CIFH. CIFH holds 75% shareholding in CITIC Bank International Limited ("CBI").

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

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

(iv) The Bank established CFLL in 2015 with a registered capital of RMB4 billion. Its principal business activities are financial leasing. The Bank holds 100% of its shares and voting rights.

(Amounts in millions of Renminbi unless otherwise stated)

27 Property, plant and equipment

	Buildings	**Construction in progress**	**Computer equipment and others**	**Total**
Cost or deemed cost:				
As at 1 January 2018	**21,313**	**1,078**	**11,018**	**33,409**
Additions	**—**	**63**	**189**	**252**
Disposals	**(63)**	**—**	**(169)**	**(232)**
Exchange differences	**8**	**—**	**19**	**27**
As at 30 June 2018	**21,258**	**1,141**	**11,057**	**33,456**
Accumulated depreciation:				
As at 1 January 2018	**(4,497)**	**—**	**(7,582)**	**(12,079)**
Depreciation charges	**(335)**	**—**	**(594)**	**(929)**
Disposals	**23**	**—**	**156**	**179**
Exchange differences	**(4)**	**—**	**(13)**	**(17)**
As at 30 June 2018	**(4,813)**	**—**	**(8,033)**	**(12,846)**
Net carrying value:				
As at 1 January 2018	**16,816**	**1,078**	**3,436**	**21,330**
As at 30 June 2018 (Note (i))	**16,445**	**1,141**	**3,024**	**20,610**

	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

Note:

(i) As at 30 June 2018, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB2,528 million (31 December 2017: RMB2,859 million). The Group believes the incomplete registration procedure does not affect the rights of the Group as the legal successor to these buildings.

(Amounts in millions of Renminbi unless otherwise stated)

28 Investment properties

	Six months ended 30 June 2018	Year ended 31 December 2017
Fair value as at 1 January	**295**	305
Change in fair value	**8**	30
Transfers	**—**	(18)
Exchange differences	**4**	(22)
Fair value as at 30 June/31 December	**307**	295

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties are located and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 30 June 2018.

All investment properties of the Group were revalued at 30 June 2018 by an independent firm of surveyors, Prudential Surveyors (Hong Kong) Limited, on an open market value basis. The fair value is in line with the definition of "IFRS13 – Fair value measurement". The revaluation surplus has been credited to the profit or charged to the loss. Prudential Surveyors (Hong Kong) Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

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

29 Goodwill

	Six months ended 30 June 2018	Year ended 31 December 2017
As at 1 January	**849**	914
Additions	**—**	—
Exchange differences	**12**	(65)
As at 30 June/31 December	**861**	849

Based on the result of impairment test, no impairment losses on goodwill were recognised as at 30 June 2018 (31 December 2017: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

30 Deferred tax assets/(liabilities)

	30 June 2018	31 December 2017
Deferred tax assets	**20,068**	21,825
Deferred tax liabilities	**(14)**	(8)
Net balance	**20,054**	21,817

(a) Analysed by nature and jurisdiction

	30 June 2018		31 December 2017	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— allowance for impairment losses	**73,478**	**18,203**	68,409	17,060
— fair value adjustments	**199**	**(2)**	12,357	3,078
— employee retirement benefits and salaries payable	**6,662**	**1,665**	6,248	1,562
— others	**706**	**202**	402	125
Subtotal	**81,045**	**20,068**	87,416	21,825
Deferred tax liabilities				
— fair value adjustments	**(84)**	**(14)**	(48)	(8)
Total	**80,961**	**20,054**	87,368	21,817

(b) Offsetting of deferred tax assets and deferred tax liabilities

As at 30 June 2018, the deferred tax assets/liabilities offset by the Group were RMB691 million (31 December 2017: RMB262 million).

(c) Movement of deferred tax

	Allowance for impairment losses	**Fair value adjustments**	**Employee retirement benefits and accrued staff cost**	**Others**	**Total deferred tax**
As at 31 December 2017	**17,060**	**3,070**	**1,562**	**125**	**21,817**
Change in accounting policy	**3,020**	**(2,588)**	**—**	**(10)**	**422**
Recognised in profit or loss	**(1,880)**	**769**	**103**	**87**	**(921)**
Recognised in other comprehensive income	**—**	**(1,268)**	**—**	**—**	**(1,268)**
Exchange differences	**3**	**1**	**—**	**—**	**4**
As at 30 June 2018	**18,203**	**(16)**	**1,665**	**202**	**20,054**
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 differences	(4)	—	—	4	—
As at 31 December 2017	17,060	3,070	1,562	125	21,817

(Amounts in millions of Renminbi unless otherwise stated)

31 Other assets

	Notes	30 June 2018	31 December 2017
Advanced payments and settlement accounts		**13,881**	2,030
Precious metal leasing		**12,994**	26,313
Prepayments for properties and equipment	(i)	**10,521**	10,521
Fee and commission receivables		**4,803**	4,740
Repossessed assets	(ii)	**2,132**	2,049
Prepaid income tax		**2,002**	—
Prepayments for assets acquired for finance leases		**1,330**	1,546
Prepaid rent		**1,127**	1,023
Leasehold improvements		**1,063**	1,315
Land use right		**1,008**	1,024
Others	(iii)	**9,474**	7,282
Total		**60,335**	57,843

Notes:

(i) Prepayments for properties and equipment

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

(ii) Repossessed assets

	30 June 2018	31 December 2017
Premises	**2,118**	1,931
Others	**532**	518
Gross balance	**2,650**	2,449
Less: Allowance for impairment losses	**(518)**	(400)
Net balance	**2,132**	2,049

As at 30 June 2018, the Group intended to dispose all of the repossessed assets, and had no plan to transfer the repossessed assets for own use. (31 December 2017: Nil)

(iii) Others include continuing involvement in assets, provisional legal costs for lawyers, other long-term deferred expenses, other receivables, etc.

(Amounts in millions of Renminbi unless otherwise stated)

32 Movements of allowance for impairment losses

		Six months ended 30 June 2018				
	Notes	As at 1 January	Charge for the period	Write-offs/ transfer out	Others Note (i)	As at 30 June
Deposits with bank and non-bank financial institutions	14	**60**	**15**	**—**	**1**	**76**
Placements with and loans to banks and non-bank financial institutions	15	**165**	**25**	**—**	**—**	**190**
Financial assets held under resale agreements	18	**37**	**24**	**—**	**—**	**61**
Interest receivables	19	**4,970**	**1,498**	**(2,441)**	**64**	**4,091**
Loans and advances to customers	20	**97,905**	**23,620**	**(30,596)**	**1,091**	**92,020**
Investments in financial assets	21	**3,994**	**311**	**—**	**3**	**4,308**
Other assets		**2,734**	**167**	**(1,131)**	**6**	**1,776**
Subtotal		**109,865**	**25,660**	**(34,168)**	**1,165**	**102,522**
Off balance sheet credit assets		**4,557**	**501**	**—**	**12**	**5,070**
Total		**114,422**	**26,161**	**(34,168)**	**1,177**	**107,592**

		Year ended 31 December 2017				
	Notes	As at 1 January	Charge/ (reversal) for the period	Write-offs/ transfer out	Others Note (i)	As at 31 December
Deposits with bank and non-bank financial institutions	14	34	(32)	—	(2)	—
Placements with and loans to banks and non-bank financial institutions	15	9	—	—	(8)	1
Interest receivables	19	3,906	4,212	(3,977)	(195)	3,946
Loans and advances to customers	20	75,543	50,170	(35,301)	491	90,903
Available-for-sale financial assets		162	(69)	—	(15)	78
Held-to-maturity investments	23	2	(2)	—	—	—
Investments classified as receivables	24	1,756	1,018	—	169	2,943
Other assets		2,360	567	(364)	38	2,601
Total (Note(ii))		83,772	55,864	(39,642)	478	100,472

Notes:

(i) Others include unwinding of interest on impaired financial assets, recovery of loans written off, and effect of exchange differences during the period.

(ii) In addition to the allowance for impairment losses above, the Group also charged impairment losses against off-balance sheet items (Note 9).

(Amounts in millions of Renminbi unless otherwise stated)

33 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2018	31 December 2017
In Mainland China		
— banks	**221,308**	170,801
— non-bank financial institutions	**451,731**	611,011
Subtotal	**673,039**	781,812
Outside Mainland China		
— banks	**11,522**	16,142
— non-bank financial institutions	**55**	53
Subtotal	**11,577**	16,195
Total	**684,616**	798,007

34 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2018	31 December 2017
In Mainland China		
— bank	**51,449**	43,172
— non-bank financial institutions	**9,369**	28,733
Subtotal	**60,818**	71,905
Outside Mainland China		
— bank	**6,052**	5,690
Total	**66,870**	77,595

35 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	30 June 2018	31 December 2017
In Mainland China		
— PBOC	**59,540**	88,063
— banks	**10,555**	46,321
Subtotal	**70,095**	134,384
Outside Mainland China		
— banks	**213**	116
Total	**70,308**	134,500

(b) Analysed by type of collateral

	30 June 2018	31 December 2017
Discounted bills	**21,015**	52,415
Debt securities	**49,293**	82,085
Total	**70,308**	134,500

The Group did not derecognise financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 30 June 2018, no legal title of the Group and the Bank has been transferred to counterparties. The above information of collateral is included in the note 53.

(Amounts in millions of Renminbi unless otherwise stated)

36 Deposits from customers

(a) Analysed by nature

	30 June 2018	31 December 2017
Demand deposits		
— corporate customers	**1,548,592**	1,645,002
— personal customers	**267,581**	234,961
Subtotal	**1,816,173**	1,879,963
Time and call deposits		
— corporate customers	**1,371,155**	1,223,018
— personal customers	**389,492**	298,477
Subtotal	**1,760,647**	1,521,495
Outward remittance and remittance payables	**11,174**	6,178
Total	**3,587,994**	3,407,636

(b) Analysed by type of collateral

	30 June 2018	31 December 2017
Bank acceptances	**154,999**	195,308
Guarantees	**22,639**	24,941
Letters of credit	**9,177**	9,289
Others	**105,362**	108,830
Total	**292,177**	338,368

37 Accrued staff costs

		Six months ended 30 June 2018			
	Notes	**As at 1 January**	**Additions during the period**	**Reductions during the period**	**As at 30 June**
Short-term employee benefits	(a)	**8,635**	**10,523**	**(11,681)**	**7,477**
Post-employment benefits					
— defined contribution plans	(b)	**34**	**1,140**	**(1,057)**	**117**
Post-employment benefits					
— defined benefit plans	(c)	**44**	**7**	**(6)**	**45**
Other long-term benefits		**125**	**4**	**(20)**	**109**
Total		**8,838**	**11,674**	**(12,764)**	**7,748**

		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

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs (Continued)

(a) Short-term employee benefits

	Six months ended 30 June 2018			
	As at 1 January	Additions during the period	Reductions during the period	As at 30 June
Salaries and bonuses	**7,553**	**8,346**	**(9,519)**	**6,380**
Social insurance	**28**	**640**	**(569)**	**99**
Welfare expenses	**—**	**484**	**(484)**	**—**
Housing fund	**10**	**675**	**(664)**	**21**
Labour union expenses and employee education expenses	**955**	**175**	**(227)**	**903**
Housing allowance	**75**	**185**	**(192)**	**68**
Others	**14**	**18**	**(26)**	**6**
Total	**8,635**	**10,523**	**(11,681)**	**7,477**

	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

(b) Post-employment benefits – defined contribution plans

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

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group and managed by the CITIC Group. The Bank has made annuity contributions at 5% (31 December 2017: 5%) of its employee's gross wages. For six months ended 30 June 2018, the Bank made annuity contribution amounting to RMB257 million (31 December 2017: RMB662 million).

The Group's employees based in Hong Kong join the Occupational Retirement Scheme Ordinance and the Mandatory Provident Fund Scheme with certain contribution ratios pursuant to the relevant laws and regulations in Hong Kong. The relevant annuity contributions will be classified into profit or loss when occur.

(c) Post-employment benefits – defined benefit plans

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

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

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

(Amounts in millions of Renminbi unless otherwise stated)

38 Taxes payable

	30 June 2018	31 December 2017
Value-added tax and surcharges	**4,502**	4,175
Income tax	**532**	4,668
Others	**17**	15
Total	**5,051**	8,858

39 Interest payable

	30 June 2018	31 December 2017
Deposits from customers	**28,751**	28,097
Borrowings from central banks and deposits from banks and non-bank financial institutions	**7,396**	7,311
Debt securities issued	**3,195**	3,551
Others	**123**	364
Total	**39,465**	39,323

40 Provisions

	30 June 2018	31 December 2017
Allowance for impairment losses on off balance sheet items	**5,070**	402
Litigation provisions	**393**	394
Total	**5,463**	796

The movement of off balance sheet allowances for impairment losses is included in the note 32.

Movement of provisions:

	Six months ended 30 June 2018	Year ended 31 December 2017
As at 1 January	**394**	244
Accruals	**—**	152
Reversals	**—**	(2)
Payments	**(1)**	—
As at 30 June/31 December	**393**	394

(Amounts in millions of Renminbi unless otherwise stated)

41 Debt securities issued

	Notes	30 June 2018	31 December 2017
Long-term debt securities issued	(a)	**94,814**	94,571
Subordinated bonds issued:			
— by the Bank	(b)	**68,452**	68,448
— by CBI	(c)	**5,306**	5,280
Certificates of deposit issued	(d)	**2,476**	2,849
Certificates of interbank deposit issued	(e)	**384,450**	270,096
Total		**555,498**	441,244

(a) As at 30 June 2018, long-term debt securities issued by the Group:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	30 June 2018 Nominal Value RMB	31 December 2017 Nominal Value RMB
Fixed rate bond	17 April 2017	17 April 2020	4.20%	50,000	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
Floating rate bond	14 December 2017	14 December 2020	3.24%	4,636	4,555
Floating rate bond	14 December 2017	15 December 2022	3.34%	3,642	3,579
Fixed rate bond	24 May 2017	24 May 2020	4.40%	2,990	2,993
Fixed rate bond	14 December 2017	14 December 2020	2.88%	1,987	1,952
Fixed rate bond	14 December 2017	15 December 2022	3.13%	1,656	1,627
Total nominal value				94,911	94,706
Less: Unamortised issuance cost and discount				(97)	(90)
Elimination of positions held by a subsidiary				—	(45)
Carrying value				94,814	94,571

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

	Notes	30 June 2018	31 December 2017
Subordinated fixed rate bonds maturing:			
— in May 2025	(i)	**11,500**	11,500
— in June 2027	(ii)	**19,982**	19,981
— in August 2024	(iii)	**36,970**	36,967
Total		**68,452**	68,448

Notes:

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

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

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

(Amounts in millions of Renminbi unless otherwise stated)

41 Debt securities issued (Continued)

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

	Notes	**30 June 2018**	31 December 2017
Subordinated fixed rate notes maturing:			
— in June 2020	(i)	**3,337**	3,341
— in May 2024	(ii)	**1,969**	1,939
Total		**5,306**	5,280

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

(d) These certificates of deposit were issued by CBI with interest rate ranging from 1.44% to 2.26% per annum.

(e) As at 30 June 2018, the Bank had issued certain certificates of interbank deposits, totaling RMB384,450 million (31 December 2017: RMB270,096 million), with yield ranging from 3.64% to 4.93% (31 December 2017: 4.00% to 5.35%) per annum. The original expiry terms are from one month to two years.

42 Other liabilities

	Note	**30 June 2018**	31 December 2017
Payment and collection accounts		**19,742**	13,545
Settlement and clearing accounts		**6,812**	6,667
Deferred emoluments payable	(i)	**5,719**	6,306
Advances and deferred expenses		**5,345**	4,278
Precious metal contracts		**3,242**	4,872
Leasing deposits		**1,675**	1,616
Dividends payable		**1,006**	—
Accrued expenses		**612**	636
Others		**11,569**	7,996
Total		**55,722**	45,916

Note:

(i) As at 30 June 2018, the amount of these accounts payable was RMB5,719 million (31 December 2017: RMB6,306 million). These are related to the provision of services to the Group and will be paid in accordance with the payment plan deferred wages and bonuses.

(Amounts in millions of Renminbi unless otherwise stated)

43 Share capital

	30 June 2018 and 31 December 2017 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**

	Six months ended 30 June 2018	Year ended 31 December 2017
As at 1 January	**48,935**	48,935
Additions	**—**	—
As at 30 June/31 December	**48,935**	48,935

44 Preference shares

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

35,000 million preference shares of RMB100 each were issued in October 2016, with a dividend rate of 3.80% per annum for the first five years from issuance, to no more than 200 qualified investors, pursuant to the approval by its ordinary shareholders' meeting and relevant regulatory authorities.

The carrying amount of preference shares, net of direct issuance expenses, was RMB34,955 million as at 30 June 2018. All the proceeds received is used to replenish Other Tier-One capital in order to increase the Bank's Tier-One capital adequacy ratio (Note 57). Dividends are non-cumulative and where payable are paid annually. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

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

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

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

(Amounts in millions of Renminbi unless otherwise stated)

44 Preference shares (Continued)

These preference shares are classified as equity instruments, and presented as equity in the consolidated interim 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:

	30 June 2018	31 December 2017
Total equity attribute to equity holders of the parent company	**398,580**	388,002
Equity attribute to ordinary equity holders of the parent company	**363,625**	353,047
Equity attribute to other equity holders of the parent company	**34,955**	34,955

During the six months ended 30 June 2018, no dividends payment was paid to the preference shareholders (As at or for the period ended 31 December 2017: RMB1,330 million).

45 Capital reserves

	30 June 2018	31 December 2017
Share premium	**58,896**	58,896
Other reserves	**81**	81
Total	**58,977**	58,977

	Note	**Six months ended 30 June 2018**	Year ended 31 December 2017
As at 1 January		**58,977**	58,636
Additions	50	—	341
As at 30 June/31 December		**58,977**	58,977

46 Other comprehensive income

Other comprehensive income comprises items that may be reclassified subsequently to profit or loss when specific conditions are met, mainly include fair value changes or available-for-sale financial assets, exchange differences on translating foreign operations, etc; and items that will not be reclassified to profit or loss, such as net changes on the measurement of defined benefit plan (Note 37).

(Amounts in millions of Renminbi unless otherwise stated)

47 Surplus reserve

	Six months ended 30 June 2018	Year ended 31 December 2017
As at 1 January	**30,244**	27,263
Appropriations	**—**	3,920
As at 30 June/31 December	**30,244**	31,183

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

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

48 General reserve

	Six months ended 30 June 2018	Year ended 31 December 2017
As at 1 January	**74,251**	73,911
Appropriations	**—**	340
As at 30 June/31 December	**74,251**	74,251

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.

49 Profit appropriations and retained earnings

(a) The proposal of cash dividend of RMB2.61 per ten ordinary shares related to 2017, amounting to RMB12,772 million in total was approved at the Annual General Meeting held on 25 May 2018. A total of 1,006 million of the above cash dividends remain outstanding and were distributed on 2 July 2018.

(b) As at 30 June 2018, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB127 million (31 December 2017: RMB141 million). Such statutory surplus reserves cannot be distributed.

(Amounts in millions of Renminbi unless otherwise stated)

50 Non-controlling interests

As at 30 June 2018, non-controlling interests included ordinary shareholders held by non-controlling interest in subsidiaries and other equity instrument holders' interests. Other equity instrument holders' interest amounted to RMB5,149 million representing other equity instruments issued by CBI on 22 April 2014 and 29 September 2016, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier-One capital securities (the "Capital Securities").

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

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

A distribution payment of RMB142 million was paid to the holders of the Capital Security mentioned above during the six months ended 30 June 2018 (During the six months ended 30 June 2017: RMB147 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.

51 Notes to consolidated interim statement of cash flows

Cash and cash equivalents

	Six months ended 30 June	
	2018	2017
Cash	**6,187**	6,044
Cash equivalents		
— Surplus deposit reserve funds	**85,246**	44,967
— Deposits with banks and non-bank financial institutions due within three months when acquired	**76,702**	84,846
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**114,978**	127,768
— Investment securities due within three months when acquired	**26,718**	58,174
Subtotal	**303,644**	315,755
Total	**309,831**	321,799

(Amounts in millions of Renminbi unless otherwise stated)

52 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and acceptances.

Loan commitments and credit card commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantees provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

	30 June 2018	31 December 2017
Contractual amount		
Loan commitments		
— with an original maturity within one year	**13,824**	14,926
— with an original maturity of one year or above	**36,176**	57,434
Subtotal	**50,000**	72,360
Letters of credit	**396,122**	427,561
Credit card commitments	**363,318**	310,315
Guarantees	**175,414**	195,746
Acceptances	**100,279**	88,772
Total	**1,085,133**	1,094,754

(b) Credit commitments analysed by credit risk weighted amount

	30 June 2018	31 December 2017
Credit risk weighted amount of credit commitments	**371,924**	351,475

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)

52 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:

	30 June 2018	31 December 2017
Contracted for	**5,608**	7,385

As announced by the Bank dated 17 November 2015, the Board of Directors approved the establishment of an asset management company (with a proposed name of China CITIC Bank Asset Management Corporation Limited) by the Bank subject to the approval of relevant regulatory authorities. The proposed registered capital of this asset management company was RMB2 billion.

(d) Operating lease commitments

The Group leases certain property, plant and equipment under operating leases, which typically run for an initial period from one to five years and may include an option to renew the leases when all terms are renegotiated. As at 30 June, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018	31 December 2017
Within one year	**2,766**	2,876
After one year but within two years	**2,635**	2,892
After two years but within three years	**2,302**	2,306
After three years but within five years	**3,418**	3,418
After five years	**1,993**	2,122
Total	**13,114**	13,614

(e) Outstanding contingencies including litigation and disputes

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

As at 30 June 2018, the Group was involved in certain potential and pending litigation as defendant with gross amount of RMB565 million (as at 31 December 2017: RMB748 million). Based on the opinion of internal and external legal counsels, the Group had made no additional provision for the six months ended 30 June 2018 (Six months ended 30 June 2017: Nil) against these litigation (Note (40)).

(Amounts in millions of Renminbi unless otherwise stated)

52 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:

	30 June 2018	31 December 2017
Redemption commitment for treasury bonds	**10,912**	11,492

The original maturities of these bonds vary from one to five years. Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(g) Underwriting obligations

As at 30 June 2018 and 31 December 2017, the Group did not have unfulfilled commitment in respect of securities underwriting business.

53 Collateral

(a) Assets pledged

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

	30 June 2018	31 December 2017
Debt securities	**432,387**	407,755
Discounted bills	**21,089**	52,780
Others	**159**	111
Total	**453,635**	460,646

As at 30 June 2018 and 31 December 2017, the Group's liabilities related to the above collateral were due within 12 months from the effective dates of these agreements and title of these collateral was not transferred to counterparties.

(ii) In addition, as at 30 June 2018, the Group pledged debt securities and deposits with banks and other financial institutions with carrying amount totalling RMB1,326 million (31 December 2017: RMB1,668 million) as collateral for derivative transactions and guarantee funds to exchanges. Title of these pledged assets was not transferred to counterparties.

(b) Collateral accepted

The Group received debt securities and bills as collateral for financial assets held under resale agreements as set out in Note 18. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 30 June 2018, the Group held no collateral that can be resold or re-pledged (31 December 2017: Nil). During the six months ended 30 June 2018, the Group did not resell or re-pledge any of these collateral (Six months ended 30 June 2017: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

54 Transactions on behalf of customers

(a) Entrusted lending business

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

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

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

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

	30 June 2018	31 December 2017
Entrusted loans	**733,101**	791,555
Entrusted funds	**733,102**	791,556

(b) Wealth management services

The Group's wealth management services to customers mainly represent sale of wealth management products, including principal guaranteed (Note 60 (c)) and non-principal or interest guaranteed wealth management products (Note 60 (b)), to corporate and personal banking customers.

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is recognised in the interim consolidated statement of profit or loss as commission income. The Group has entered into placements transactions at market interest rates with the wealth management products vehicles (Note 60 (b)).

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

As at 30 June 2018, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 60(b).

55 Segment reporting

Measurement of segment assets and liabilities, and segment income and expenses is based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire assets (including both tangibles assets and intangible assets) whose estimated useful lives are over one year.

(a) Business segments

The Group has the following main business segments for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions, as well as conducts investment banking businesses and international businesses. The products and services include corporate loans, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers and small enterprises. The products and services comprise loans, deposit services, securities agency services, remittance and settlement services and guarantee services.

Treasury business

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

(Amounts in millions of Renminbi unless otherwise stated)

55 Segment reporting (Continued)

(a) Business segments (Continued)

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 2018, the Group adjusted the allocation method of business segment reporting, adjusted part of items from others and unallocated business to corporate banking, personal banking and treasury business, which include treasury business relating to corresponding business segment as well as non interest-earning assets and liabilities such as precious metals leasing and the funds raised by non-principal guaranteed wealth management. The related comparative figures have been restated accordingly.

	Six months ended 30 June 2018				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	26,882	25,556	11,780	(14,410)	49,808
Internal net interest income/(expense)	9,670	(17,064)	(8,612)	16,006	—
Net interest income	36,552	8,492	3,168	1,596	49,808
Net fee and commission income	4,463	16,188	397	814	21,862
Other net income (Note (i))	2,634	3,449	4,446	(819)	9,710
Operating income	43,649	28,129	8,011	1,591	81,380
Operating expenses					
— depreciation and amortisation	(551)	(260)	(296)	(292)	(1,399)
— others	(8,658)	(11,151)	(963)	(392)	(21,164)
Impairment losses	(19,884)	(5,077)	(244)	(956)	(26,161)
Revaluation gain on investment properties	—	—	—	8	8
Share of loss of associates and joint ventures	—	—	—	(222)	(222)
Profit before tax	14,556	11,641	6,508	(263)	32,442
Income tax					(6,267)
Profit for the period					26,175
Capital expenditure	233	126	123	133	615

	30 June 2018				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	2,442,050	1,091,108	1,377,918	873,234	5,784,310
Interest in associates and joint ventures	—	—	132	2,934	3,066
Deferred tax assets					20,068
Total asset					5,807,444
Segment liabilities	3,084,386	1,433,816	644,179	221,288	5,383,669
Deferred tax liabilities					14
Total liabilities					5,383,683
Off-balance sheet credit commitments	721,815	363,318	—	—	1,085,133

(Amounts in millions of Renminbi unless otherwise stated)

55 Segment reporting (Continued)

(a) Business segments (Continued)

	Six months ended 30 June 2017(restated)				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	29,381	21,011	7,128	(8,026)	49,494
Internal net interest income/(expense)	7,002	(10,999)	(6,451)	10,448	—
Net interest income	36,383	10,012	677	2,422	49,494
Net fee and commission income	6,465	14,982	759	555	22,761
Other net income (Note (i))	1,171	305	2,948	30	4,454
Operating income	44,019	25,299	4,384	3,007	76,709
Operating expenses					
— depreciation and amortisation	(591)	(305)	(351)	(214)	(1,461)
— others	(9,095)	(9,912)	(486)	(214)	(19,707)
Impairment losses	(20,479)	(3,518)	(64)	(353)	(24,414)
Revaluation gain on investment properties	—	—	—	16	16
Share of loss of associates	—	—	—	(27)	(27)
Profit before tax	13,854	11,564	3,483	2,215	31,116
Income tax					(6,952)
Profit for the period					24,164
Capital expenditure	1,493	740	892	340	3,465

	31 December 2017(restated)				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
Segment assets	2,447,930	1,022,133	1,292,692	890,770	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	3,075,264	1,272,327	784,837	132,822	5,265,250
Deferred tax liabilities					8
Total liabilities					5,265,258
Off-balance sheet credit commitments	784,439	310,315	—	—	1,094,754

Note:

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

55 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities. The Bank's principal subsidiaries, CNCB Investment and CIFH are registered and operating in Hong Kong. The other subsidiaries, Lin'an Rural Bank and CFLL are registered in Mainland China.

In presenting information by geographical segments, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments, as defined for management reporting purposes, are as follows:

— "Yangtze River Delta" refers to the following areas where Tier-One branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank;

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

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

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

— "Western" region refers to the following areas where Tier-One branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

— "Northeastern" region refers to the following areas where Tier-One branches of the Group is located: Shenyang, Changchun and Harbin;

— "Head Office" refers to the headquarter of the Bank and the Credit Card Center; and

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

In the second half of 2017, the Group reclassified the investment management products managed by securities companies and trust investment plans 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)

55 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2018									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	10,476	6,894	6,121	7,683	8,181	1,072	6,343	3,038	–	49,808
Internal net interest income/(expense)	757	1,511	3,880	(881)	(2,595)	(210)	(2,302)	(160)	–	–
Net interest income	11,233	8,405	10,001	6,802	5,586	862	4,041	2,878	–	49,808
Net fee and commission income	1,748	1,483	2,503	898	829	179	13,499	723	–	21,862
Other net income (Note (i))	346	130	350	62	51	17	8,226	528	–	9,710
Operating income	13,327	10,018	12,854	7,762	6,466	1,058	25,766	4,129	–	81,380
Operating expense										
– depreciation and amortisation	(263)	(131)	(179)	(160)	(184)	(53)	(344)	(85)	–	(1,399)
– others	(3,578)	(2,664)	(3,690)	(2,379)	(2,284)	(564)	(4,707)	(1,298)	–	(21,164)
Impairment losses	(4,853)	(3,518)	(5,785)	(3,436)	(3,695)	(2,186)	(2,039)	(649)	–	(26,161)
Revaluation gain on investment properties	–	–	–	–	–	–	8	–	–	8
Share of loss of associates and joint ventures	–	–	–	–	–	–	(108)	(114)	–	(222)
Profit before tax	4,633	3,705	3,200	1,787	303	(1,745)	18,576	1,983	–	32,442
Income tax										(6,267)
Profit for the period										26,175
Capital expenditure	32	26	19	34	20	15	402	67	–	615

	30 June 2018									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,170,473	800,046	1,164,144	597,766	536,445	94,966	2,378,142	316,823	(1,274,495)	5,784,310
Interest in associates and joint ventures	–	–	–	–	–	–	2,153	913	–	3,066
Deferred tax assets										20,068
Total assets										5,807,444
Segment liabilities	1,131,343	825,333	1,117,557	581,933	508,171	100,448	2,109,649	261,111	(1,251,876)	5,383,669
Deferred tax liabilities										14
Total liabilities										5,383,683
Off-balance sheet credit commitments	190,070	139,666	144,262	141,109	83,800	11,746	356,653	17,827	–	1,085,133

(Amounts in millions of Renminbi unless otherwise stated)

55 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2017 (restated)									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	7,969	7,225	5,995	6,817	6,887	1,332	10,884	2,385	—	49,494
Internal net interest income/(expense)	1,783	1,155	3,895	449	(788)	(379)	(6,009)	(106)	—	—
Net interest income	9,752	8,380	9,890	7,266	6,099	953	4,875	2,279	—	49,494
Net fee and commission income	2,435	1,899	3,273	1,088	1,095	170	11,859	942	—	22,761
Other net income (Note (i))	331	248	387	132	53	8	2,693	602	—	4,454
Operating income	12,518	10,527	13,550	8,486	7,247	1,131	19,427	3,823	—	76,709
Operating expense										
— depreciation and amortisation	(238)	(144)	(207)	(159)	(195)	(53)	(313)	(152)	—	(1,461)
— others	(3,583)	(2,391)	(3,476)	(2,336)	(2,343)	(538)	(3,751)	(1,289)	—	(19,707)
Impairment losses	(5,592)	(6,451)	(3,619)	(3,601)	(2,928)	(1,090)	(367)	(766)	—	(24,414)
Revaluation gain on investment properties	—	—	—	—	—	—	—	16	—	16
Share of loss of associates	—	—	—	—	—	—	—	(27)	—	(27)
Profit before tax	3,105	1,541	6,248	2,390	1,781	(550)	14,996	1,605	—	31,116
Income tax										(6,952)
Profit for the period										24,164
Capital expenditure	475	79	77	78	101	15	2,537	103	—	3,465

	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

Note:

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

56 Financial risk management

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

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

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

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

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

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

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loan and advance to customers, treasury businesses and off-balance sheet items.

The Group has standardised management on the entire credit business process including loan application and its investigation, approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

In addition to the credit risk to the Group caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee businesses to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

56 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses

Since 1 January 2018, the Group adapts, the "expected credit loss model" on its debt instruments which are classified as financial assets measured at amortised cost and at fair value through other comprehensive income in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses, the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The "three-stage" impairment model is used to measure their allowances for impairment losses respectively to recognise expected credit losses and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since initial recognition will be classified as "stage 1" and the Group continuously monitors their credit risk. The loss allowances of financial instruments in stage 1 is measured based on the expected credit losses in the next 12 months, which represents the proportion of the expected credit losses in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk from initial recognition, the Group transfers the related financial instruments to stage 2, but it will not be considered as credit-impaired instruments. The expected credit losses of financial instruments in stage 2 is measured based on the lifetime expected credit losses.

Stage 3: If there is a significant impairment in financial instruments, it will be moved to stage 3. The expected credit losses of financial instruments in stage 3 is measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

The Group measures the expected credit losses for financial assets through testing models, which includes expected loss model and discounted cash flows model. The expected loss model method is applicable to assets related to personal client and assets related to corporate client in stage 1 and 2. Discounted cash flows model is applicable to assets related to corporate client in stage 3.

The Group estimate the expected credit losses in accordance with the IFRS 9, the key judgments and assumptions adopted by the Group are as follows:

(i) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes the change in probability of default from debtor and the change in classification of credit risk. For the borrowers who are 30 days (exclusive)to 90 days(inclusive) past due on their contractual payments(including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2. For those borrowers who are more than 90 days past due on their contractual payments, the Group considers that they are credit-impaired and classifies them to stage 3.

56 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(ii) Definition of credit-impaired assets

When one or more events that adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower is in significant financial difficulties;
- The borrower is in breach of financial covenant(s) such as default or overdue in repayment of interests or principle etc;
- The creditor gives the debtor no concession under any other circumstances, for economic or contractual reasons relating to the debtor's financial difficulties;
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

(iii) Inputs for measurement of expected credit losses

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

- The probability of default represents the likelihood of a borrower defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.
- Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

(iv) Forward-looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each asset portfolio.

These economic variables and their associated impact on the probability of default vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a quarterly basis, and the impact of these economic variables on the probability of default and the exposure at default was determined by statistical regression analysis.

In addition to the base economic scenario, the Group determine the possible scenarios and their weightings by a combination of statistical analysis and expert judgment. The Group measures expected credit losses as either a probability weighted 12 months expected credit losses (stage 1) or a probability weight lifetime expected credit losses (stage 2 and stage 3). These probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit losses model and multiplying it by the appropriate scenario weighting.

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

(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 consolidated interim statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	30 June 2018					
	Stage 1	Stage 2	Stage 3	Not applicable	Total	31 December 2017
Balances with central banks	515,639	—	—	—	515,639	561,560
Deposits with bank and non-bank financial institutions	85,069	—	—	—	85,069	124,350
Placements with and loans to banks and non-bank financial institutions	207,307	—	1	—	207,308	172,069
Financial assets at fair value through profit or loss	N/A	N/A	N/A	N/A	N/A	61,380
Derivative financial assets	—	—	—	38,327	38,327	65,451
Financial assets held under resale agreements	63,551	—	—	—	63,551	54,626
Interest receivables	27,843	701	—	—	28,544	32,643
Loans and advances to customers (Note (1))	3,197,580	65,175	24,566	—	3,287,321	3,105,984
Investments in financial assets						
— at fair value through profit or loss	—	—	—	299,597	299,597	N/A
— at fair value through other comprehensive income	490,155	119	72	—	490,346	N/A
— at amortised cost	667,660	—	2,635	—	670,295	N/A
Available-for-sale financial assets	N/A	N/A	N/A	N/A	N/A	510,790
Held-to-maturity investments	N/A	N/A	N/A	N/A	N/A	216,586
Investments classified as receivables	N/A	N/A	N/A	N/A	N/A	531,118
Other financial assets	48,948	—	—	—	48,948	47,972
Subtotal	5,303,752	65,995	27,274	337,924	5,734,945	5,484,529
Credit commitments	1,076,552	8,158	423	—	1,085,133	1,094,754
Maximum credit risk exposure	6,380,304	74,153	27,697	337,924	6,820,078	6,579,283

Notes:

(1) Stage 3 loans are credit-impaired loans and advances to customers.

	30 June 2018
Secured portion	40,475
Unsecured portion	23,703
Gross balance	64,178
Allowance for impairment losses	(39,612)
Net balance	24,566

As at 30 June 2018, the maximum exposure covered by pledge and collateral held of secured portion is RMB37,312million.

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

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

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

	30 June 2018			31 December 2017		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
— manufacturing	**311,861**	**9.2**	**142,459**	324,029	10.1	141,571
— real estate	**309,383**	**9.2**	**271,603**	333,055	10.4	272,486
— rental and business services	**249,814**	**7.4**	**152,025**	221,786	6.9	134,207
— water, environment and public utility management	**197,946**	**5.9**	**94,570**	179,441	5.6	87,763
— wholesale and retail	**173,662**	**5.1**	**93,661**	193,818	6.1	103,102
— transportation, storage and postal services	**158,687**	**4.7**	**81,937**	152,851	4.8	79,120
— construction	**79,579**	**2.4**	**30,445**	77,878	2.4	31,442
— production and supply of electric power, gas and water	**74,213**	**2.2**	**38,180**	70,523	2.2	32,688
— public management and social organisations	**15,685**	**0.5**	**3,086**	18,566	0.6	5,399
— others	**318,655**	**9.3**	**131,232**	285,900	8.9	120,153
Subtotal	**1,889,485**	**55.9**	**1,039,198**	1,857,847	58.0	1,007,931
Personal loans	**1,295,619**	**38.4**	**926,655**	1,231,584	38.6	859,513
Discounted bills	**194,190**	**5.7**	**—**	107,456	3.4	—
Gross loans and advances to customers	**3,379,294**	**100.0**	**1,965,853**	3,196,887	100.0	1,867,444

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

	30 June 2018			31 December 2017		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Bohai Rim (including Head Office)	**972,672**	**28.8**	**422,157**	967,864	30.3	428,764
Yangtze River Delta	**765,311**	**22.6**	**469,828**	691,183	21.6	443,504
Pearl River Delta and West Strait	**536,259**	**15.9**	**432,346**	493,118	15.4	390,394
Central	**446,455**	**13.2**	**281,955**	421,810	13.2	265,898
Western	**409,192**	**12.1**	**246,336**	389,152	12.2	231,120
Northeastern	**74,836**	**2.2**	**48,538**	67,609	2.1	44,403
Outside Mainland China	**174,569**	**5.2**	**64,693**	166,151	5.2	63,361
Total	**3,379,294**	**100.0**	**1,965,853**	3,196,887	100.0	1,867,444

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

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

	30 June 2018	31 December 2017
Unsecured loans	**695,560**	708,164
Guaranteed loans	**523,691**	513,823
Secured loans	**1,965,853**	1,867,444
— loans secured by collateral	**1,589,888**	1,510,366
— pledged loans	**375,965**	357,078
Subtotal	**3,185,104**	3,089,431
Discounted bills	**194,190**	107,456
Gross loans and advances to customers	**3,379,294**	3,196,887

(v) Rescheduled loans and advances to customers

	30 June 2018		31 December 2017	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**23,123**	**0.68%**	23,245	0.73%
— rescheduled loans and advances overdue more than 3 months	**20,552**	**0.61%**	19,859	0.62%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated because of deterioration in the financial position of the borrowers, or of the inability of the borrowers to meet their original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider. As at 30 June 2018, with borrowers' financial difficulty, the concession the Group considered resulted from economic or legal reasons is not significant.

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

(vi) 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. As at 30 June 2018 and 31 December 2017, debt instruments investments analysed by rating are as follows:

	30 June 2018					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
— governments	**301,265**	**69,428**	**9,345**	**262**	**—**	**380,300**
— policy banks	**106,156**	**15,708**	**—**	**5,633**	**—**	**127,497**
— public entities	**171**	**774**	**1,599**	**—**	**—**	**2,544**
— banks and non-bank financial institutions	**38,795**	**135,796**	**13,728**	**15,432**	**7,440**	**211,191**
— corporates	**7,187**	**83,719**	**25,752**	**4,073**	**7,249**	**127,980**
Total	**453,574**	**305,425**	**50,424**	**25,400**	**14,689**	**849,512**

	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

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)

56 Financial risk management (Continued)

(a) Credit risk (Continued)

(vii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	30 June 2018	31 December 2017
Investment management products managed by securities companies and trust investment plans		
— interbank assets products issued by other banks	**28,250**	N/A
— credit assets	**311,365**	N/A
— rediscounted bills	**88,391**	N/A
Investments classified as receivables		
— interbank assets and wealth management products issued by other banks	**N/A**	153,510
— credit assets	**N/A**	303,386
— rediscounted bills	**N/A**	77,165
Total	**428,006**	534,061

The Group divides investment management products managed by securities companies and trust investment plans into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets 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.

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(b) Market risk

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.

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

	30 June 2018						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central banks	1.55%	521,826	22,318	499,508	—	—	—
Deposits with banks and non-bank financial institutions	2.33%	85,069	—	79,937	5,132	—	—
Placements with and loans to banks and non-bank financial institutions	3.30%	207,308	—	145,245	57,071	4,992	—
Financial assets held under resale agreements	2.82%	63,551	—	63,551	—	—	—
Loans and advances to customers (Note (ii))	4.80%	3,287,321	351	1,513,471	1,663,875	98,036	11,588
Investments in financial assets							
— at fair value through profit or loss		299,597	226,864	16,713	30,722	13,278	12,020
— at fair value through other comprehensive income	3.83%	490,346	1,758	46,021	81,462	278,127	82,978
— at amortised cost	4.65%	670,295	—	92,416	139,421	308,569	129,889
Others		182,131	178,892	3,006	233	—	—
Total assets		5,807,444	430,183	2,459,868	1,977,916	703,002	236,475
Liabilities							
Borrowings from central banks	3.26%	266,100	—	19,050	247,050	—	—
Deposits from banks and non-bank financial institutions	3.70%	684,616	1,008	557,798	125,640	170	—
Placements from banks and non-bank financial institutions	3.17%	66,870	—	44,281	22,289	300	—
Financial liabilities at fair value through profit or loss		1,917	1,917	—	—	—	—
Financial assets sold under repurchase agreements	3.01%	70,308	—	64,842	5,466	—	—
Deposits from customers	1.80%	3,587,994	22,646	2,640,785	584,495	310,055	30,013
Debt securities issued	4.68%	555,498	—	267,922	135,969	114,637	36,970
Others		150,380	147,141	3,006	233	—	—
Total liabilities		5,383,683	172,712	3,597,684	1,121,142	425,162	66,983
Interest rate gap		423,761	257,471	(1,137,816)	856,774	277,840	169,492

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

	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

Notes:

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

(ii) For loans and advances to customers, the "Less than three months" category includes overdue amounts (net of allowance for impairment losses) of RMB47,272 million as at 30 June 2018 (as at 31 December 2017: RMB43,660 million).

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

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 30 June 2018 and 31 December 2017.

	30 June 2018		31 December 2017	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(4,952)**	**(1,203)**	(6,328)	(1,229)
-100 basis points	**4,952**	**1,203**	6,328	1,229

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

Currency risk

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

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The exposures at the reporting date were as follows:

	30 June 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	478,187	42,684	730	225	521,826
Deposits with banks and non-bank financial institutions	50,429	21,051	8,943	4,646	85,069
Placements with and loans to banks and non-bank financial institutions	130,892	68,356	5,672	2,388	207,308
Investments in financial assets					
— at fair value through profit or loss	283,786	12,597	2,571	643	299,597
— at fair value through other comprehensive income	414,411	51,745	20,421	3,769	490,346
— at amortised cost	668,950	1,345	—	—	670,295
Financial assets held under resale agreements	61,638	1,913	—	—	63,551
Loans and advances to customers	3,052,427	104,580	110,877	19,437	3,287,321
Others	163,132	7,824	9,878	1,297	182,131
Total assets	5,303,852	312,095	159,092	32,405	5,807,444
Liabilities					
Borrowings from central banks	266,100	—	—	—	266,100
Deposits from banks and non-bank financial institutions	668,792	6,380	412	9,032	684,616
Placements from banks and non-bank financial institutions	45,319	21,406	125	20	66,870
Financial liabilities at fair value through profit or loss	—	1,917	—	—	1,917
Financial assets sold under repurchase agreements	70,095	213	—	—	70,308
Deposits from customers	3,211,597	210,679	138,394	27,324	3,587,994
Debt securities issued	535,669	19,829	—	—	555,498
Others	107,535	31,370	10,450	1,025	150,380
Total liabilities	4,905,107	291,794	149,381	37,401	5,383,683
Net on-balance sheet position	398,745	20,301	9,711	(4,996)	423,761
Credit commitments	947,561	113,016	14,759	9,797	1,085,133
Derivatives (Note (i))	(12,009)	(1,959)	19,277	5,153	10,462

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

	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

Note:

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

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 30 June 2018 and 31 December 2017, the results of the Group's foreign exchange rate sensitivity analysis.

	30 June 2018		31 December 2017	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**2,232**	**(10)**	582	6
5% depreciation	**(2,232)**	**10**	(582)	(6)

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.

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities

	30 June 2018						
	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	91,531	—	1,554	—	—	428,741	521,826
Deposits with banks and non-bank financial institutions	40,194	40,036	4,839	—	—	—	85,069
Placements with and loans to banks and non-bank financial institutions	—	145,146	57,170	4,992	—	—	207,308
Financial assets held under resale agreements	—	63,551	—	—	—	—	63,551
Loans and advances to customers (Note (ii))	10,159	531,658	850,017	878,579	982,676	34,232	3,287,321
Investments in financial assets							
— at fair value through profit or loss	9,135	15,724	47,121	37,461	12,021	178,135	299,597
— at fair value through other comprehensive income	1,552	34,488	81,635	287,413	85,060	198	490,346
— at amortised cost	476	58,512	140,646	332,093	136,453	2,115	670,295
Others	77,574	31,472	13,488	25,550	788	33,259	182,131
Total assets	230,621	920,587	1,196,470	1,566,088	1,216,998	676,680	5,807,444
Liabilities							
Borrowings from central banks	—	19,100	247,000	—	—	—	266,100
Deposits from banks and non-bank financial institutions	245,299	313,507	125,640	170	—	—	684,616
Placements from banks and non-bank financial institutions	—	44,917	21,953	—	—	—	66,870
Financial liabilities at fair value through profit or loss	1,917	—	—	—	—	—	1,917
Financial assets sold under repurchase agreements	—	64,842	5,466	—	—	—	70,308
Deposits from customers	1,904,548	758,824	584,515	310,093	30,014	—	3,587,994
Debt securities issued	—	267,922	135,971	114,635	36,970	—	555,498
Others	61,393	29,055	27,498	17,490	2,498	12,446	150,380
Total liabilities	2,213,157	1,498,167	1,148,043	442,388	69,482	12,446	5,383,683
(Short)/long position	(1,982,536)	(577,580)	48,427	1,123,700	1,147,516	664,234	423,761

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

	31 December 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)

56 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

	30 June 2018						
	Repayable on demand	Within 3 months	Three months and one year	One and five years	More than five years	Undated (Note(i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	91,533	1,714	6,893	—	—	428,740	528,880
Deposits with banks and non-bank financial institutions	41,756	40,048	5,213	—	—	—	87,017
Placements with and loans to banks and non-bank financial institutions	—	157,060	67,926	5,580	—	—	230,566
Financial assets held under resale agreements	—	63,594	—	—	—	—	63,594
Loans and advances to customers	12,436	565,255	934,613	1,150,136	1,464,456	36,790	4,163,686
Investments in financial assets							
— at fair value through profit or loss	9,135	23,211	54,998	45,085	57,549	180,651	370,629
— at fair value through other comprehensive income	1,552	36,172	93,791	329,780	97,575	198	559,068
— at amortised cost	476	62,617	162,850	393,719	157,220	2,436	779,318
Others	77,572	31,472	13,488	25,550	788	33,530	182,400
Total assets	234,460	981,143	1,339,772	1,949,850	1,777,588	682,345	6,965,158
Liabilities							
Borrowings from central banks	—	19,716	255,177	—	—	—	274,893
Deposits from banks and non-bank financial institutions	249,651	315,387	133,388	196	—	—	698,622
Placements from banks and non-bank financial institutions	—	52,264	29,899	—	—	—	82,163
Financial liabilities at fair value through profit or loss	1,917	—	—	—	—	—	1,917
Financial assets sold under repurchase agreements	—	64,953	5,559	—	—	—	70,512
Deposits from customers	1,905,539	771,895	615,605	352,346	38,336	—	3,683,721
Debt securities issued	—	268,396	152,782	122,958	39,590	—	583,726
Others	61,394	29,055	27,498	17,490	2,498	12,446	150,381
Total liabilities	2,218,501	1,521,666	1,219,908	492,990	80,424	12,446	5,545,935
(Short)/long position	(1,984,041)	(540,523)	119,864	1,456,860	1,697,164	669,899	1,419,223
Derivative cash flow	—	1,515	639	246	80	—	2,480
Derivative financial instrument settled on a net basis	—	(17)	(6)	104	80	—	161
Derivative financial instruments settled on a gross basis	—	1,532	645	142	—	—	2,319
— cash inflow	—	915,102	1,047,381	40,484	—	—	2,002,967
— cash outflow	—	(913,570)	(1,046,736)	(40,342)	—	—	(2,000,648)

(Amounts in millions of Renminbi unless otherwise stated)

56 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 (continued).

	31 December 2017						
	Repayable on demand	Within three months	Three months and one year	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	14,928	527,401	851,330	1,121,708	1,373,413	48,140	3,936,920
Investments	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
— cash inflow	—	1,185,850	1,750,876	27,070	3	—	2,963,799
— cash outflow	—	(1,185,464)	(1,749,920)	(26,861)	—	—	(2,962,245)

(Amounts in millions of Renminbi unless otherwise stated)

56 Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

	30 June 2018			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank Acceptances	**396,122**	**—**	**—**	**396,122**
Credit Card Commitments	**363,318**	**—**	**—**	**363,318**
Guarantees	**94,398**	**73,457**	**7,559**	**175,414**
Letters of Credit	**98,169**	**2,110**	**—**	**100,279**
Loan Commitments	**13,824**	**36,176**	**—**	**50,000**
Total	**965,831**	**111,743**	**7,559**	**1,085,133**

	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
Letters of Credit	86,600	2,172	—	88,772
Loan Commitments	18,718	24,784	28,858	72,360
Total	956,698	108,198	29,858	1,094,754

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 credit-impaired or overdue for more than one month. Equity investments were also reported under undated period.

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

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

56 Financial risk management (Continued)

(d) Operational risk

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

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

— by establishing a matrix authorisation management system of the whole group, carrying out the annual unified authorisation work, and strictly restricting the institutions and personnel at all levels to carry out business activities within the scope of authority granted, the management requirements of prohibiting the overstepping of authority to engage in business activities were further clarified at the institutional level;

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

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

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

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

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

57 Capital Adequacy Ratio

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

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

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

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

(Amounts in millions of Renminbi unless otherwise stated)

57 Capital Adequacy Ratio (Continued)

Under the "Regulation Governing Capital of Commercial Banks (provisional)", The Systematic important bank is required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively, by the end of 2018. The Non-systematic important bank is required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 7.50%, 8.50% and 10.50%, respectively, by the end of 2018. In addition, overseas subsidiaries and branches are directly regulated by the respective local banking regulators and the requirements of capital adequacy ratios differ by country. During the period, the Group has complied in full with all its externally imposed capital requirements.

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

Relevant requirements promulgated by the CBRC are listed as below.

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Core Tier-One capital adequacy ratio	**8.53%**	8.49%
Tier-One capital adequacy ratio	**9.36%**	9.34%
Capital adequacy ratio	**11.34%**	11.65%
Components of capital base		
Core Tier-One capital:		
Share capital	**48,935**	48,935
Qualified portion of capital reserve	**58,977**	58,977
Other comprehensive income	**(2,947)**	(11,784)
Surplus reserve	**30,244**	31,183
General reserve	**74,251**	74,251
Retained earnings	**166,568**	163,121
Qualified portion of non-controlling interests	**4,158**	3,872
Total core Tier-One capital	**380,186**	368,555
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	**(861)**	(849)
Other intangible assets other than land use right (net of related deferred tax liability)	**(1,016)**	(1,139)
Core Tier-One Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope	**(39)**	—
Net core Tier-One capital	**378,270**	366,567
Other Tier-One capital (Note (i))	**36,940**	36,811
Tier-One capital	**415,210**	403,378
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**54,518**	60,842
Surplus allowance for loan impairment	**31,156**	37,255
Qualified portion of non-controlling interests	**2,174**	1,346
Net capital base	**503,058**	502,821
Total risk-weighted assets	**4,435,418**	4,317,502

Note:

(i) As at 30 June 2018, the Group's other Tier-One capital included preference shares issued by the Bank (Note 44) and non-controlling interests (Note 50).

58 Fair value

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity instruments 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 partial bills rediscounting and forfeiting in loans and advances, partial Investment management products managed by securities companies and Trust investment plans, as well as a majority of over-the-counter derivative contracts. Foreign exchange forward and swaps, Interest rate swap, and foreign exchange options use discount cash flow evaluation method and the evaluation model of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Bills rediscounting, forfeiting, Investment management products managed by securities companies and Trust investment plans use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the Open market such as Bloomberg and Reuters.

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

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

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

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

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

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

For the period ended 30 June 2018, 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)

58 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 at amortised cost, Investments in financial assets at amortised cost, 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**	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
Financial assets:				
Investments in financial assets				
— at amortised cost	**670,295**	N/A	**671,492**	N/A
Held-to-maturity investments	**N/A**	216,586	**N/A**	212,530
Investments classified as receivables	**N/A**	531,118	**N/A**	533,669
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**2,476**	2,849	**2,627**	2,849
— debt securities issued	**94,814**	94,571	**94,183**	94,131
— subordinated bonds issued	**73,758**	73,728	**75,896**	76,246
— certificates of interbank deposit issued	**384,450**	270,096	**382,263**	265,071

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

		30 June 2018		
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Investments in financial assets				
— at amortised cost	**1,335**	**415,113**	**255,044**	**671,492**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**—**	**2,627**	**—**	**2,627**
— debt securities issued	**—**	**94,183**	**—**	**94,183**
— subordinated bonds issued	**5,500**	**70,396**	**—**	**75,896**
— certificates of interbank deposit issued	**—**	**382,263**	**—**	**382,263**

		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

(Amounts in millions of Renminbi unless otherwise stated)

58 Fair value (continued)

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

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 30 June 2018				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	—	388	—	388
— discounted bills	—	48,770	—	48,770
Financial assets at fair value through profit or loss				
— debt securities	4,639	49,786	3,856	58,281
— investment funds	—	176,615	5,070	181,685
— certificates of deposit	—	16,858	—	16,858
— wealth management products	—	—	336	336
— equity instruments	633	—	2,758	3,391
— trust investment plans	—	—	38,957	38,957
— investment management products managed by securities companies	—	—	89	89
Financial assets at fair value through other comprehensive income				
— debt securities	53,401	386,592	13,386	453,379
— certificates of deposit	100	14,335	—	14,435
— equity instruments	332	—	225	557
— trust investment plans	—	—	2,273	2,273
— investment management products managed by securities companies	—	—	19,702	19,702
Derivative financial assets				
— interest rate derivatives	2	4,731	3	4,736
— currency derivatives	—	32,739	—	32,739
— precious metals derivatives	—	851	—	851
— commodity derivatives	1	—	—	1
Total financial assets measured at fair value	59,108	731,665	86,655	877,428
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	1,917	—	—	1,917
Derivative financial liabilities				
— interest rate derivatives	2	4,567	3	4,572
— currency derivatives	—	32,110	—	32,110
— precious metals derivatives	—	234	—	234
— commodity derivatives	1	—	—	1
Total financial liabilities measured at fair value	1,920	36,911	3	38,834

(Amounts in millions of Renminbi unless otherwise stated)

58 Fair value (continued)

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

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 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)

58 Fair value (continued)

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

Notes:

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

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

	Assets				Liabilities	
	Financial assets at fair value through profit or loss	**Financial assets at fair value through comprehensive income**	**Derivative financial assets**	**Total**	**Derivative financial liabilities**	**Total**
As at 1 January 2018	**191,155**	**26,559**	**1**	**217,715**	**(1)**	**(1)**
Total gains or losses						
— in profit or loss	**989**	**(313)**	**3**	**679**	**(3)**	**(3)**
— in comprehensive income	**—**	**(2,476)**	**—**	**(2,476)**	**—**	**—**
Purchase	**4,640**	**11,816**	**—**	**16,456**	**—**	**—**
Settlements	**(145,715)**	**—**	**(1)**	**(145,716)**	**1**	**1**
Exchange effect	**(3)**	**—**	**—**	**(3)**	**—**	**—**
As at 30 June 2018	**51,066**	**35,586**	**3**	**86,655**	**(3)**	**(3)**

	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)

(Amounts in millions of Renminbi unless otherwise stated)

59 Related parties

(a) Relationship of related parties

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

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

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.

Poly Group acquired 27,216,400 A shares of the Bank through the secondary market, representing 0.06% shares of the Bank. A non-executive director designated by Poly Group was appointed on 25 May 2018. Poly Group is thereafter regarded as the Group's related party as it has significant influence upon the Bank.

(b) Related party transactions

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

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

	Six months ended 30 June 2018		
	Ultimate holding company and affiliates	**Other major equity holders Note(i)**	**Associates and joint ventures**
Profit and loss			
Interest income	**201**	**97**	**—**
Fee and commission income and other operating income	**695**	**—**	**—**
Interest expense	**(711)**	**(237)**	**(6)**
Net trading gain/(loss)	**1,589**	**—**	**(222)**
Other service fees	**(653)**	**—**	**—**

(Amounts in millions of Renminbi unless otherwise stated)

59 Related parties (continued)

(b) Related party transactions (continued)

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

	30 June 2018		
	Ultimate holding company and affiliates	**Other major equity holders Note(i)**	**Associates and joint ventures**
Assets			
Gross loans and advances to customers	**16,475**	**2,932**	**—**
Less: allowance for impairment losses on loans and advances	**(441)**	**(11)**	**—**
Loans and advances to customers (net)	**16,034**	**2,921**	**—**
Deposits with banks and non-bank financial institutions	**—**	**—**	**8,786**
Placements with and loans to banks and non-bank financial institutions	**4,350**	**—**	**—**
Derivative financial assets	**34**	**—**	**—**
Interest receivables	**83**	**2**	**52**
Investments	**241**	**—**	**3,066**
Other assets	**9,797**	**—**	**—**
Liabilities			
Deposits from banks and non-bank financial institutions	**26,952**	**1,085**	**2,219**
Derivative financial liabilities	**21**	**—**	**—**
Deposits from customers	**88,631**	**50,655**	**47**
Interest payable	**88**	**201**	**—**
Other liabilities	**531**	**—**	**—**
Off-balance sheet items			
Guarantees and letters of credit	**2,122**	**13**	**—**
Acceptances	**673**	**298**	**—**
Entrusted funds	**24,625**	**2,500**	**—**
Entrusted loans	**40**	**3,835**	**—**
Funds raised from investors of non-principle guaranteed wealth management products	**1,355**	**—**	**—**
Guarantees received	**7,216**	**9,685**	**—**
Nominal amount of derivatives	**4,520**	**3**	**—**

(Amounts in millions of Renminbi unless otherwise stated)

59 Related parties (continued)

(b) Related party transactions (continued)

	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	—
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	—	—
Interest receivables	123	1	—
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	—	—

Note:

(i) Other major equity holders include CNTC, Xinhu Zhongbao Co., Ltd. and Poly Group.

The amounts disclosed represented those transactions or balances when they were considered as related parties of the Group during the relevant periods. The transactions between the subsidiaries of CNTC/Poly Group and the Group are not significant.

59 Related parties (continued)

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

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

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

There is no relevant loans outstanding as at 30 June 2018 to directors, supervisors and executive officers (as at 31 December 2017: RMB3.37 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank during the six months ended 30 June 2018 amounted to RMB11.85 million (Six months ended 30 June 2017: RMB10.71 million).

(d) Supplementary defined contribution plan

The Group has established a supplementary defined contribution plan for its qualified employees which is administered by CITIC Group (Note 37(b)).

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

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

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

— lending and deposit taking;

— taking and placing of inter-bank balances;

— derivative transactions;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

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

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

— rendering and receiving of utilities and other services.

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

(Amounts in millions of Renminbi unless otherwise stated)

60 Structured entities

(a) Unconsolidated structured entities held by the Group

The Group invests in unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2018 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated interim statement of financial position under which relevant assets are recognised:

	30 June 2018				
	Carrying amount				
	Investments in financial assets at fair value through profit or loss	**Investments in financial assets at fair value through other comprehensive income**	**Investments in financial assets at amortised costs**	**Total**	**Maximum loss exposure**
Wealth management products	**336**	**—**	**—**	**336**	**336**
Investment management products managed by securities companies	**89**	**19,702**	**239,632**	**259,423**	**259,423**
Trust investment plans	**38,957**	**2,273**	**127,353**	**168,583**	**168,583**
Asset-backed securities	**557**	**24,596**	**33,438**	**58,591**	**58,591**
Investment funds	**181,685**	**—**	**—**	**181,685**	**181,685**
Total	**221,624**	**46,571**	**400,423**	**668,618**	**668,618**

	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

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 interim statement of financial position.

60 Structured entities (continued)

(b) Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed wealth management products. The wealth management products invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these wealth management products, the Group invests, on behalf of its customers, in assets as described in the investment plan related to each wealth management product and receives fee and commission income.

As at 30 June 2018, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB1,032,918 million (31 December 2017: RMB1,132,676 million).

During the six months ended 30 June 2018, the Group's interest in these wealth management products included fee and commission income of RMB601 million (Six months ended 30 June 2017: RMB2,594 million); interest income of RMB2,552 million (Six months ended 30 June 2017: RMB1,458 million) and interest expense of RMB1,616 million (Six months ended 30 June 2017: RMB1,273 million). As at 30 June 2018, the carrying amounts of the Group's fee and commission receivables and interest receivables being recognised in the consolidated interim statement of financial position was RMB821 million (31 December 2017: RMB963 million).

As at 30 June 2018, the placements from the Group with these wealth management products and financial assets held under resale agreements sponsored by the Group amounted to RMB90,473 million (31 December 2017: RMB70,488 million), while the placements from these wealth management products to the Group of RMB7,237 million (31 December 2017: 25,901 million). During the six months ended 30 June 2018, 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 RMB55,810 million (31 December 2017: RMB72,372 million), while the placements from these wealth management products to the Group was RMB2,507 million (31 December 2017: RMB44,233 million). These transactions were conducted under normal business terms and conditions.

As at 30 June 2018, assets of these wealth management products amounting to RMB189,514 million (31 December 2017: RMB202,167 million) were invested in investments in which certain subsidiaries and associates of the CITIC Group acted as trustees.

(c) Principal guaranteed wealth management products sponsored and managed by the Group

Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in the respective financial assets and financial liabilities items in accordance with the Group's accounting policies based on the nature of the assets and liabilities.

61 Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

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

Details of the financial assets sold under repurchase agreements are set forth in Note 35. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the six months ended 30 June 2018 totalled RMB163,421 million (Six months ended 30 June 2017: RMB32,372 million) are set forth below.

Securitisation transactions and structured transfers on assets usufruct

During the six months ended 30 June 2018, the Group entered into securitisation transactions and structured transfers on assets usufruct backed by financial assets transferred with book value before impairment of RMB149,269 million (Six months ended 30 June 2017: 14,925 million), of which were all qualified for full derecognition. Among them, the Group entered into securitisation transactions backed by financial assets in respect of non-performing loans transferred with book value before impairment of RMB1,433 million (Six months ended 30 June 2017: Nil).

The Group transferred certain financial assets to special purpose trusts and the relevant trust issued asset-backed securities to investors based on those assets. The Group have continuing involvement in these assets. As at 30 June 2018, the Group continued to recognise assets of RMB690 million (31 December 2017: RMB769 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.

Loan transfers

During the six months ended 30 June 2018, the Group also transferred loans of book value before impairment of RMB14,152 million through other types of transactions (Six months ended 30 June 2017: RMB17,447 million), of which RMB14,152 million represented non-performing loans (Six months ended 30 June 2017: RMB14,617 million). The Group carried out assessment based on the transfer of risks and rewards of ownership and concluded that these transferred assets qualified for full derecognition.

62 Offsetting financial assets and financial liabilities

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

As at 30 June 2018, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(Amounts in millions of Renminbi unless otherwise stated)

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

Statement of financial position

	30 June 2018	31 December 2017
Assets		
Cash and balances with central banks	**519,667**	564,105
Deposits with banks and non-bank financial institutions	**70,961**	102,139
Precious metals	**8,997**	3,348
Placements with and loans to banks and non-bank financial institutions	**186,859**	149,511
Financial assets at fair value through profit or loss	**N/A**	59,976
Derivative financial assets	**30,716**	61,795
Financial assets held under resale agreements	**63,551**	54,626
Interest receivables	**27,372**	31,674
Loans and advances to customers	**3,061,162**	2,886,685
Investments in financial assets		
— Financial assets at fair value through profit or loss	**287,495**	N/A
— Financial assets at fair value through other comprehensive income	**431,930**	N/A
— Financial assets at amortised cost	**669,949**	N/A
Available-for-sale financial assets	**N/A**	579,623
Held-to-maturity investments	**N/A**	216,586
Investments classified as receivables	**N/A**	531,118
Investments in subsidiaries	**24,269**	23,445
Property, plant and equipment	**19,884**	20,594
Intangible assets	**1,012**	1,135
Deferred tax assets	**19,480**	21,605
Other assets	**54,490**	51,249
Total assets	**5,477,794**	5,359,214
Liabilities		
Borrowings from central banks	**266,000**	237,500
Deposits from banks and non-bank financial institutions	**685,228**	799,259
Placements from banks and non-bank financial institutions	**24,302**	34,088
Derivative financial liabilities	**29,546**	61,236
Financial liabilities at fair value through profit or loss	**1,917**	—
Financial assets sold under repurchase agreements	**70,095**	134,384
Deposits from customers	**3,358,790**	3,181,070
Accrued staff costs	**6,958**	8,024
Taxes payable	**4,493**	8,153
Interest payable	**38,461**	38,395
Provisions	**5,379**	394
Debt securities issued	**544,726**	430,176
Other liabilities	**43,319**	38,533
Total liabilities	**5,079,214**	4,971,212
Equity		
Share capital	**48,935**	48,935
Preference shares	**34,955**	34,955
Capital reserve	**61,359**	61,359
Other comprehensive income	**(1,242)**	(9,782)
Surplus reserve	**30,244**	31,183
General reserve	**73,370**	73,370
Retained earnings	**150,959**	147,982
Total equity	**398,580**	388,002
Total liabilities and equity	**5,477,794**	5,359,214

(Amounts in millions of Renminbi unless otherwise stated)

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

Statement of changes in equity

	Share capital	Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 31 December 2017	48,935	34,955	61,359	(9,782)	31,183	73,370	147,982	388,002
Change in accounting policy	—	—	—	4,478	(939)	—	(8,442)	(4,903)
As at 1 January 2018	48,935	34,955	61,359	(5,304)	30,244	73,370	139,540	383,099
(i) Profit for the period	—	—	—	—	—	—	24,191	24,191
(ii) Other comprehensive income	—	—	—	4,062	—	—	—	4,062
Total comprehensive income	—	—	—	4,062	—	—	24,191	28,253
(iii) Profit appropriations								
— Dividend distribution to ordinary shareholders of the Bank	—	—	—	—	—	—	(12,772)	(12,772)
As at 30 June 2018	48,935	34,955	61,359	(1,242)	30,244	73,370	150,959	398,580

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

	Share capital	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

64 Events after the reporting period

(a) On 28 June 2018, the Bank received the approval from the CBRC for Baixin Bank's capital increase and share expansion plan, and approved the Bank to invest RMB1.4 billion and subscribe the 1.4 billion shares of Baixin Bank. The other shareholder, Fujian BoRui, invested RMB0.6 billion and subscribed 0.6 billion shares of Baixin Bank at the same time. After the capital increase, the shareholding ratio remains unchanged. On June 30, 2018, the Bank has paid an actual contribution of RMB500 million, and the remaining RMB900 million has been paid out on 9 July 2018.

(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 interim financial statements, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated interim financial statements for the six months ended 30 June 2018 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the profit for the six months ended 30 June 2018 or total equity as at 30 June 2018 between the Group's consolidated interim financial statements prepared in accordance with IFRSs and those prepared in accordance with PRC GAAP respectively.

2 Liquidity coverage ratio

	30 June 2018	31 December 2017
Liquidity coverage ratio	**110.96%**	97.98%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional) issued by the CBRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

3 Currency concentrations

	30 June 2018			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**307,330**	**161,039**	**44,886**	**513,255**
Spot liabilities	**(265,383)**	**(149,381)**	**(40,640)**	**(455,404)**
Forward purchases	**1,310,993**	**159,883**	**68,091**	**1,538,967**
Forward sales	**(1,313,524)**	**(140,891)**	**(62,717)**	**(1,517,132)**
Options	**573**	**285**	**(222)**	**636**
Net long position	**39,989**	**30,935**	**9,398**	**80,322**

	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

(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.

	30 June 2018			
	Banks	**Official sector**	**Non-bank private sector**	**Total**
Asia Pacific excluding Mainland China	**20,709**	**500**	**58,209**	**79,418**
— of which attributed to Hong Kong	**15,839**	**492**	**50,683**	**67,014**
Europe	**9,701**	**3**	**11,490**	**21,194**
North and South America	**17,327**	**41,488**	**48,510**	**107,325**
Total	**47,737**	**41,991**	**118,209**	**207,937**

	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
Total	55,427	47,598	114,322	217,347

(Amounts in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	30 June 2018		
	Gross loans	**Loans and advances overdue**	**Credit-impaired**
Bohai Rim (include Head Office)	**972,672**	**13,567**	**17,244**
Yangtze River Delta	**765,311**	**8,407**	**9,106**
Pearl River Delta and West Strait	**536,259**	**10,474**	**10,750**
Central	**446,455**	**9,509**	**10,343**
Western	**409,192**	**10,098**	**10,939**
Northeastern	**74,836**	**4,660**	**4,896**
Outside Mainland China	**174,569**	**450**	**900**
Total	**3,379,294**	**57,165**	**64,178**

	31 December 2017		
	Gross loans	Loans and advances overdue	Impaired
Bohai Rim (include 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

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(a) Gross overdue amounts due from banks and other financial institutions

	30 June 2018	31 December 2017
Gross amounts due from banks and other financial institutions which have been overdue	**1**	1
As a percentage of total gross amounts due from banks and other financial institutions	**0.00034%**	0.00058%

(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

	30 June 2018	31 December 2017
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	**15,240**	13,207
— between 6 and 12 months	**18,638**	19,976
— over 12 months	**23,287**	25,499
Total	**57,165**	58,682
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.45%**	0.41%
— between 6 and 12 months	**0.55%**	0.62%
— over 12 months	**0.70%**	0.80%
Total	**1.70%**	1.83%

— The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

— Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

— Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances are repayable on demand which are outside the approved limit that was advised to the borrower, they are also considered as overdue.

— As at 30 June 2018, the loans and advances to customers of RMB46,891 million of the above overdue loans and advances were credit-impaired. (As at 31 December 2017, loans and advances to customers of RMB37,685 million were subjected to individual assessment for impairment).

Loans and advances to customers overdue for more than 3 months :

	30 June 2018	31 December 2017
Secured portion	**31,675**	21,147
Unsecured portion	**15,216**	16,538
Total	**46,891**	37,685
Allowance for impairment losses	**(28,022)**	(26,477)
Net balance	**18,869**	11,208
Maximum exposure covered by pledge and collateral held	**29,160**	19,197

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

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 30 June 2018, the majority of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the consolidated interim financial statements.

Chapter 13 List of Domestic and Overseas Affiliates

As at the end of the reporting period, the Bank had 1,423 outlets in 143 large and medium-sized cities in China, including 38 tier-one branches (directly managed by the Head Office), 114 tier-two branches, and 1,271 sub-branches (including 72 community/small and micro sub-branches). CITIC Bank International (CNCBI), an affiliate of the Bank, had 39 outlets in Hong Kong SAR, Macao SAR, 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/Postal Code	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	010-66293673 010-66211770	–		
	Tianjin	Tianjin Branch	34	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	63	Address: CITIC Tower, No. 10, Ziqiang Road, Shijiazhuang, Hebei Province Postal Code: 050000	0311-87884436 0311-87884483	Tangshan Branch	Address: No. 460, North Weiguo Road, Lubei District, Tangshan, Hebei Province Postal Code: 063000	0315-3738508 0315-3738522
						Baoding Branch	Address: No.178, Middle Swan Road, Baoding City, Hebei Province Postal Code: 071000	0312-2081598 0312-2081500
						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 Jing'er 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/Postal Code	Telephone/Fax
	Shandong	Jinan Branch	48	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: No.352 Yellow River Road Five, Bincheng District, Binzhou City, Shandong Province Postal Code: 256600	0543-3189709 0543-3189657
		Qingdao Branch	54	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	0633-8895558 0633-8665266

		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/Postal Code	Telephone/Fax
Yangtze River Delta	Shanghai	Shanghai Branch	50	Address: Aurora Plaza, No. 99. Fucheng Road, Pudong New Area, 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: 200137	021-58691621 021-58695921
	Jiangsu	Nanjing Branch	82	Address: No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	025-83799181 025-83799000	Wuxi Branch	Address: No. 187, Zhongshan Road, Wuxi, Jiangsu Province Postal Code: 214001	0510-82707177 0510-82709166
						Changzhou Branch	Address: Boai Plaza, No.72, Boai Road, Changzhou, Jiangsu Province Postal Code: 213003	0519-88108833 0519-88107020
						Yangzhou Branch	Address: No. 171, Weiyang Road, Yangzhou, Jiangsu Province Postal Code: 225300	0514-87890717 0514-87890563
						Taizhou Branch	Address: No. 15 Gulou Road, Taizhou City, Jiangsu Province Postal Code: 225300	0523-86399158 0523-86243344
						Nantong Branch	Address: Nantong Tower, No. 20, Central Renmin Road, Nantong, Jiangsu Province Postal Code: 226001	0513-81120901 0513-81120900
						Zhenjiang Branch	Address: Building No. 66, Shenhua Guancheng International, No.8, Tanshan Road, Zhenjiang, Jiangsu Province Postal Code: 212004	0511-89886271 0511-89886200
						Yancheng Branch	Address: No.188, South Yingbin Road, Yancheng, Jiangsu Province Postal Code: 224000	0515-89089958 0515-89089900
						Xuzhou Branch	Address: 1-3/F, Prosperity Mansion, No.6 North Jiefang Road, Xuzhou, Jiangsu Province Postal Code: 221000	0516-81009989 0516-68389258
						Nanjing Jiangbei New Area Branch	Address: CITIC Bank, No.127 Xinpulu, Pukou District, Nanjing, Jiangsu Province Postal Code: 211800	025-69977164 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: 215028	0512-65190307 0512-65198570	–		

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/Postal Code	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 0573-82097696
						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. 399 Yinhai 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/Postal Code	Telephone/Fax
Pearl River Delta and West Strait	Fujian	Fuzhou Branch	56	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	0595-22148687 0595-22148222
						Zhangzhou Branch	Address: 1/F -4/F, Yiqun Building, West 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	0593-8991918 0593-8991901
						Sanming Branch	Address: Building 12, Huming Xincun, Xinshibeilu, Meilie District,Sanming City, Fujian Province Postal Code: 365000	0598-8569777 0598-8569731
						Fujian FTZ Fuzhou Sub-zone Branch	Address: 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/Postal Code	Telephone/Fax
	Guangdong	Guangzhou Branch	70	Address: CITIC Plaza, No. 233, North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	020-87521188 020-87520668	Foshan Branch	Address: 1, 4, 5 and 6/F, A Tower, Caifu Plaza, No. 37, Fenjiang South Road, Chancheng District, Foshan, Guangdong Province Postal Code: 528000	0757-83989999 0757-83998273
						Zhongshan Branch	Address: No. 82-2, Zhongshansilu, Zhongshan City, Guangdong Province Postal Code: 528403	0760-88366666 0760-88668383
						Jiangmen Branch	Address: CNCB Tower, No. 131, Yingbin Avenue, Jiangmen, Guangdong Province Postal Code: 529000	0750-3939018 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	0754-89997888 0754-89997829
						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	0756-2993210 0756-2993206
						Guangdong FTZ Nansha Branch	Address: N0.20 Pinhui Street, Nansha District, Guanzhou City, Guangdong Province Postal Code: 511458	020-39002796 020-34680666
						Zhanjiang Branch	Address: Building B, Minda Square (Minda Center), No.128 North Haibin Road, Chikan District, Zhanjiang City, Guangdong Province Postal Code: 524000	0759-3286333 0759-3286333
						Maoming Branch	Address: Rm 8, 9, 10 and 11 on 1/F and Rm 3, 4, 5, 6, 7, 8 and 9 on 2/F, No. 188 Xiyuenanlu, Maoming City, Guangdong Province Postal Code: 525000	0668-3330326 0668-3330076

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/Postal Code	Telephone/Fax
		Shenzhen Branch	46	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	–		
	Hainan	Haikou Branch	13	Address: 1-3/F, Banshan Hua Yuan, No.1 Middle Jinmao Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	0898-68575555 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 0553-3887832
						Anqing Branch	Address: No. 1, Zhongxing Road, Anqing, Anhui Province Postal Code: 246005	0556-5280606 0556-5280605
						Bengbu Branch	Address: No. 1859, Caifu Plaza, Tushan East Road, Bengbu, Anhui Province Postal Code: 233000	0552-2087001 0552-2087000
						Chuzhou Branch	Address: No.79 West Langya Road, Chuzhou City, Anhui Province Postal Code: 239000	0550-3529595 0550-3529559
						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 0564-3836203
	Henan	Zhengzhou Branch	82	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	0375-2195568 0375-2195596

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/Postal Code	Telephone/Fax
						Xinxiang Branch	Address: 1-2/F, Xinghairuyi Building, intersection of Xinzhong Avenue & East Renmin Road, Xinxiang, Henan Province Postal Code: 453000	0373-5891058 0373-5891039
						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
	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	0711-3835776 0711-3893999
						Yichang Branch	Address: No. 2 Meianchangdi Office Wing, Floor 1 & 2, Xilinyi Road, Xilin District, Yichang, Hubei Province Postal Code: 443000	0717-6495558 0717-6433683
						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	0719-8108687 0719-8108699
						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	41	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	0739-2332786 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/Postal Code	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: 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 0792-8193526
						Ganzhou Branch	Address: B Tower, Caizhi Plaza, No.16, Xingguo Road, Zhanggong District, Ganzhou, Jiangxi Province Postal Code: 341000	0797-2136885 0797-2136863
						Shangrao Branch	Address: No.99 Shangrao Road, Xinzhou District, Shangrao City, Jiangxi Province Postal Code: 334000	0793-8323380 0793-8323380
	Shanxi	Taiyuan Branch	30	Address: Wang Fu Commercial Building, No. 9 Fuxi Street, Taiyuan City, Shanxi Province Postal Code: 030002	0351-7737051 0351-7737000	Lvliang Branch	Address: No.1, Lijing Road, Lishi District, Lvliang, Shanxi Province Postal Code: 033000	0358-3399033 0358-3399050
						Datong Branch	Address: 1/F-3/F, 19-21 Podium Building, Yu Hua Di Jing, Yuhe West Road, Datong, Shanxi Province Postal Code: 037008	0352-5371120 0352-5371119
						Changzhi Branch	Address: Office Building, Upper City No.2, Binhe City, No.288 Chengdong Road, Changzhi, Shanxi Province Postal Code: 046000	0355-3712222 0355-3527057
						Linfen Branch	Address: 1-3/F Jinhong International Building, West Xiangyang Road, Yaodu District, Linfen City, Shanxi Province Postal Code: 041000	0357-3995558 0357-3921010
	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: 541004	0773-3679878 0773-3679880
	Guizhou	Guiyang Branch	13	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

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/Postal Code	Telephone/Fax
	Inner Mongolia	Hohhot Branch	35	Address: CITIC Building, Jintai Center, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010020	0471-6664933 0471-6664933	Baotou Branch	Address: No. 64, Youyi Avenue, Rare-Earth Hi-Tech Industrial Development Zone, Baotou, Inner Mongolia Autonomous Region Postal Code: 014010	0472-5338930 0472-5338909
						Erdos Branch	Address: Anda Building, No. 28 West Etuoke Street, Dongsheng District, Erdos, Inner Mongolia Autonomous Region Postal Code: 017000	0477-8188031 0477-8187016
						Chifeng	Address: No. 128, West Hada Street, Hongshan District, Chifeng, Inner Mongolia Autonomous Region Postal Code: 024000	0476-8867021 0476-8867022
	Ningxia	Yinchuan Branch	10	Address: 4-5/F Mast Office Building, No.160 Middle Beijing Road, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region Postal Code:750002	0951-7868556 0951-7653000	–		
	Qinghai	Xining Branch	10	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, Yulin, Shaanxi Province Postal code: 719000	0912-6662063 0912-6662052
	Sichuan	Chengdu Branch	44	Address: La Defense Mansion, No.1480 NorthTianfu Avenue, High-Tech Area, Chengdu, Sichuan Province Postal Code: 610041	028-85258881 028-85258898	Yibin Branch	Address: No.4 West Guangchang Road, South Bank of Cuiping District, Yibin City, Sichuan Province Postal Code: 644001	0831-2106999 0831-2106915
						Dazhou Branch	Address: 1-5/F Building No.8, Tongjin International New City, Middle Jinlong Avenue, Tongchuan District, Dazhou, Sichuan Province Postal Code: 635000	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	0838-2827777 0838-2301660
	Xinjiang	Urumqi Branch	9	Address: CITIC Bank Tower, No.165, North Xinhua Road, Urumqi Postal Code: 830002	0991-2365936 0991-2365888	–		

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/Postal Code	Telephone/Fax
	Yunnan	Kunming Branch	34	Address: Fulin Square, No. 81, Baoshan Street, Kunming, Yunnan Province Postal Code: 650021	0871-63648407 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	0877-8868991 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: 163000	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: 132000	0432-65150000 0432-65156100
	Liaoning	Shenyang Branch	51	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	024-31510456 024-31510234	Fushun Branch	Address: No. 10, Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province Postal Code: 113006	024-53886701 024-53886711
						Huludao Branch	Address: No. 50, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province Postal Code: 125001	0429-2808185 0429-2800885
						Yingkou Branch	Address: No.8 Yinggang Road, Bayuquan District, Yingkou City, Liaoning Province Postal Code: 115007	0417-6756675 0417-6756679
						Anshan Branch	Address: No.35 Wuyi Road, Tiedong District, Anshan City, Liaoning ProvincePostal Code: 114000	0412-2210529 0412-2230815
		Dalian Branch	24	Address: No. 29, Renmin Road, Zhongshan District, Dalian City, Liaoning Province Postal Code: 116001	0411-82821868 0411-82815834	Dalian Economic Development Zone Branch	Address: No.223 Jinma Road, Dalian Economic evelopment Zone, Liaoning Province Postal Code: 116600	0411-87610868 0411-87625964

Region	Province/ Municipality/ Autonomous Region	Tier-one Branches				Tier-two branches (out-of-town sub-branches)		
		Name of branch	Number of outlets	Address/Postal Code	Telephone/Fax	Name of branch	Address/Postal Code	Telephone/Fax
Subsidiaries and Overseas Representative Offices								
China	Hong Kong	CIFH	2	Address: 23//F, Bank of America Tower, No. 12 Harcourt Road, Central, Hong Kong	+852-36073000/ +852-25253332 +852-25459075	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 Centre, 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 Centre, No. 89, Queensway, Hong Kong	+852-25212353 +852-28017399
						CIF Investment Fund Management (Beijing) Co., Ltd.	Address: 18/F, Tower C, Fuhua Mansion, No.8 Chaoyangmen Beidajie, Dongcheng District, Beijing	010-65558028 010-65550809
						CIF Investment Fund Management (Shenzhen) Co., Ltd.	Address: 20/F, 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 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
						Qingshanhu Sub-branch of Lin'an CITIC Rural Bank	Address: 102-2 and 102-3, Building 1, Dayuan Xincheng, Qingshanhu Neighborhood, Lin'an District, Hangzhou City, Zhejiang Province	0571-61109055 0571-61109056
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 Baixin Bank 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: 5th Floor, 99 Gresham Street, London, EC2V 7NG	+44 (0)2077109188	–		
Oceania	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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