

# 2016 Interim Results Announcement



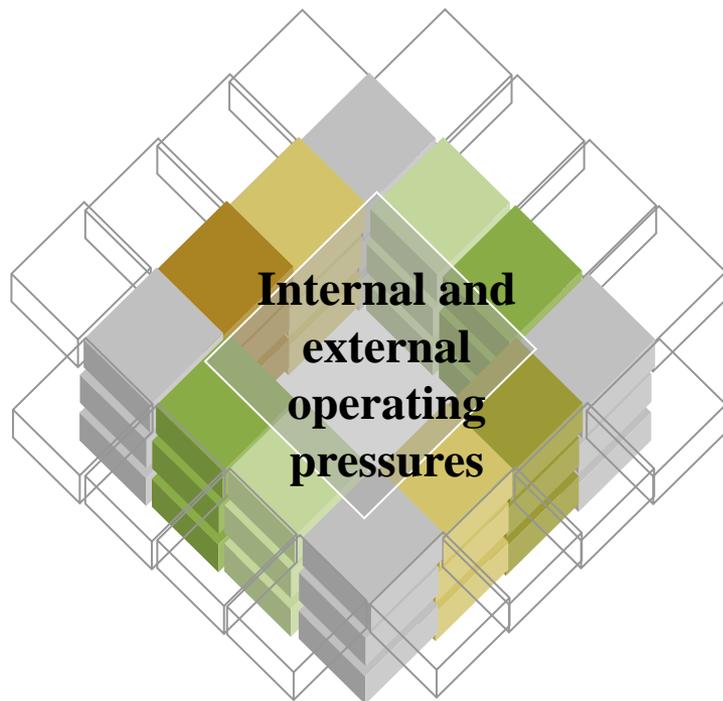


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Capitalizing on the Group's unique competitive advantages in both financial services and real economy, China CITIC Bank has accelerated the integrated platform based on its development strategy to provide a package of integrated financial service solutions to customers and become the “best bank providing integrated financing services”.

In the first half of 2016, the Bank carried out all businesses in a well-organized manner, achieved stable development and delivered good operating results amidst the complicated internal and external economic conditions, including narrowing interest spread, higher risk and tightening regulation.



- ❑ Slowing economic growth and lower availability of high-quality assets.
- ❑ Stronger financial control, stricter regulatory requirements and more rational banking development.
- ❑ Economic downturn increased overall NPL balance and ratio in banking industry and extracted challenges to risk control.
- ❑ Lower market interest rates, higher pressure due to the narrowing interest rate margin, wider exchange rate fluctuations and more difficulty in market risk management.
- ❑ Business Tax-to-VAT reform increases banks' tax base and tax rate and reduces banks' profit.

# Overview of financial indicators

Unit: RMB100 million

Earnings indicator	Jan-Jun 2016	Year on year increase	Year on year growth rate
Net profit attributable to shareholders	236.0	10.1	↑ 4.5%
Profit before provision	551.7	83.5	↑ 17.9%
Operating income	782.1	81.7	↑ 11.7%
Net interest margin	2.05%	Down 27 bps year on year	
Percentage of non-interest income	31.7%	Up 2.7 percentage points year on year	
Cost to income ratio	24.9%	Down 1.0 percentage point year on year	
Scale indicator	As at the end of June	Increase/(decrease) over the end of 2015	Growth rate over the end of 2015
Total assets	56068	4845	↑ 9.5%
Customer deposits	34552	2724	↑ 8.6%
Customer loans	27492	2204	↑ 8.7%
Quality indicator	As at the end of June	At the end of 2015	Increase/(decrease) over the end of 2015
NPL balance	385.2	360.5	24.7
NPL ratio	1.40%	1.43%	Down 0.03 percentage point
Provision coverage ratio	157.0%	167.8%	Down 10.8 percentage points
Provision to loan ratio	2.20%	2.39%	Down 0.19 percentage point
Regulatory indicator	As at the end of June	At the end of 2015	Increase/(decrease) over the end of 2015
Capital adequacy ratio	11.26%	11.87%	Down 0.61 percentage point
Core tier-one capital adequacy ratio	8.89%	9.12%	Down 0.23 percentage point
Liquidity coverage ratio	104.7%	87.8%	Up 16.9 percentage points



**Financial Results**



**Business Development**



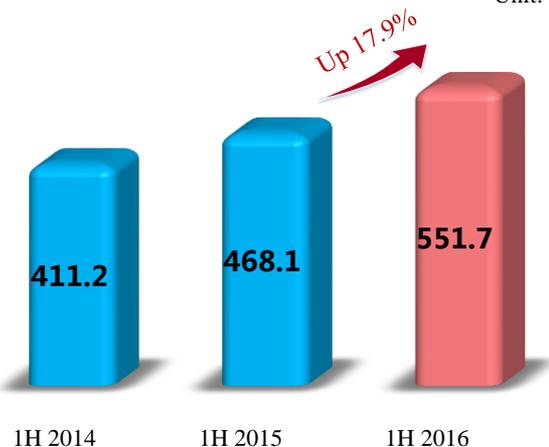
**Outlook**



## 1. Solid growth in profit before provision, slight increase in net profit

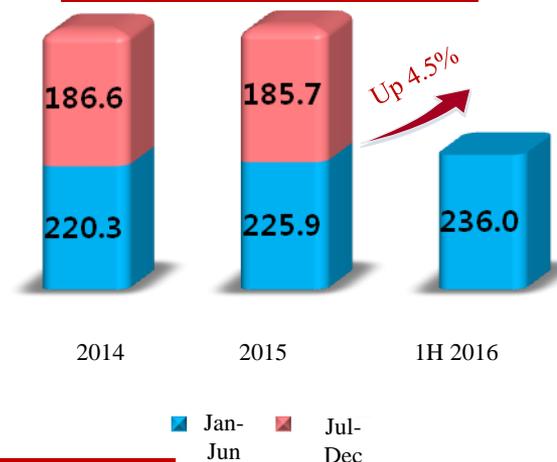
### Profit before provision

Unit: RMB100 million



### Net profit attributable to shareholders of the Bank

Unit: RMB100 million

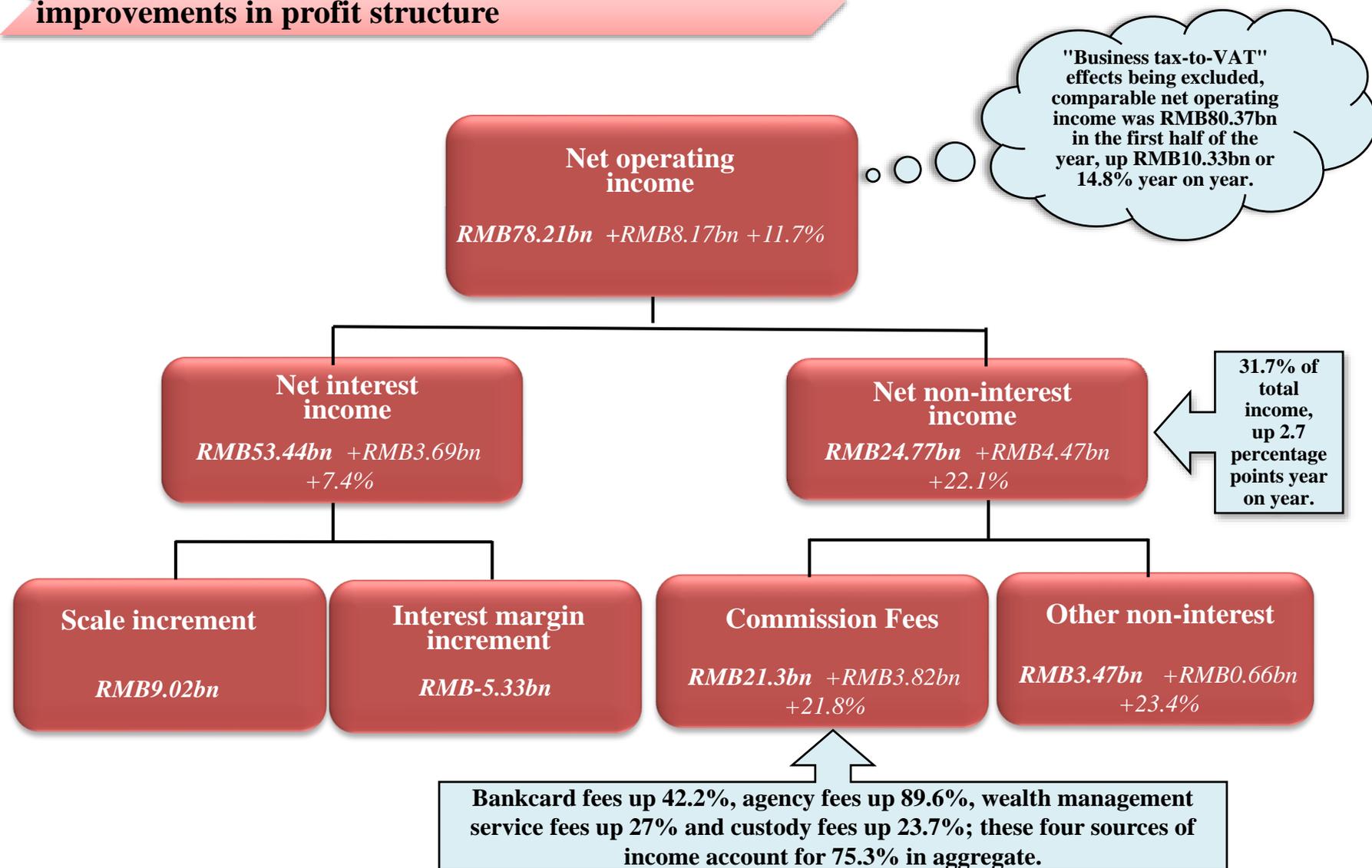


### Main earnings indicators

Item	Jan-June 2016	Jan-June 2015	Year on year increase/(decrease)	2015
ROA	0.89%	1.06%	Down 0.17 percentage point	0.90%
ROE	14.42%	16.79%	Down 2.37 percentage points	14.55%
Basic EPS (RMB)	0.48	0.48	Flat	0.88
Equity per share (RMB)	6.74	6.05	+0.69	6.49



## 2. Steady growth in net operating income, continuous improvements in profit structure



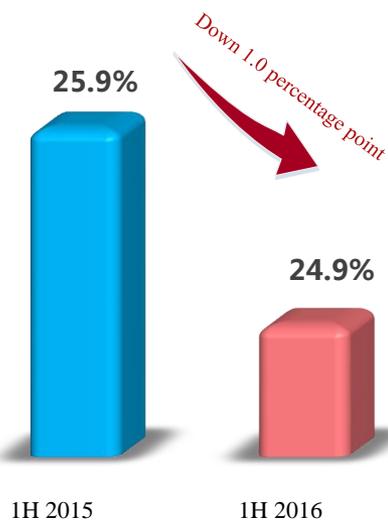


## 3. Well-controlled costs and expenses, higher input/output efficiency



Operating income grew faster than operating expenses by **4.6 percentage points**

### Cost to income ratio



### Structure of operating and administrative expenses

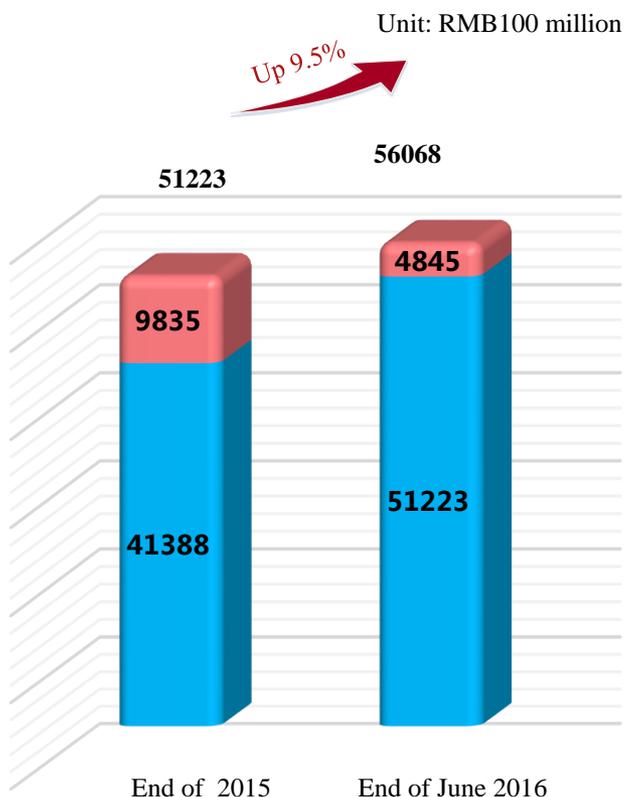
Unit: RMB100 million

Item	1H 2016		Y-o-y growth rate	Growth rate change	Proportion change
	Amount	Proportion			
<b>Operating and administrative expenses</b>	<b>194.6</b>	<b>100.0%</b>	<b>7.1%</b>	<b>-2.0 percentage points</b>	—
Employee costs	116.3	59.8%	9.2%	+1.0 percentage point	+1.1 percentage points
Property and equipment expenses	40.9	21.0%	6.1%	<b>-7.5 percentage points</b>	-0.2 percentage point
G&A expenses	37.4	19.2%	2.0%	-5.0 percentage points	-0.9 percentage point



## 4. Steady expansion in assets, increase in credit granted year on year

**Total assets**



**Structure of assets**

Unit: RMB100 million

Item	As at the end of June 2016	As at the end of 2015	Increase	Growth rate	Proportion	Increment y-o-y
<b>Total assets</b>	<b>56068</b>	<b>51223</b>	<b>4845</b>	<b>9.5%</b>	<b>100.0%</b>	<b>620</b>
Customer loans	27492	25288	2204	8.7%	49.0%	1003
Interbank assets	14525	14503	22	0.2%	25.9%	-1760
Others	14051	11432	2619	22.9%	25.1%	1377
Debt securities investments	6920	5799	1121	19.3%	12.3%	-11
Due from the central bank	6070	5038	1032	20.5%	10.8%	1087

**Structure of customer loans**

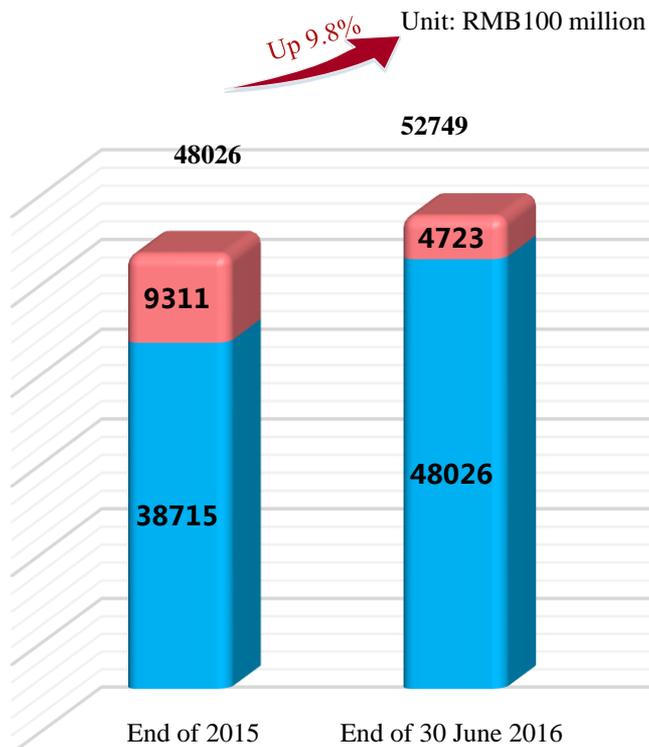
Unit: RMB100 million

Item	Customer loans (balance)					
	As at the end of June 2016	As at the end of 2015	Increment	Growth rate	Proportion	Increment y-o-y
<b>Customer loans</b>	<b>27492</b>	<b>25288</b>	<b>2204</b>	<b>8.7%</b>	<b>100.0%</b>	<b>1003</b>
Corporate loans	18658	17674	984	5.6%	67.9%	487
Personal loans	8041	6686	1355	20.3%	29.2%	856
Discounted loans	793	927	-134	-14.5%	2.9%	-340



## 5. Steady expansion in liabilities, continuous increase in deposits

### Total liabilities



### Structure of liabilities

Unit: RMB100 million

Item	As at the end of June 2016	As at the end of 2015	Increment	Growth rate	Proportion	Increment y-o-y
<b>Total liabilities</b>	<b>52749</b>	<b>48026</b>	<b>4723</b>	<b>9.8%</b>	<b>100.0%</b>	<b>736</b>
Customer deposits	34552	31828	2724	8.6%	65.5%	405
Interbank liabilities	12129	11890	239	2.0%	23.0%	-1579
Others	6068	4308	1760	40.9%	11.5%	1910
Interbank CDs	2920	1714	1206	70.4%	5.5%	835

### Structure of customer deposits

Unit: RMB100 million

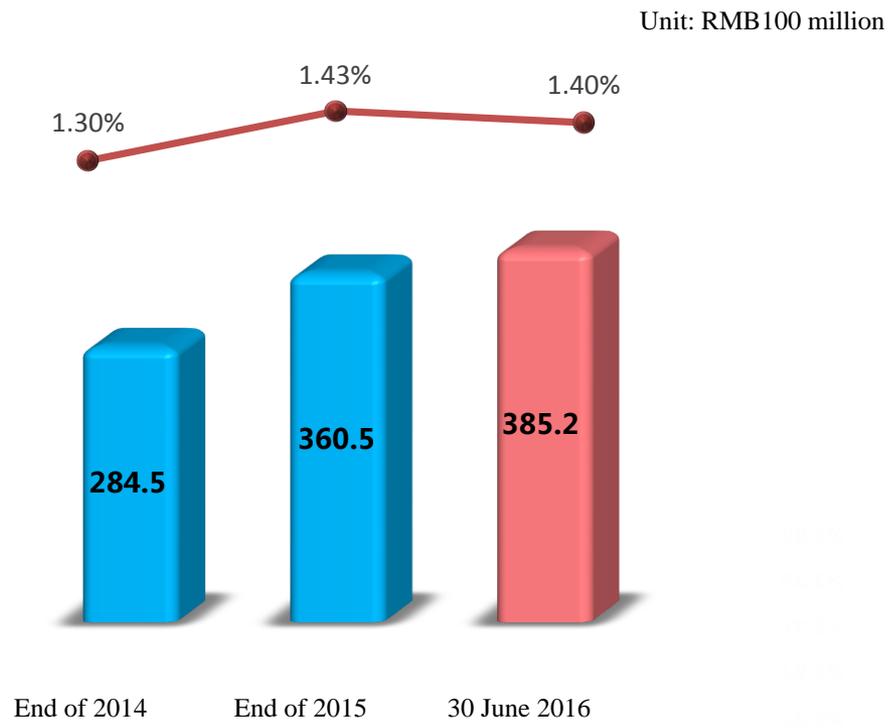
Item	Customer deposits (end of the period)					
	As at the end of June 2016	As at the end of 2015	Increment	Growth rate	Proportion	Increment y-o-y
<b>Customer deposits</b>	<b>34552</b>	<b>31828</b>	<b>2724</b>	<b>8.6%</b>	<b>100.0%</b>	<b>405</b>
Corporate deposits	28841	26414	2427	9.2%	83.5%	274
Personal deposits	5711	5414	297	5.5%	16.5%	131



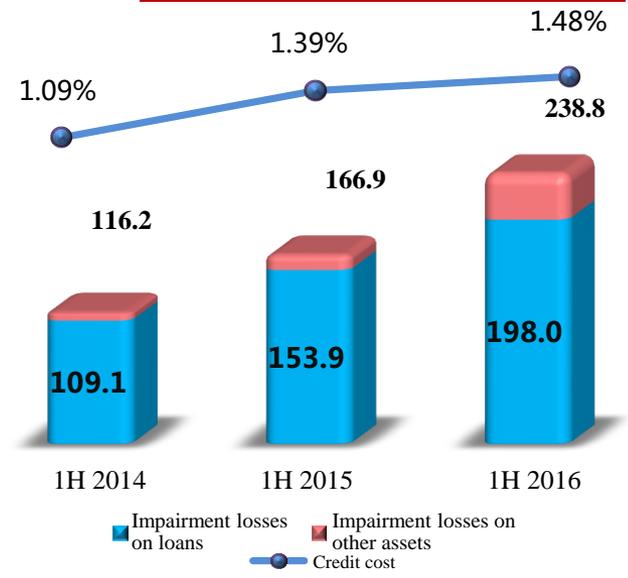
## 6. NPL ratio decreases due to stronger efforts on provisioning and write-offs

Unit: RMB100 million

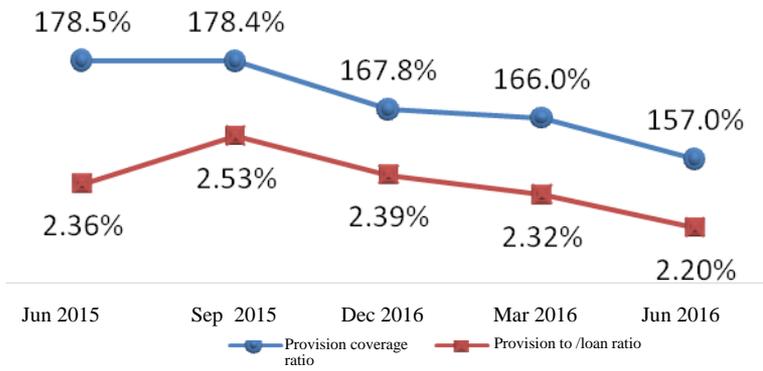
### NPL balance and NPL ratio



### Provision and credit cost



### Provision coverage ratio and provision to loan ratio





**Financial Results**



**Business Development**



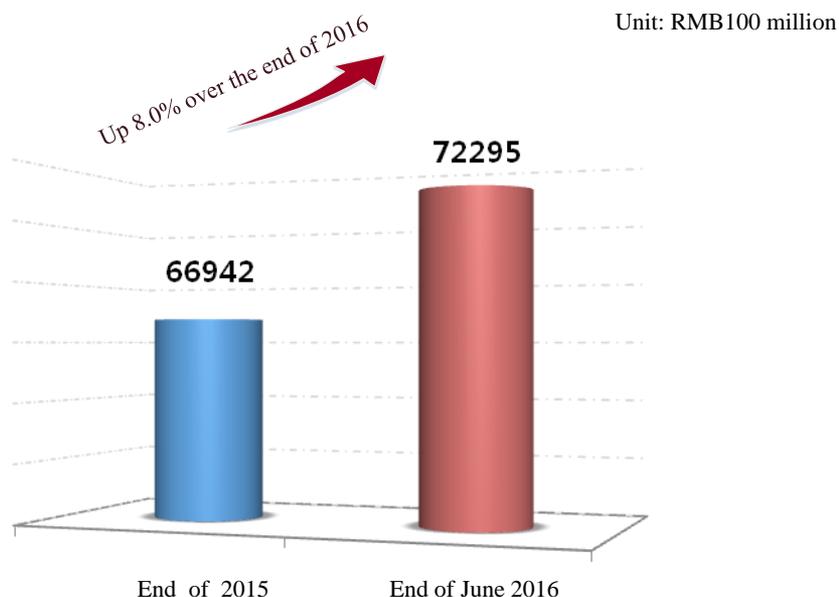
**Outlook**



## 1. Integrated financing service capacity further enhanced

Thanks to its dedication to implementing the "Best Banking Providing Integrated Financing Services" strategy, the Bank recorded RMB7.23 trillion in on-balance and off-balance-sheet integrated financing in the first half of the year, up RMB535.3 billion or 8.0% from the beginning of the year, indicating a markedly stronger capability of managing financing product portfolio.

### On-balance and off-balance-sheet integrated financing



□ On-balance integrated financing was RMB4.67 trillion, up RMB336.2 billion or 7.8% over the end of 2015; on-balance sheet credit assets (including non-bank loans) amounted to RMB2.66 trillion, up RMB198.2 billion or 8.0% from the end of 2015; receivables investments reached RMB1.17 trillion, up RMB60.6 billion or 5.5% from the end of 2015.

□ Off-balance sheet integrated financing was RMB2.56 trillion, up RMB199.1 billion or 8.4% from the end of 2015; bond underwriting amounted to RMB206.7 billion, making the Bank one of the six institutions that underwrote more than RMB200 billion of various debt securities instruments. The Bank ranked among the top joint-stock banks in terms of value and number of publicly offered bonds underwritten.

Note: The Bank's regulatory figures.



## 2. Retail "re-transformation" further took effect

**Customer management capability was enhanced through precision marketing, CRM and expanded cooperation channels.**

□ The retail customer base expanded steadily. The number of customers totaled 62.55 million as at the end of June, up 7.9% from the end of 2015.

□ The medium and high-end customer base was further fortified, with the number of VIP customers reaching 480,000, up 12.72% over the end of last year; the number of private banking customers exceeded 19,900, up 16.74% over the end of last year.

□ The momentum of credit cardholder growth was robust. New credit card holders were 2.63 million, up 640,000 or 32% year on year.

### Customer base

Note: Business figures are at the bank's level

**The Bank accelerated the integrated channels strategy implementation focused on "Internet finance".**

□ Offline and online platforms were integrated with the aim of improving customer experience. Differentiated outlet operation models have been developed, including "Stores in Stores", unmanned smart outlets, community wealth management outlets and Happy Life outlets.

□ Smart counters, lobby marketing PAD, intelligent ATMs were developed and promoted to boost marketing quality and process efficiency.

□ Giving full play to "cross-border E-payment" product, the Company's market share in cross-border E-commerce grew fast, ranking the 1<sup>st</sup> among joint-stock banks.

### Integrated channels

**The Bank increased the retail output quickly by strengthening innovation-driven development on a capital saving, smart and distinctive basis and creating a distinctive operation mode led by "Great Value Products". Retail business accounted for 25.0% of total revenue, up 2.4 percentage points, and contributed nearly 50% of fee-based income.**

□ The asset under management of retail banking was RMB1.2 trillion of assets. Personal loans were close to RMB800 billion, up 20.26% over the end of 2015. Outstanding loans secured by housing properties was RMB228.4 billion, up 48.7% from the end of 2015. The income from sale as agency doubled.

□ Profit from credit cards hit a historical high. Realizing an income of RMB11.58 billion, up 31.92% year on year. 33,691,500 credit cards were issued accumulatively, including 3,316,100 newly issued, up 33.70% year on year. Credit card-based transactions volume amounted to RMB485.3 billion, up 27.17% year on year.

### Retail output



## 3. Steady growth in corporate banking and financial market business

### Profitability

#### Profitability improved steadily with fast-growing contribution of capital saving business.

- Corporate banking continued to maintain a competitive edge, contributing RMB14.6 billion or 46.8% of pre-tax profit, and RMB44.5 billion or 56.9% of operating income.
- The financial market business contributed RMB7.2 billion or 23.2% of pre-tax profit, and RMB8.7 billion or 11.1% of operating income. Capital saving business contributed more than half of operating income. The rate of return on risk capital was higher than the bank's average.

### Business Development

#### Stronger market position of corporate banking, sharp edge in financial market innovation and stable market share of "Big Single Products".

- Balance of corporate deposits rose 9.2% from the end of 2015 to RMB2.9 trillion as at June 30. Corporate deposits ranked No. 1 in terms of both balance and increment among joint-stock banks. Of corporate loans newly issued in the first half of the year, 86.91% went to 18 key industries and 84.69% to "Three-large and one-high" customers<sup>1</sup>.
- The Bank strengthened innovations in cross-border collaboration and trade settlement, cross-border market investment and financing and domestic/overseas M&As. As at the end of June, international FX receipts and payments were USD107.9 billion and cross-border RMB receipts and payments amounted to RMB146.2 billion, representing No. 1 among joint-stock banks.
- With direct bills discounting and electronic bills developing vigorously, in the first half of the year, direct discounting/financing of bills was RMB427.6 billion, up 17.65% year on year; electronic bills accounted for 79.65%, up 15 percentage points from the end of 2015.
- With money market instruments being utilized effectively, money market transactions totaled RMB6.48 trillion at June 30, up 124% year on year.

### Customer Base

#### The customer structure was further improved, with focus placed on "Three-large and one high" customers.

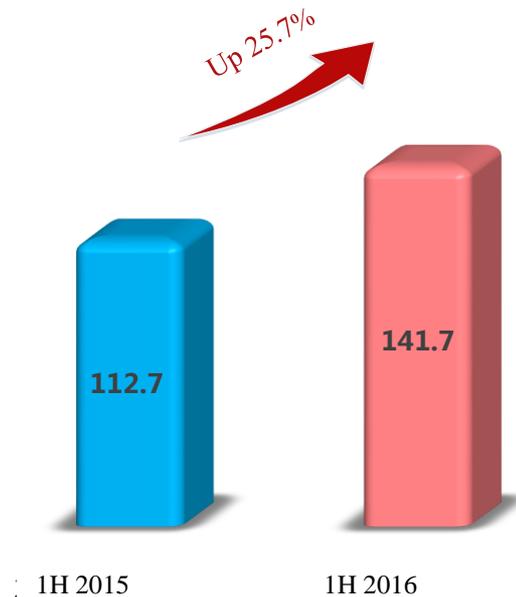
- There were 546,000 corporate customers having accounts with the Bank as at June 30, up 3.04% from the end of 2015.
- The number of institutional customers was 27,106, up 14.30% from the end of 2015.
- The Bank identified 200 strategic customers of the Head office and 2,237 strategic customers of branches, covering Global 500 companies, China 500 companies and leading companies in mainstream industries.
- With efforts strengthened continuously on "Transaction+" promotion and marketing, the Bank had 315,200 "e-Channel" customers with RMB30.15 trillion of transactions, up 21.08% year on year. The number of "e-Finance" customers was 34,674, up 19.98% year on year.



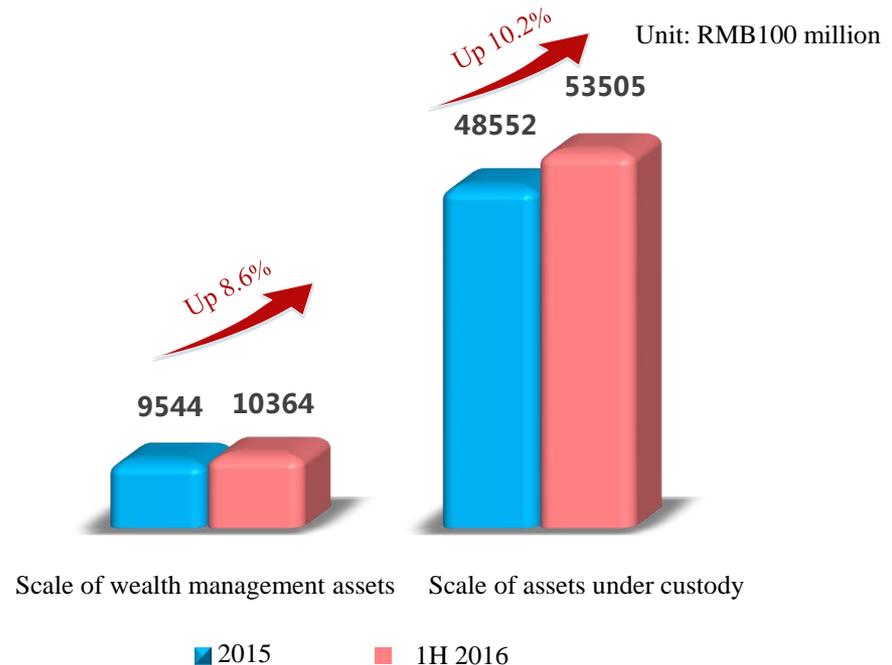
## 4. Effective capital saving development

With business restructuring to off-balance and off-off-balance-sheet business enhancement, the Bank generated **RMB14.17 billion** in capital saving business income in the first half of the year, up **RMB2.9 billion** or **25.7%** year on year. Retail agency business, debt issuance and entrusted business grew fast by **124.3%** and **55.2%** respectively. Capital saving business accounted for **17.5%**, up **1.4 percentage points** year on year, indicating a continuously improved income structure.

### Capital saving business income



### Bank wealth management /assets custody

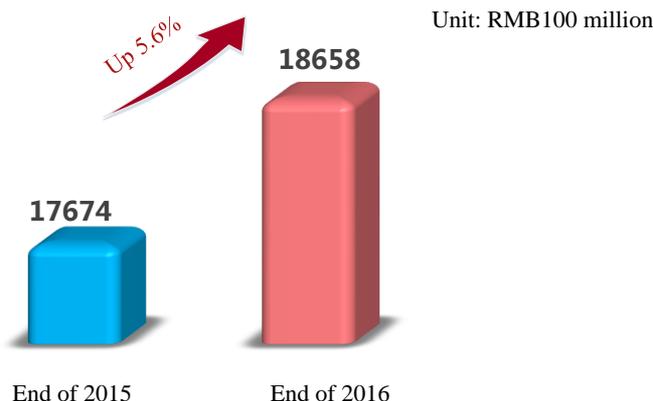


Note: Figures are at the bank's level

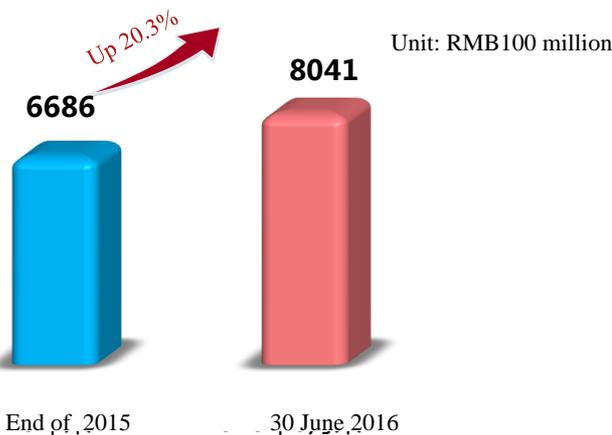


## 5. Credit structure further improved

### General corporate loans



### Personal loans



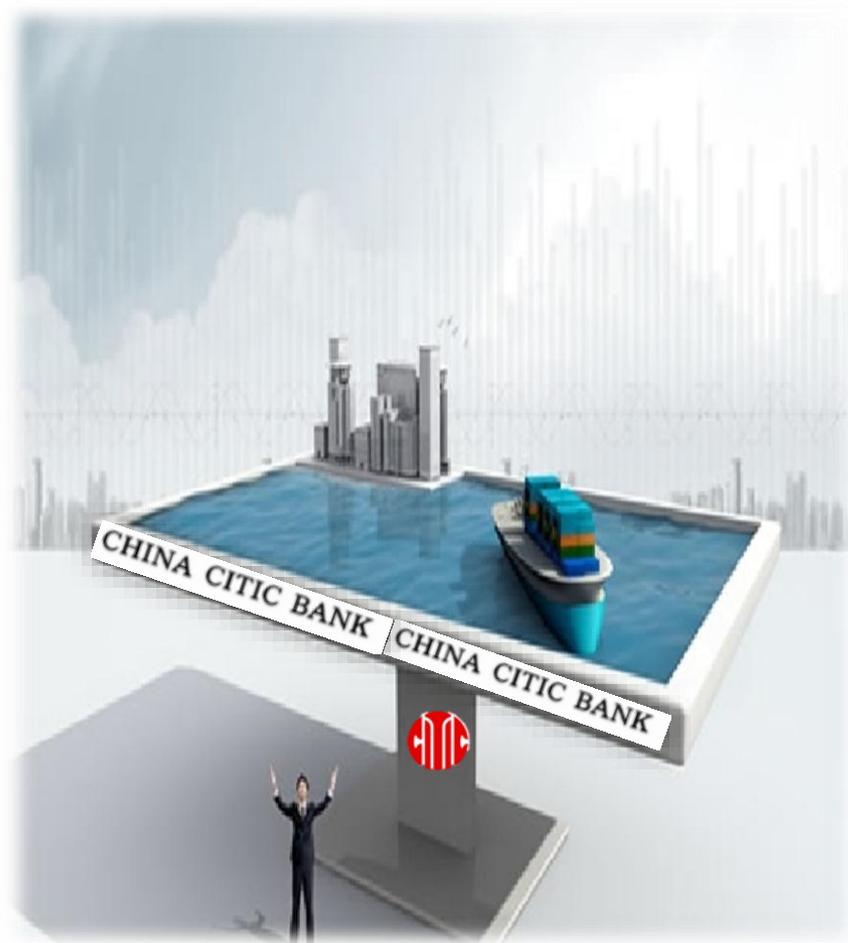
- ✓ Balance of general corporate loans was **RMB1.87 trillion**, up **RMB98.4 billion** or **5.6%** from the end of 2015. Of general corporate loans, **85%** went to “Three-large and one high” customers.
- ✓ Personal loans stood at **RMB804.1 billion**, up **RMB135.5 billion** or **20.3%** from the end of 2015, faster than general corporate loans by **14.7 percentage points**. Among which, mortgages and personal consumption loans grew by **29.4%** and **23.5%** respectively.
- ✓ Balance of collateralized loans was **RMB1.64 trillion**, up **RMB188.7 billion** or **13.0%** from the end of 2015, and its proportion rose by **2.3 percentage points**.



## 6. Steady platform development

### Platform development

- The Bank continued to push forward the preparation of establishing a direct banking partnership with Baidu. As to cross-sector cooperation, the Bank explored new approaches to Internet finance upgrade.
- The Asset Management Business Center was formally established to strengthen comprehensive cooperation with peers. The Bank endeavored to building the CITIC asset management platform by seeking cooperation in assets and financial services with over 200 securities firms, insurers, trusts and city commercial banks.
- The Bank led 11 joint-stock commercial banks to establish the "Online Finance Alliance" to implement the account supervision policy and reshape industry rules.





## 7. Risk controls further strengthened

### Risk culture development

- ✓ The Bank issued the *Guidance on Strengthening Risk Culture Development and the Implementation Outline (2016-2018)*.
- ✓ The Bank held 900 sessions of training, education and case study and drew lessons from 686 risk events.
- ✓ The Bank promoted the management and assessment of due diligence supervision over the three lines of defence, reviewed policies and procedures and clarified risk points related to posts and businesses and risk control measures.

### Credit policy guidance

- ✓ The Bank strengthened research and judgment on external situation, issued adjusted credit policies on the real estate industry and government financing at appropriate times.
- ✓ The Bank strictly controlled access to credit and defended the risk bottom line. A higher proportion of credit was granted in 1H 2016 to "3 large & 1 High" customers and core strategic customers.
- ✓ The Bank developed a system of risk tolerance indicators under a prudent risk appetite based on advanced risk quantification techniques.

### Comprehensive risk screening

- ✓ The Bank's risk warning system was established and improved to effectively boost the capability of risk warning and mitigation.
- ✓ The Bank strengthened its monitoring, screening and proactive exit. The Bank strengthened monitoring and screening of industry risks (e.g. steel, coal and real estate), as well as customer risks (e.g. guarantee chains and group customers) and risks in key businesses (e.g. factoring and trade finance).
- ✓ The Bank strengthened risk mitigation for problem loans. RMB37.4 billion of NPLs were recovered/written off in 1H 2016.

### Compliance risk management

- ✓ The Bank further improved the compliance risk management framework and established three lines of defence for compliance risk management.
- ✓ The Bank conducted employee behavior examination and strengthened accountability for major violations.
- ✓ In addition to risk screening, the Bank conducted onsite supervision of key branches and continuously tracked problem-solving.
- ✓ Effective measures were taken to correct problems, prevent risk, curtail swindle risk and ensure compliance.



**Financial Results**



**Business Development**



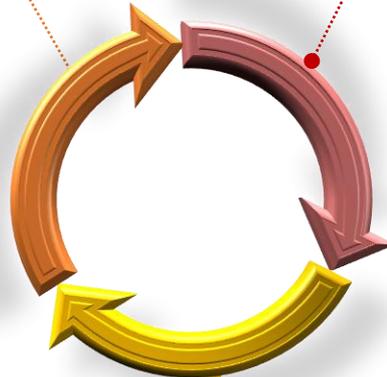
**Outlook**



## Changing economic environment poses both challenges and opportunities

### Complicated and severe economic environment

- ❑ The world economy is becoming more complicated and unstable.
- ❑ The Chinese economy's shows more notable characteristics of the "New Normal" and deepening supply-side structural reform, yet still under the pressure of economic downturn. The economy development continued to slow down.



### Intensified financial reforms

- ❑ **Macro-prudential supervision.** PBOC launched the macro prudential assessment (MPA) system to strengthen management of banks in seven areas. After half a year's trial run, regulatory requirements will be further tightened in 2H 2016.
- ❑ **Strengthened regulation of charges.** The NDRC elaborated on the principles of charges to be followed in a bid to regulate charging activities of commercial banks.
- ❑ **Stricter supervision of asset circulation.** The CBRC has strengthened the management of removing credit assets from balance sheet.
- ❑ The business tax-to-VAT reform markedly increases tax burdens of the financial industry.

### Banking transformation faces new opportunities

- ❑ China is accelerating the "Belt and Road" initiative, coordinated development of Beijing, Tianjin and Hebei, the Yangtze River Economic Belt and FTZ development.
- ❑ The investment and financing system reform has been strengthened to roll out a batch of major projects including railways, rail transit and urban underground pipeworks.
- ❑ With "Made in China 2025" and "Internet Plus" strategies accelerated, the "Mass Entrepreneurship and Innovation" and high-value consumption landscape is taking shape.
- ❑ China's 13th Five-Year Development Plan encourages development of strategic emerging industries including energy conservation/environment protection, new-generation IT, biology and high-end equipment manufacturing.



## **Implement strategies with vigor to enhance the integrated financing service capacity**

Maintain in-depth, thorough implementation of the "Best Bank providing of Integrated Financing Services" strategy. Make efforts on customer positioning, business innovation and fundamental management.

## **Accelerate transformation towards capital saving development**

Guide capital towards businesses and regions that create higher return with less capital on a value-oriented basis under the "capital saving" strategy. Promote transformation of profiting and developing models. “

## **Strengthen comprehensive risk management to secure the risk bottom line**

Strictly implement the requirements of credit policies and limit management, highlight key destinations of credit, intensify efforts on NPA recovery and disposal and improve the credit management, audit and supervision system.

## **Enhance compliance management to effectively control swindle risk**

Continuously deepen "double curbs" inspection and "look-back" work, improve the remediation and accountability mechanism and conduct behavior screening to prevent internal/external frauds and increase effectiveness of compliance management.

## **Refine management to cut operation and management costs**

Enhance asset and liability management, strengthen control over operating costs, improve the IT support capacity and increase the efficiency of outlet operation.

Best Provider of Integrated Financing Services



**Thank you for your attention!**