

Release of 2020 Interim Operating Results

August 2020



中信银行

CHINA CITIC BANK

以信致远 融智无限

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Overview of main indicators

I. Profit indicators	H1 2020	H1 2019	Year-on-year change	Increase/decrease
1. Net profit attributable to the equity holders of the Bank	255.4	283.1	-27.7	-9.8%
2. Pre-allowance profit	784.7	686.3	98.4	14.3%
3. Return on average assets (ROA)	0.76%	0.93%	Down 0.17 percentage point	
4. Return on average equity (ROE)	11.34%	13.73%	Down 2.39 percentage points	
5. Net operating income	1,020.1	931.5	88.6	9.5%
6. Non-interest income ratio	36.4%	34.0%	Up 2.4 percentage points	
7. Net interest margin	1.99%	2.11%	Down 0.12 percentage point	
8. Cost-to-income ratio	22.1%	25.4%	Down 3.3 percentage points	
II. Scale indicators	End of June 2020	End of 2019	Year-on-year change	Increase/decrease
1. Total assets	70,806	67,504	3,302	4.9%
2. Loans to customers	42,145	39,980	2,165	5.4%
3. Deposits from customers	44,438	40,388	4,050	10.0%
III. Asset quality indicators	End of June 2020	End of 2019	Year-on-year change	Increase/decrease
1. Balance of non-performing loans (NPLs)	772.9	661.2	111.7	16.9%
2. NPL ratio	1.83%	1.65%	Up 0.18 percentage point	
3. Allowance coverage ratio	175.72%	175.25%	Up 0.47 percentage point	
4. The ratio of allowance for impairment of loans to total loans	3.22%	2.90%	Up 0.32 percentage point	
IV. Regulatory indicators	End of June 2020	End of 2019	Over the end of 2019	
1. Capital adequacy ratio	12.57%	12.44%	Up 0.13 percentage point	
2. Tier-one capital adequacy ratio	10.29%	10.20%	Up 0.09 percentage point	
3. Core tier-one capital adequacy ratio	8.80%	8.69%	Up 0.11 percentage point	

Unit: RMB100 million



Contents

1

Overview of operating results in the first half of 2020

2

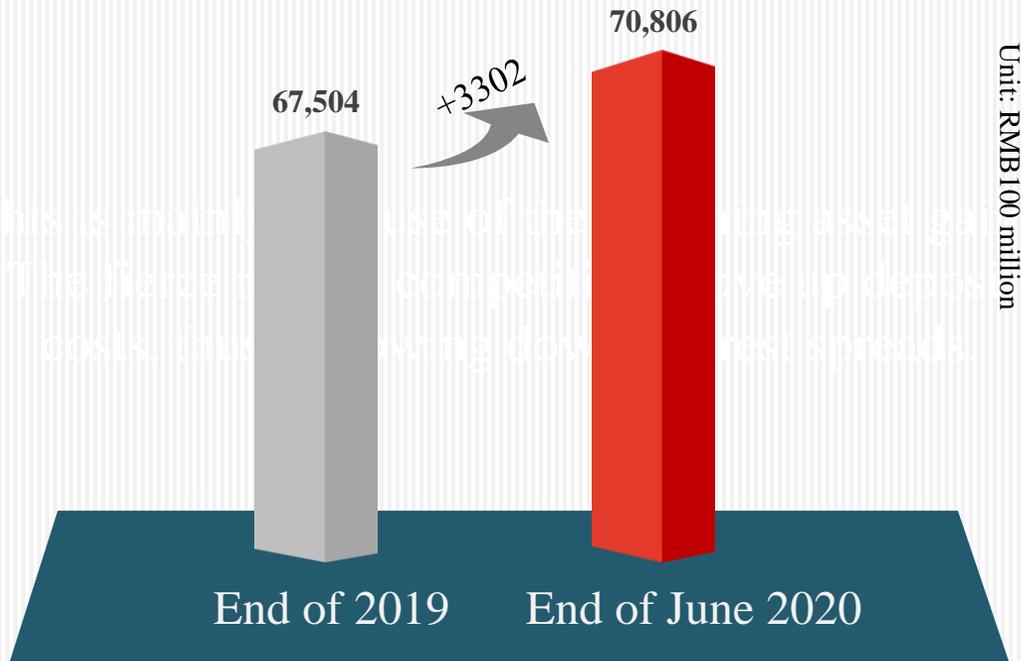
Outlook and future steps for the second half of 2020

I. Served the real economy with quality and efficiency further assured

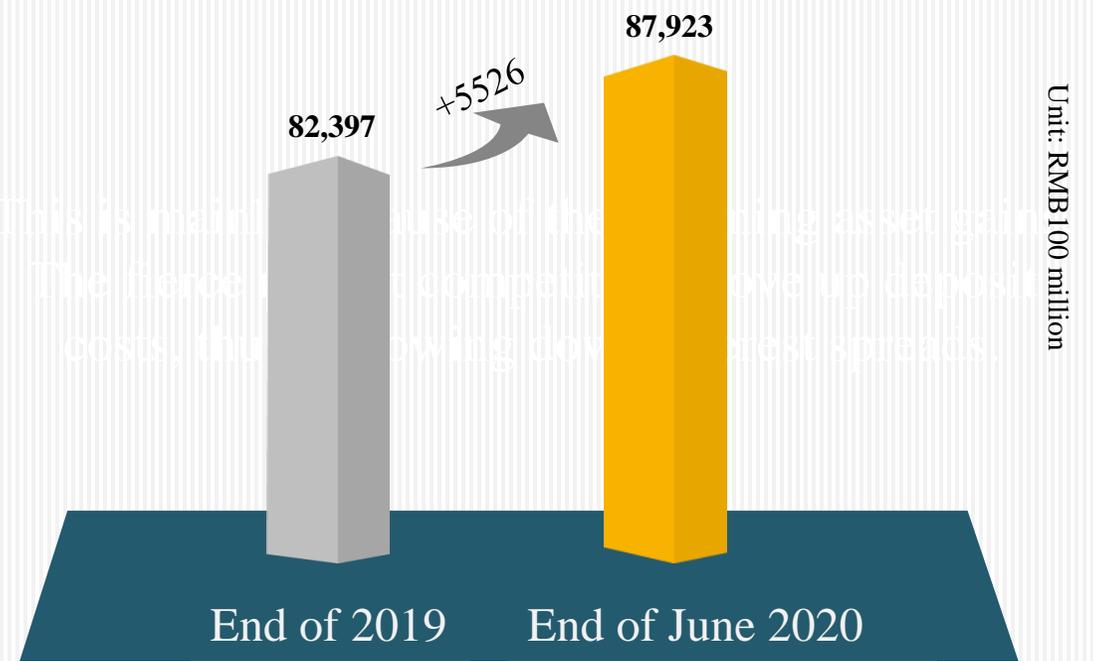
01

The size of assets grew steadily

Total assets: RMB7,080.6 billion, +4.9%



Comprehensive financing on and off balance sheet: RMB8,792.3 billion, +6.7%

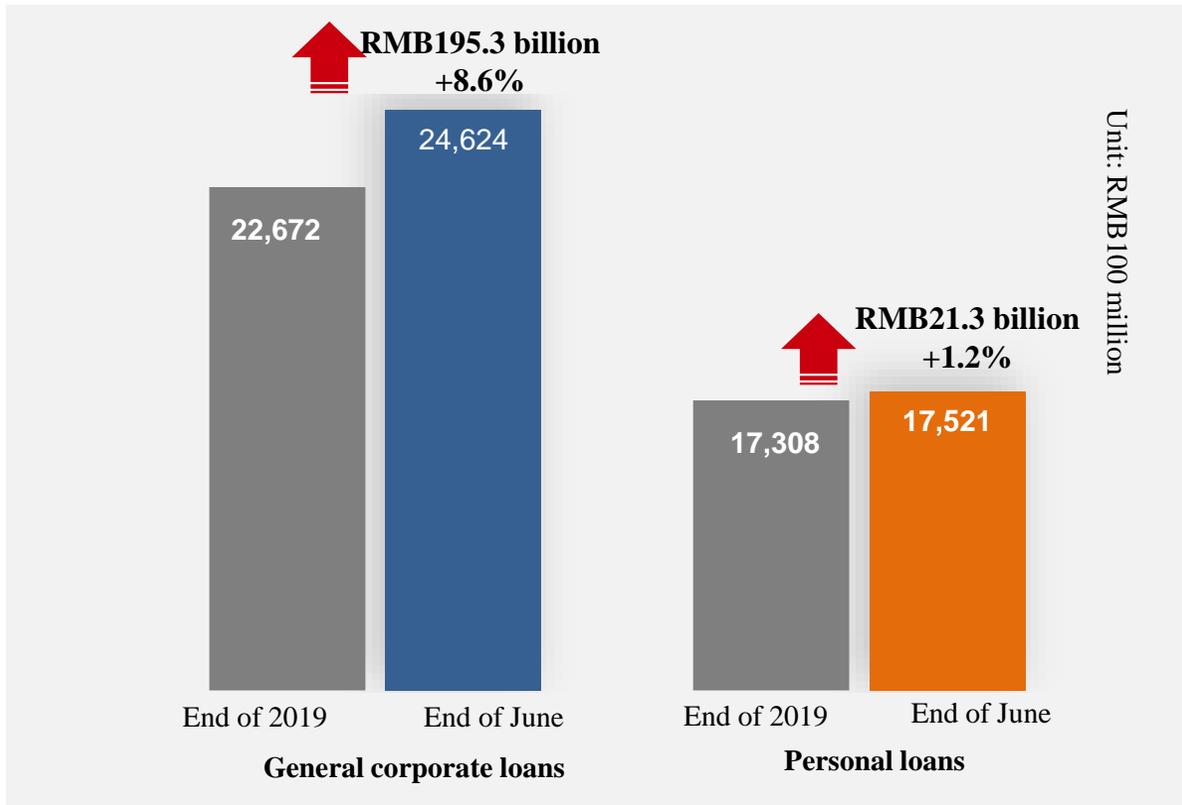


I. Served the real economy with quality and efficiency further assured

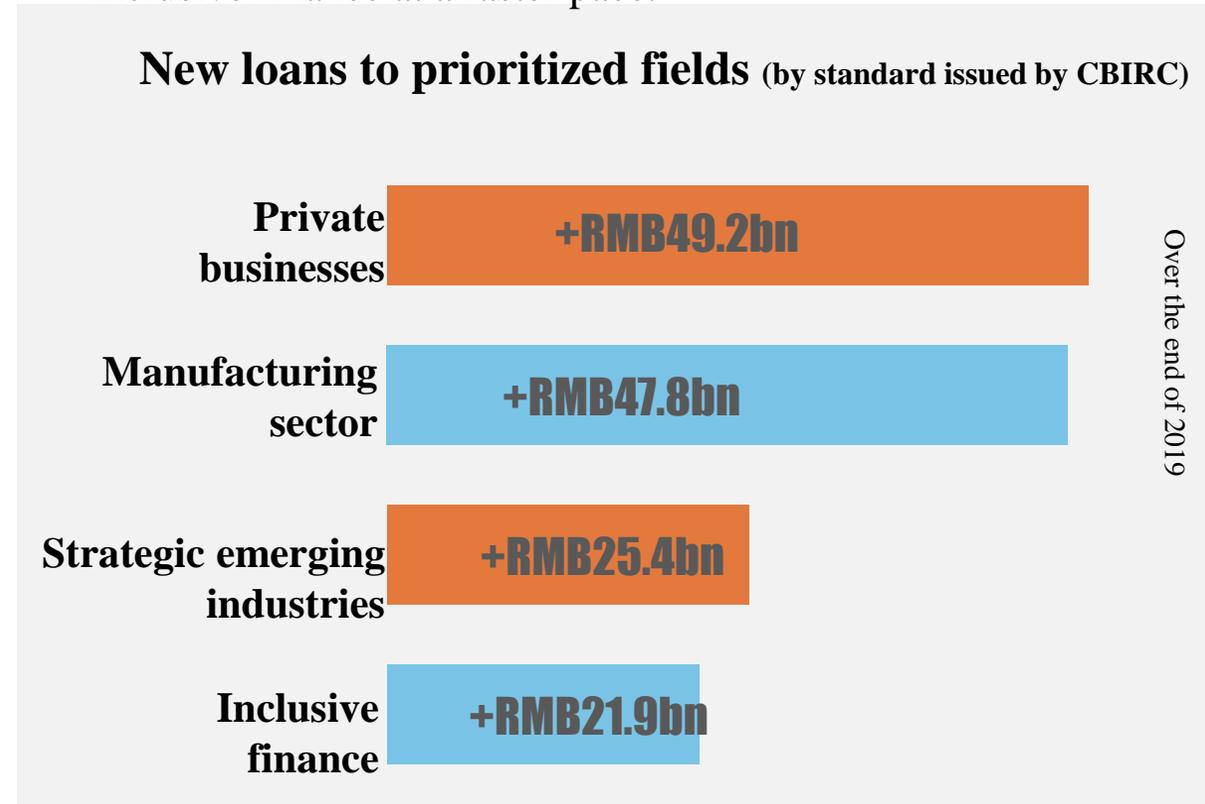
02

Credit supply increased at lower prices

- Loans to customers grew by RMB216.5 billion or 5.4% to RMB4,214.5 billion.



- Loans were extended to such key fields as private businesses, manufacturing sector, strategic emerging industries, and inclusive finance at a faster pace.



I. Served the real economy with quality and efficiency further assured

02

Credit supply increased at lower prices (continued)

- The Bank actively answered to the call of the central government for “forgoing profits to the real economy”, worked hard to reduce financing costs of enterprises, and performed the social responsibilities due to a state-owned enterprise (SOE).

Corporate loans

Compared with those last December, the interest rates of new loans in June dropped by

69BPs

This decrease surpassed that of the 1-year LPR by

39BPs



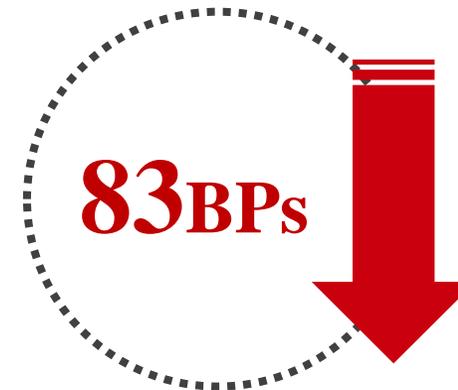
Inclusive finance loans granted to small and micro enterprises

Compared with those last December, the interest rates of new loans in June dropped by

83BPs

This decrease surpassed that of the 1-year LPR by

53BPs



I. Served the real economy with quality and efficiency further assured

03

Went all out to render proper financial services during the pandemic response

Sound policy guarantee

➤ The Bank issued more than **50** documents successively to ensure the implementation of specialized anti-pandemic policies.

➤ The Bank promptly allowed the pandemic-affected borrowers to defer the principal and interest repayment. The customers permitted to defer the payment of interest and the repayment of principal both numbered over **9,000**, involving the loan principal beyond **RMB160 billion**.

➤ The Bank wrapped up the **first deal** of anti-pandemic asset-backed securities (ABS) across the market.

➤ The Bank underwrote **38 deals** of pandemic control bonds, which included the first deal of its kind in seven provinces and cities, including Beijing and Zhejiang, raising funds in an amount of **RMB26.79 billion**.

➤ Immediately after the outbreak of the coronavirus, the Bank donated **RMB50 million** to China Charity Federation in support of pandemic prevention and control in Hubei Province.

Sufficient fund support

➤ The pandemic control loans issued in H1 2020 totalled **RMB86.03 billion**, benefiting **2,151** enterprises.

I. Served the real economy with quality and efficiency further assured

04

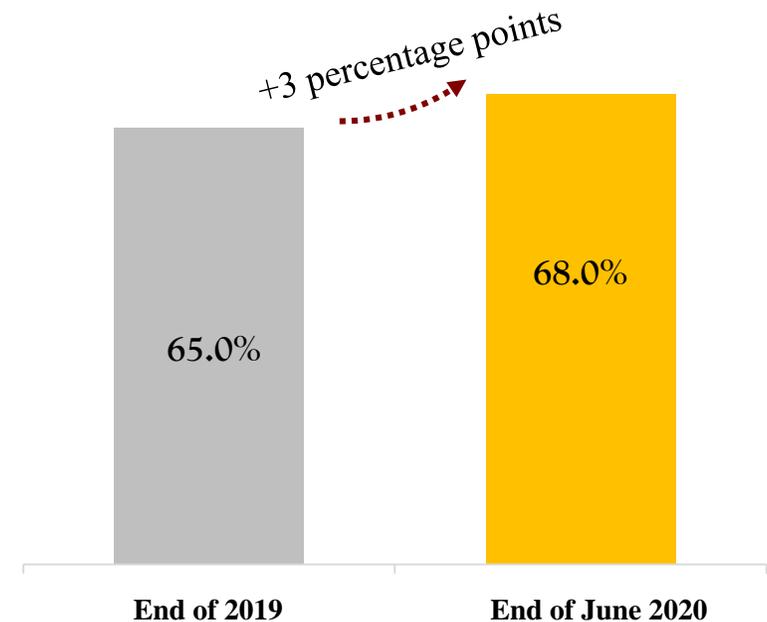
The sources of liabilities were coordinated as a whole, and deposits grew impressively

- The deposits from customers amounted to RMB4.44 trillion, up RMB405 billion or 10% over the end of 2019. Of which, the corporate deposits and personal deposits increased by RMB341.7 billion and RMB63.3 billion respectively.
- The proportion of deposits from customers in the total liabilities went up by 3 percentage points.

Growth of liabilities

Unit: RMB100 million

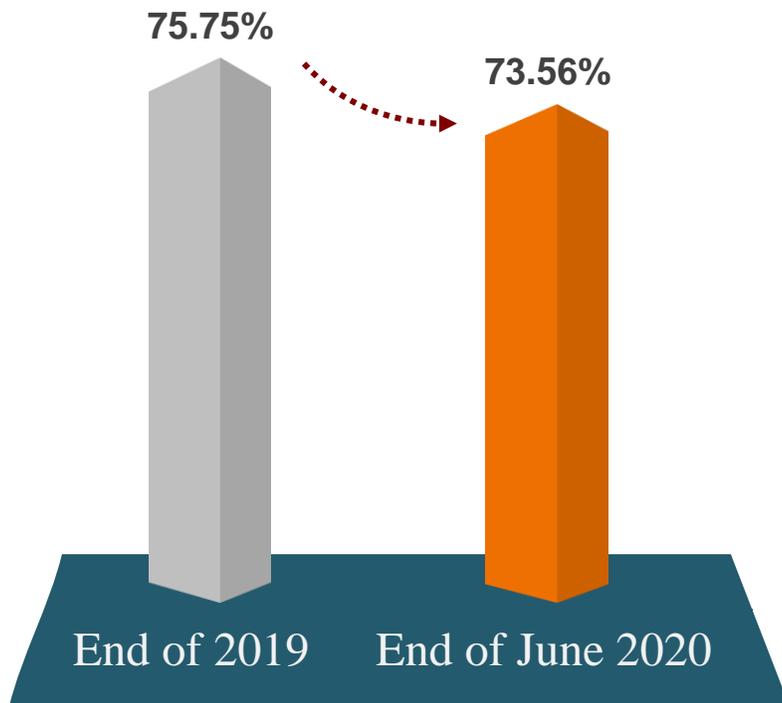
Item	End of June	End of 2019	Increment	Change (%)
Total liabilities	65,343	62,179	3,163	5.1%
I. Deposits from customers	44,438	40,388	4,050	10.0%
1. Corporate deposits	35,023	31,607	3,417	10.8%
2. Personal deposits	9,415	8,782	633	7.2%
II. Interbank liabilities	11,680	11,524	156	1.4%
III. Borrowings from central banks and others	9,224	10,267	-1,043	-10.2%



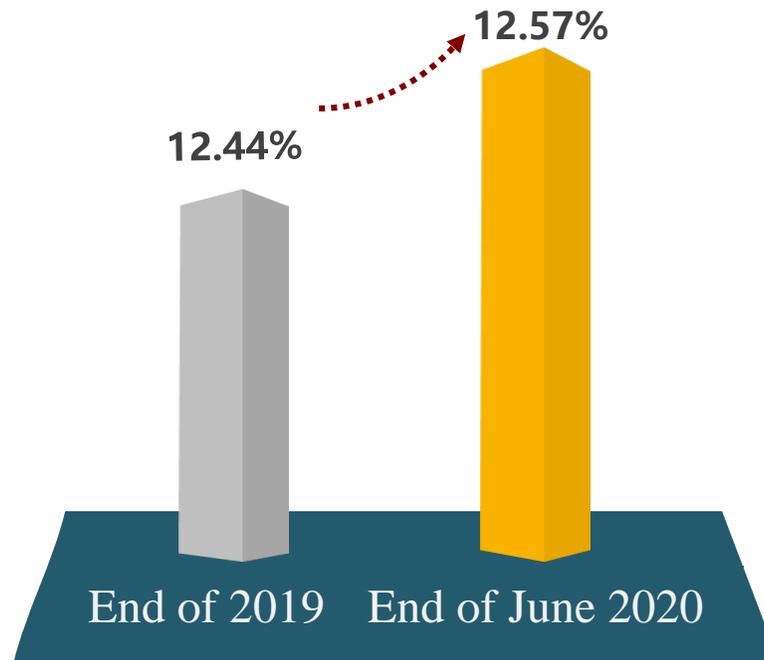
Note: Interbank liabilities include deposits and placements from banks and other financial institutions as well as financial assets sold under repurchase agreements.

II. Capital management delivered a better performance

Comprehensive risk weight
73.56%, -2.19 percentage points



Capital adequacy ratio (CAR)
12.57%, +0.13 percentage point



III. Asset quality remained under control overall and risk resistance capabilities got enhanced

- Both the balance and ratio of NPLs went up as a result of the COVID-19 pandemic.

- The sharply increased provisions were set aside so as to boost the risk resistance ability. Consequently, there was a rise in both the allowance coverage ratio and the ratio of allowance for impairment of loans to total loans.

Asset quality

Unit: RMB100 million

Indicator	End of June	End of 2019	Change
I. Balance of NPLs	772.9	661.2	+111.7
II. NPL ratio	1.83%	1.65%	Up 0.18 percentage point
III. Ratio of loans overdue for more than 60 days to NPLs	95.11%	84.36%	Up 10.75 percentage points

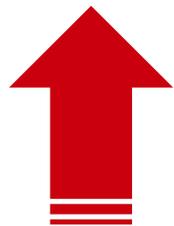
Changes to the allowance coverage ratio and the ratio of allowance for impairment of loans to total loans

Unit: RMB100 million

Item	End of June/ H1	End of 2019/ Same period of 2019	Change
I. Allowance coverage ratio	175.72%	175.25%	Up 0.47 percentage point
II. The ratio of allowance for impairment of loans to total loans	3.22%	2.90%	Up 0.32 percentage point
III. Provisions set aside	477.3	341.9	+135.4

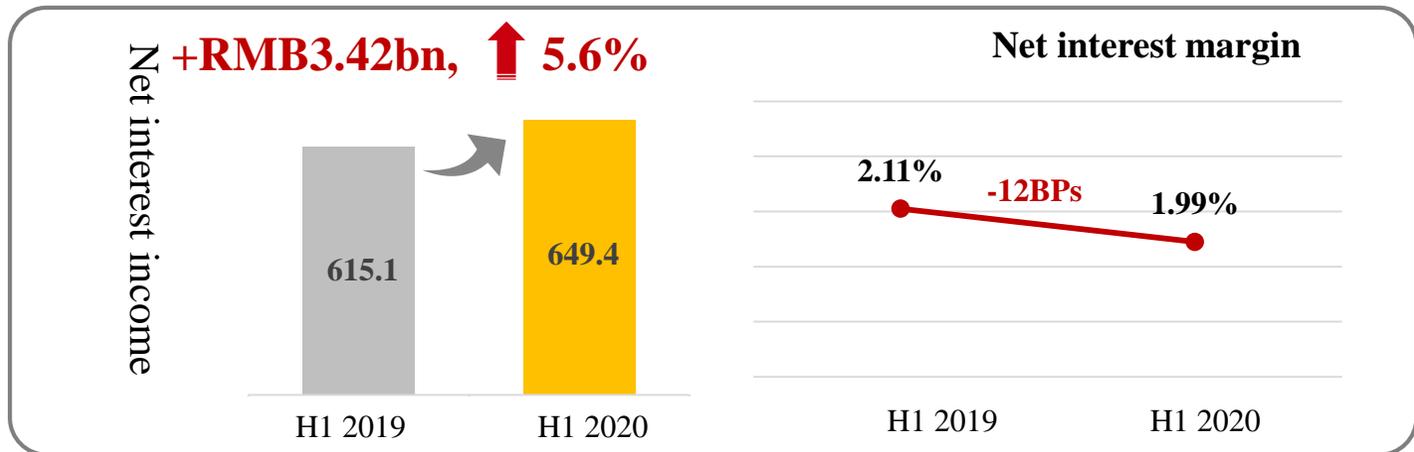
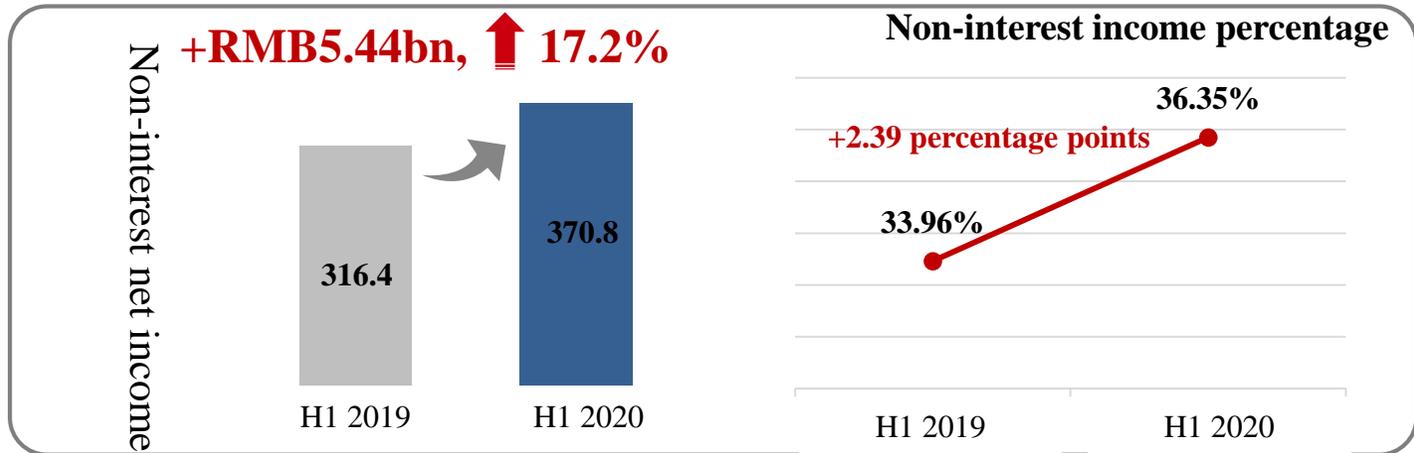
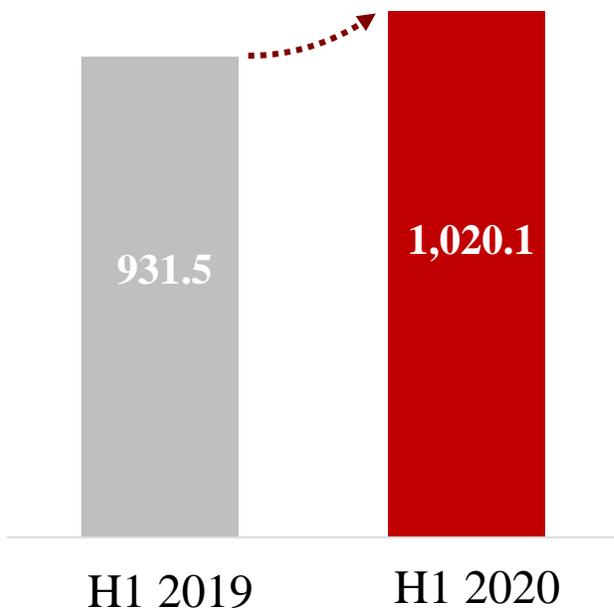
IV. Operating profits remained stable overall

01 Operating income kept growing and income structure was optimized continuously



Net operating income **RMB102.01bn**

Adding **RMB8.86bn** + **9.5%**



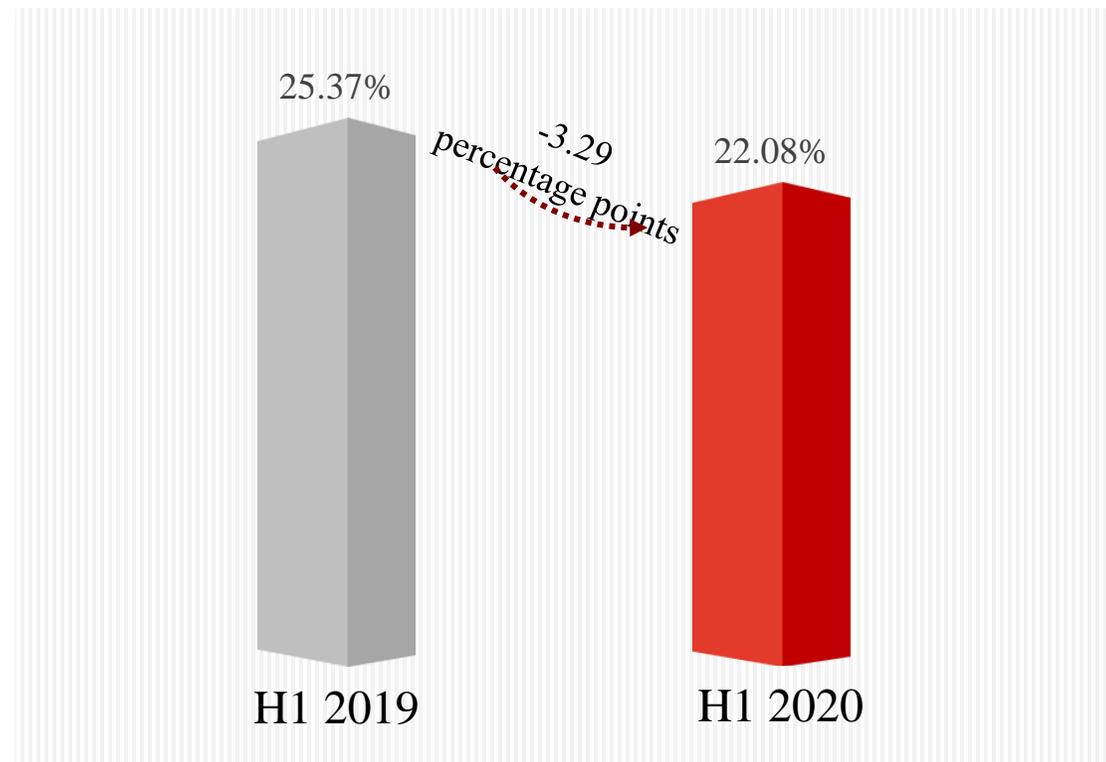
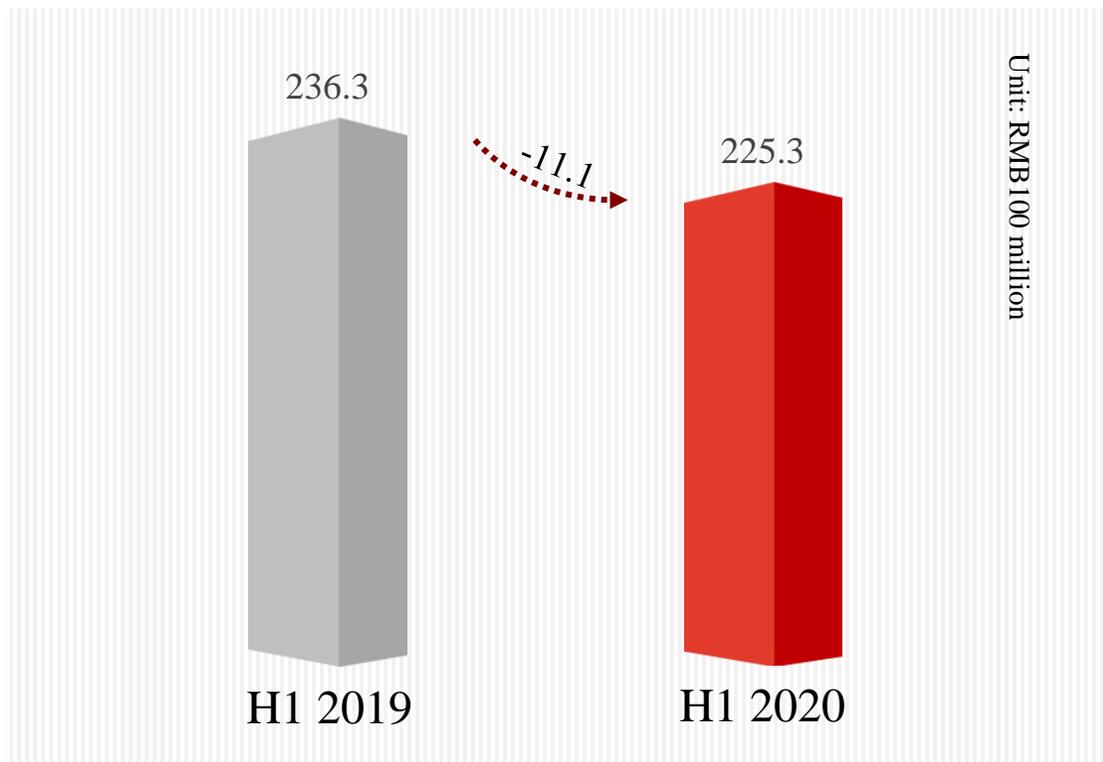
IV. Operating profits remained stable overall

02

Operating cost control efforts achieved remarkable results

Operating costs stood at RMB22.53 billion, down 4.7%.

The cost-to-income ratio went down by 3.29 percentage points to 22.08%.

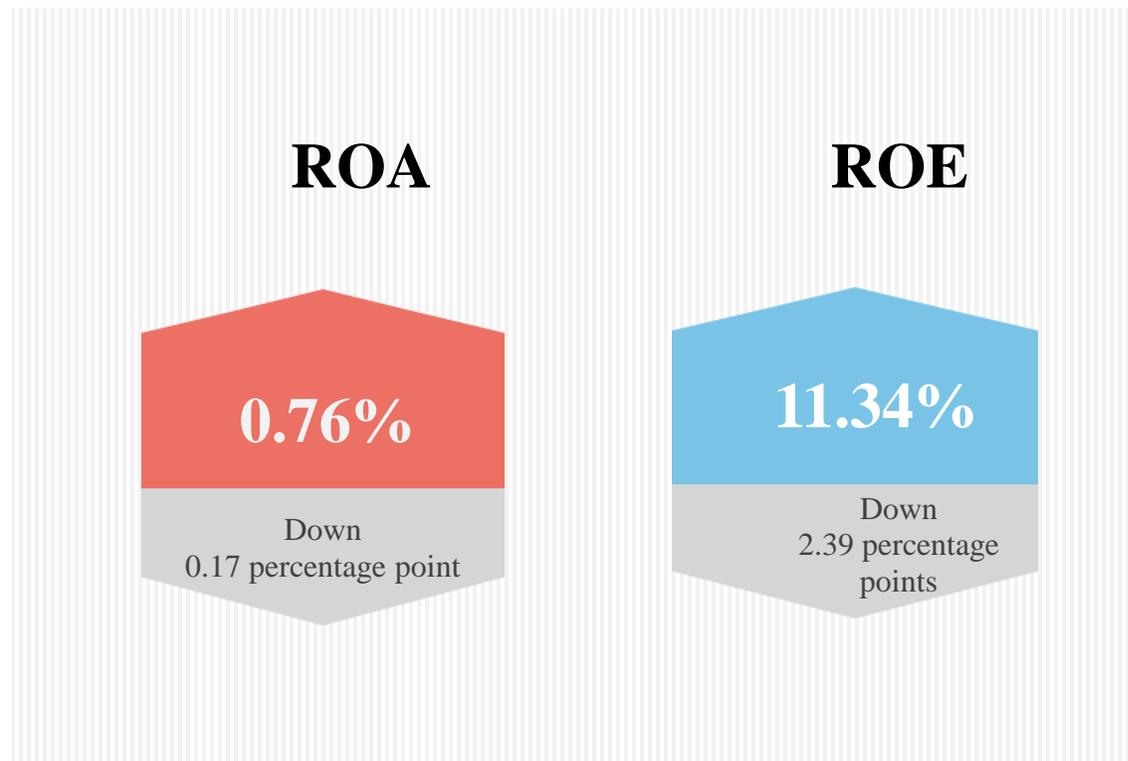
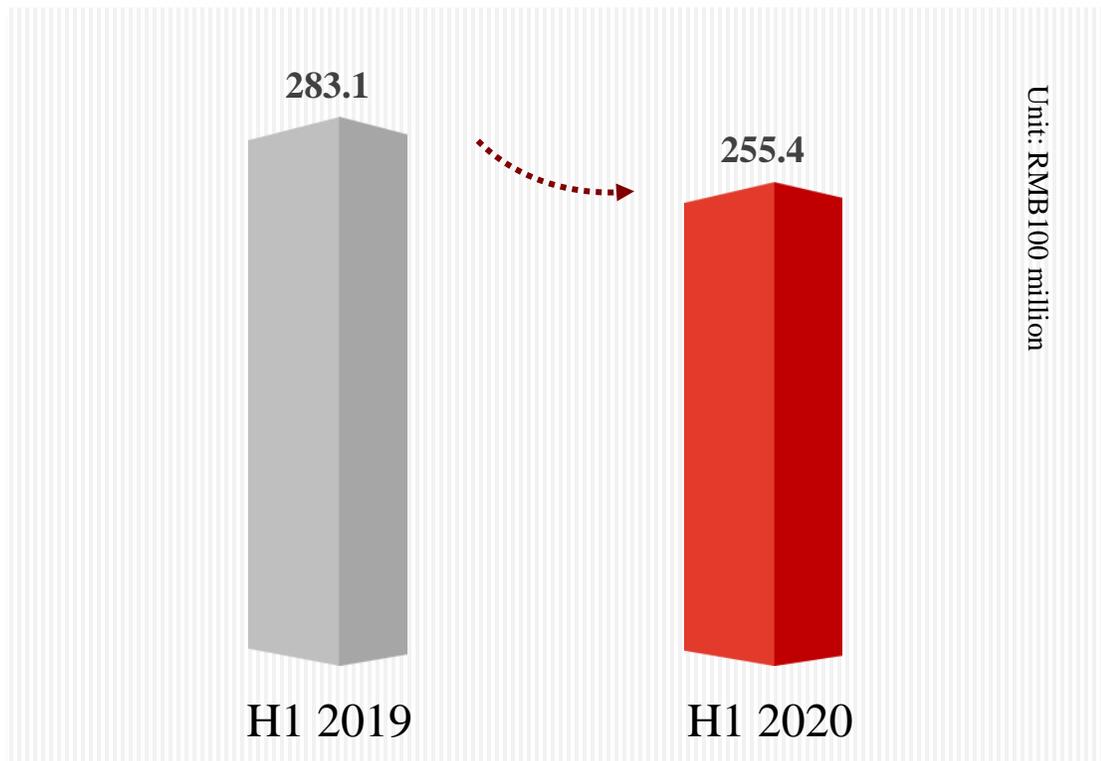


IV. Operating profits remained stable overall

03

Net profit declined year on year

- Affected by the increasing provisions set aside, the net profit attributable to the equity holders of the Bank posted RMB25.54 billion, down RMB2.77 billion or 9.8% year on year.



V. Business transformation advanced in an orderly way

● Corporate banking business

Systematic improvement drive kicked off on all fronts, and business development revealed a sound momentum.

Corporate deposits **RMB3.5^{tn}**

Continued to rank first among all Chinese joint-stock banks

General corporate loans

RMB2.1^{tn}

An increase outstripped that of 2019 by RMB74.7 billion.

Size of bonds underwritten:

RMB340bn, **+65%, Y-o-Y**, ranking **No.2** among all market players

Cross-border RMB business and international payment business:

+21.3% and 4.2%, continuing to rank **No.1** among all joint-stock banks by growth rate

The Bank finished devising the digitalized operation plan, and put it into operation with vigorous efforts.

● Retail banking business

Following the digitalized operation as the mainline, the Bank achieved a good start in its pursuit of high-quality development.

Proportion of operating income:

38%

+1.8 percentage points

Retail banking customers **106^{mn}**

+3.8%

Retail assets under management (AUM):

RMB2.3tn, ranking **No.2** among joint-stock banks

Active customers under agency payroll service:

5.32 mn, **up 37.2% year on year**

Transformation towards digitalized operation:

19 key businesses were put online, and **23 categories** of daily consumption scenarios were introduced

● Financial markets business

The Bank tried to seize every market opportunity. Therefore, its profit contribution surged significantly.

Net operating income



Spot foreign exchange market-making trading

Ranking **No.3** among market players in general

Scale of discounted bills

Ranking among the top joint-stock banks

Increment of new asset management products

Ranking among the top joint-stock banks

VI. The Bank transformed itself towards digitalized operation at a faster pace

✓ **Breakthroughs were made in the transformation of technical architecture and the application of new technologies.**

- **The Lingyun Project was put into operation successfully.**



The Lingyun Project became the first independently controllable core business system among the Chinese medium and large banks. The completion of the project was at least three years ahead of the deadline for adopting domestically-developed system set out by the People's Bank of China (PBOC). It sets a good example for the Chinese financial industry to develop its key infrastructure facilities, in particular chips manufacturing and building system on its own, thus winning the high recognition from regulators and peers.

- **Blockchain technology was applied at greater depth.**



The blockchain alliance platform attracted the joining of over 40 banks, with the assets along the chain exceeding RMB260 billion. Besides, the Bank also got deeply involved in the construction of Xiongan blockchain.

- **Artificial intelligence (AI) technology walked out of labs into practical application.**



In H1 2020, the Bank rolled out nearly 200 **AI application** models, and marketed products and services through smart means to customers for over 142 million times. The wealth management products marketed online amounted to RMB155.1 billion.

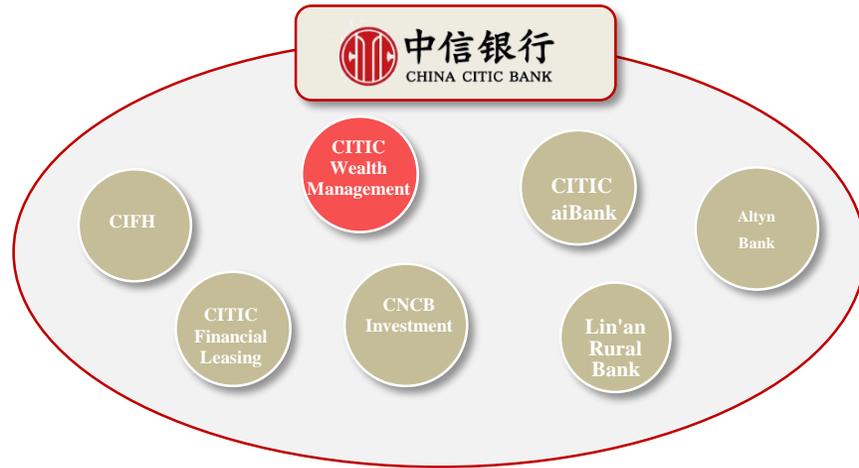
✓ **Fintech empowerment started to produce effect, with the ability to acquire more active customers further enhanced.**

Item		End of June	Change
 Mobile banking	Total users	48.8mn	+6.5% over the beginning of the year
	MAU	10.85mn	-2.7% over the beginning of the year
 Mobile card space	Total users	32.72mn	+8.9% over the beginning of the year
	MAU	13.24mn	+3.9% over the beginning of the year
 Transaction banking	Registered users	0.661mn	+8.9% over the beginning of the year
	Number of transactions	51.82mn	+14.9% year on year
	Transaction amount	RMB50tn	+24.4% year on year

Note: Affected by the pandemic, consumption started to shrink. The MAU of mobile banking went down somewhat in the beginning of the year. In response, the Bank rolled out vigorous marketing campaigns and marketing activities. By the end of June, the MAU of mobile banking rose by 4.9% compared with that by the end of March, revealing a recovery growth.

VII. Integrated operation was taken to a new level

Integrated operation was pushed forward constantly.



- ✓ The comprehensive financial service platforms that would attach equal importance to domestic and overseas, online and offline, equity and creditor's right, and on and off balance sheet operations were set up to satisfy customer's diversified financing needs precisely.
- ✓ **CITIC Wealth Management** was founded smoothly. The subsidiary would issue the wealth management products in line with new regulatory rules, establish a mechanism for effectively isolating its risks from the parent bank, and enable the asset management business to finish its transformation smoothly.
- ✓ **Altyn Bank** continued to forge its characteristic business. When taking root in local market, it was also dedicated to providing high-quality services for the Chinese enterprises making investments in Kazakhstan. By virtue of its outstanding performance in digitalized operation, it was rated as the Best Digital Bank of 2020 in Kazakhstan.

Group-wide coordination helped to enhance quality and efficiency.



- ✓ In H1 2020, the Bank teamed up with the financial subsidiaries of the Group to implement **358** projects requiring coordination, helping corporate customers raise funds in **RMB361.5 billion**, up **22%** year on year.
- ✓ Coordinated efforts were made to serve **232** annuity customers, with the annuity funds under management reaching **RMB19.7 billion**, up **11%** year on year.
- ✓ The products of other companies sold on an agency basis through the Bank's channels amounted to **RMB58.7 billion**. The financing cooperation continued to go deeper.
- ✓ The Bank cemented its partnerships with the subsidiaries of the Group engaged in the real economy, so as to straighten out the industry financing chains for customers and thus help them become more cooperative and competitive along the industry chain.



Contents

1

Overview of operating results in the first half of 2020

2

Outlook and future steps for the second half of 2020

I. Situation and response

- Since the beginning of the year, the complicated and ever-changing situations at home and abroad have posed huge challenges to the operation and development of banks.

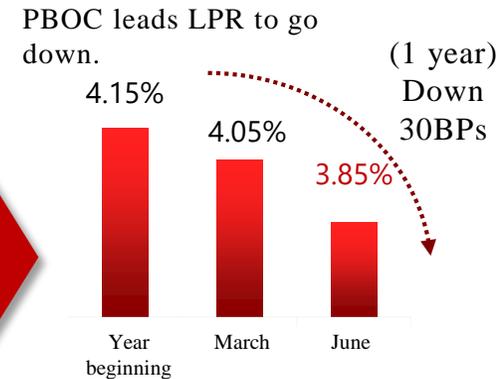
Two major **uncertain** factors in the external environment



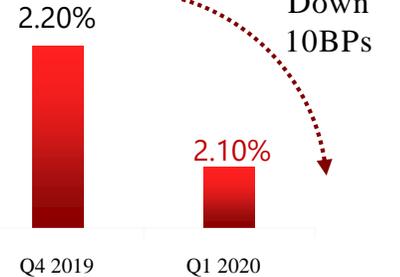
Impact the economic fundamentals and the countercyclical regulation.

Two major **certain** trends facing the operation of banks

- As asset gains go down, banks continue to face the pressure from net interest margin.



Net interest margin narrows down remarkably across the banking industry.



- In the face of severe risk challenges, banks could do nothing but see their credit risk going up rapidly.



The NPL balance and NPL ratio rose across the banking industry in H1 2020.



I. Situation and response

The monetary and fiscal policies underpin the development of the Chinese economy.

The requirements for ensuring stability on six fronts and maintaining security in six areas set out by the central government have made it possible for the domestic demand to be unleashed constantly. As a result, the Chinese economy is recovering step by step.

- The monetary policy is intended to attain the reasonably ample liquidity. There is a shift from “eased currency” to “eased credit”.
- The “eased fiscal” policy is pursued. Government investments focus on the new infrastructure and new urbanization initiatives as well as major projects, which can help expand consumption, benefit people’s livelihood, adjust structure, and add more potential.
- Vigorous endeavors are made to develop a multi-layered capital market.

Regulatory policies divert financial strength to the real economy.

Financial institutions in the banking industries are required by the regulatory policies to

- forgo profits to the real economy;
- reduce financing costs of enterprises;
- normalize the development of structured deposits; and
- work harder to dispose of NPLs.



The Bank keeps accurately aware of the directions pointed out by macro control policies.

- The Bank has offered more policy support, and increased the credit supply to such key fields as manufacturing sector, inclusive finance, and private businesses.
- The Bank has striven to seize every opportunity related to financial services arising from many fields such as consumption and strategic emerging industries, and tap the potential from economic fundamentals.
- The Bank has forged government finance into a brand, and grab the investment opportunities arising from such fields as new infrastructure and public health.
- The Bank has actively spotted business opportunities from such fields as equity investment and M&A, so as to enhance its business capacity in running commercial banking and investment banking.



The Bank spares no efforts to act on the policy requirements set out by financial regulators.

- The Bank has adjusted and optimized the asset structure, and accelerated the pace of credit supply.
- To consolidate the customer base, the Bank has scaled down the high-cost deposits, and promoted the fast growth of settlement deposits.
- The Bank has resolutely promoted the transformation towards asset-light operation, with a view to utilizing capital more efficiently.
- The Bank has worked on balancing the relations between business development and risk control, and done a good job in screening out potential risks.

II. Major tasks for the second half of 2020

Open up
more sources
of income

Cut down
on
expenses

Enhance
quality

1. To implement the national policies and speed up the credit supply

To support the development of the real economy, the Bank will divert more credit to prioritized fields, and push forward the differentiated strategies for various regions at greater depth.

2. To push forward business transformation and introduce more sources of income

The Bank will go deeper in building the corporate banking business system, boost the transaction banking capabilities, and tap deep in tiered customer operation. Besides, it will transform its retail banking business toward digitalized operation, and make strides in high-quality development.

3. To develop the asset-light business with every effort

The Bank will prioritize on developing investment transaction, wealth management, and credit card businesses, and try to make breakthroughs in such fields as sales services, matchmaking business, and investment banking depository.

4. To cut down on costs and enhance efficiency vigorously

The Bank will optimize the liability structure and keep a tight grip on liability costs. On the premise of making the adequate strategic input, it will do everything to cut down on inefficient expenses and utilize various resources more efficiently. Besides, it will put assets under meticulous management, and lower the weight of comprehensive risks.

5. To strengthen comprehensive risk management

The Bank will build up its ability to identify and control risks, emphasize the active operation of problematic assets in stock, and work harder to recover and dispose of problematic assets.

6. To accelerate Fintech innovation and empowerment

The Bank will allow Fintech to further play its supporting role, establish a platform where business lines and IT services can share the uniform data, and accelerate the pace towards digitalized operation.

7. To intensify internal control and compliance management

The Bank will conduct more rigid problem-oriented governance and policy-based governance, step up efforts in case prevention and staff behavior management, and intensify discipline inspections to hold persons in violations accountable.

Thank you!



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