中信银行
CHINA CITIC BANK

中 信 銀 行 股 份 有 限 公 司

China CITIC Bank Corporation Limited

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

(Stock Code: 998)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board of Directors (the "**Board of Directors**") of China CITIC Bank Corporation Limited (the "**Bank**") is pleased to announce the unaudited consolidated results of the Bank and its subsidiaries (the "**Group**") for the six months ended 30 June 2016 (the "**Reporting Period**"), which have been prepared in accordance with the applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules of HKEX**") and in compliance with IAS 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board. The interim results have been reviewed and confirmed by the Audit and Related Party Transactions Control Committee under the Board of Directors.

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

All amounts are expressed in Renminbi ("RMB") unless otherwise stated.

I. FINANCIAL HIGHLIGHTS

Operating Performance

Unit: RMB million

Item	**January-June 2016**	January-June 2015	Growth rate *(%)*	January-June 2014
Operating income	**78,382**	69,957	12.04	62,101
Total profit	**31,281**	30,120	3.85	29,503
Net profit attributable to shareholders of the Bank	**23,600**	22,586	4.49	22,034
Net operating cash flow from operating activities	**49,632**	38,180	29.99	90,072
Per share				
Basic earnings per share *(RMB)*	**0.48**	0.48	–	0.47
Diluted earnings per share *(RMB)*	**0.48**	0.48	–	0.47
Net operating cash flow per share from operating activities *(RMB)*	**1.01**	0.82	23.17	1.93

Profitability Indicators

Item	**January-June 2016**	January-June 2015	Increase/(decrease)	January-June 2014
Return on average assets *(ROAA)*	**0.89%**	1.06%	(0.17)	1.14%
Return on average equity *(ROAE, excluding minority interest)*	**14.66%**	16.79%	(2.13)	18.96%
Cost-to-income ratio (excluding business tax and surcharges)	**24.86%**	26.05%	(1.19)	26.95%
Credit cost	**1.48%**	1.39%	0.09	1.09%
Net interest spread	**1.93%**	2.14%	(0.21)	2.14%
Net interest margin	**2.05%**	2.32%	(0.27)	2.36%

Scale Indicators

Unit: RMB million

Item	**30 June 2016**	31 December 2015	Growth rate *(%)*	31 December 2014
Total assets	**5,606,778**	5,122,292	9.46	4,138,815
Total loans and advances to customers	**2,749,227**	2,528,780	8.72	2,187,908
Total liabilities	**5,274,908**	4,802,606	9.83	3,871,469
Total deposits from customers	**3,455,161**	3,182,775	8.56	2,849,574
Placements from banks and non-bank financial institutions	**49,201**	49,248	(0.10)	19,648
Total equity attributable to the Bank's shareholders	**329,929**	317,740	3.84	259,677
Net assets per share attributable to the Bank's shareholders *(RMB)*	**6.74**	6.49	3.84	5.55

Asset Quality Indicators

Unit: RMB million

Item	**30 June 2016**	31 December 2015	Growth rate (%)/ increase/ (decrease)	31 December 2014
Performing loans	**2,710,707**	2,492,730	8.74	2,159,454
Non-performing loans (NPLs)	**38,520**	36,050	6.85	28,454
Allowance for impairment on loans	**60,472**	60,497	(0.04)	51,576
NPL ratio	**1.40%**	1.43%	(0.03)	1.30%
Provision coverage ratio	**156.99%**	167.81%	(10.82)	181.26%
Loan provision ratio	**2.20%**	2.39%	(0.19)	2.36%

Note: Performing loans include pass loans and special mention loans. NPLs include substandard loans, doubtful loans and loss loans.

Capital Adequacy Indicators

Item	**30 June 2016**	31 December 2015	Increase/ (decrease)	31 December 2014
Core tier-one capital adequacy ratio	**8.89%**	9.12%	(0.23)	8.93%
Tier-one capital adequacy ratio	**8.94%**	9.17%	(0.23)	8.99%
Capital adequacy ratio	**11.26%**	11.87%	(0.61)	12.33%
Leverage ratio	**5.12%**	5.26%	(0.14)	5.19%

Other Major Regulatory Indicators

Main Indicators[(1)]	Standard value *(%)*	**30 June 2016**	31 December 2015	31 December 2014
Liquidity coverage ratio[(2)]	≥100	**104.71**	87.78	111.64
Liquidity ratio	≥25	**49.67**	44.97	51.82
Including: Renminbi	≥25	**48.10**	42.48	52.59
Foreign currencies	≥25	**85.02**	89.27	40.45

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

(2) As per the requirements of the Provisional Measures for Management of Liquidity Risks of Commercial Banks, the liquidity coverage ratio of commercial banks should reach 100% by 2018 and shall, during the transition period, reach 60%, 70%, 80% and 90% at the end of 2014, the end of 2015, the end of 2016 and the end of 2017, respectively.

Differences between IFRS and PRC Accounting Standards

There is no difference between the net assets and the net profit as at the end of the Reporting Period calculated by the Group according to the PRC accounting standards and those calculated by the Group as per the International Financial Accounting Standards.

II. REPORT OF THE BOARD OF DIRECTORS

Economic, Financial and Regulatory Environments

In the first half of 2016, the world economic recovery underwent twists and turns. In the international financial environment, the United States kept postponing its interest rate rise, economic recovery would not go smoothly. The emerging economies including Russia and Brazil suffered drastic decline in economic growth rates. The United Kingdom's exit from the European Union deepened the uncertainties of the global economy. Dramatic exchange rate fluctuations of international major currencies and the increasing uncertainty of cross-border capital flow made the world economy even more complicated and unstable.

In domestic financial environment, the regulatory control and reform to the financial sector profoundly changed the policy environment of the banking industry. Banks confronted some new circumstances. In the first half of 2016, competent authorities released a series of regulatory control measures. Amongst others, the Central Bank further escalated money lending regulation, practicing the Macro-Prudential Assessment (MPA) system and intensifying restrictions on the expansion of bank assets. The CBRC issued its Notification on Standardizing Transfer of the Right to Yield on Loans by Banking Financial Institutions (Yin Jian Ban Fa (2016) No.82) to reinforce the regulation over the practice of taking credit assets off the balance sheet. The reform on replacing business tax with value-added tax brought new impacts to the financial sector.

The Chinese economy is already deeply integrated into the global economy. External situations brought along profound multiple-faceted implications to China via channels such as trade and finance. Nevertheless, we need to be aware that the Chinese economy still enjoys leeway to develop thanks to its great potentials and strong resilience. Along with the optimization and upgrading of the economic structure and continuous release of reform bonuses, the economic operation has exhibited some positive changes. The level of contribution of modern service sector to the economic growth continues to rise; emerging industries were driving forward the economy with growing vigor; and consumption has become the main engine for economic growth. At the moment, the government is accelerating the construction of "the Belt and Road Initiative", the integration of Beijing, Tianjin and Hebei Province, and the development of the Yangtze River Economic Belt and free trade zones. It is also speeding up to implement strategies including "Made in China 2025" and "Internet+". These have given rise to continuous birth of new industries, new models and new formats. Therefore, the banks' space for business development will be greatly expanded.

Operating Results and Progress in Strategic Transformation

Operating Results

During the Reporting Period, the Group faced up to the very sophisticated and challenging economic and financial situations from home and abroad. By overcoming impacts of narrowed interest spread and rising risks, the Group achieved a healthy and steady development, and made progress in strategy implementation, business operation and management. In 2016, the Group ranked the 30th in terms of tier-one capital and the 36th in terms of total assets among the "Top 1,000 World Banks" published by The Banker magazine in 2016 of the United Kingdom, up 3 and 10 places over the previous year, respectively.

Firstly, the Group's operating results improved steadily. In the first half of 2016, the Group realized RMB23.60 billion net profit attributable to the Bank's shareholders, RMB55.165 billion profit before provisioning, and RMB78.382 billion net operating incomes, representing an increase of 4.49%, 17.85% and 12.04% year on year, respectively.

Secondly, the Group's asset quality remained controllable. In the first half of 2016, the Group recorded "rise in NPLs and drop in NPL ratio". As at the end of the Reporting Period, the Bank's NPL balance stood at RMB38.520 billion, an increase of RMB2.470 billion or 6.85% over the end of the previous year; and the NPL ratio was 1.40%, down 0.03 percentage point over the end of the previous year. The Group recorded 156.99% provision coverage ratio and 2.20% loan provision ratio, down 10.82 and 0.19 percentage points over the end of the previous year, respectively.

Thirdly, the Group's business scale grew at a relatively fast pace. As at the end of the Reporting Period, the Group's consolidated total assets registered RMB5,606.778 billion, the balance of deposits reached RMB3,455.161 billion, and the total loans was RMB2,749.227 billion, up 9.46%, 8.56% and 8.72% over the end of the previous year, respectively. The Bank took the lead among all Joint-Stock Banks in incremental Renminbi deposits and loans.

Fourthly, the Group's structures underwent continuing optimization. In the first half of 2016, the Group continuously optimized its loan structure. "Three-Large and One-High" customers[1] were the priority recipients of the Group's loan resources. The proportion of personal loans and medium and long-term project loans to total loans went up by 2.8 and 2.4 percentage points, respectively, while the proportion of loans to the retail & wholesale sector and overcapacity industries went down by 0.5 and 0.3 percentage point, respectively. Meanwhile, the income structure kept improving, with the share of net non-interest income taking up 31.8%, a year-on-year growth of 2.9 percentage points.

[1] Refers to the customer marketing system promoted by the Bank, which focuses on "large industries, large customers, large projects and high-end customers".

Progress in Strategic Transformation

During the Reporting Period, the Group sped up its strategic deployments, achieved effective breakthroughs in key areas, and therefore positive results have been achieved in business transformation.

Comprehensive business operation maintained a sound momentum. The Group made resolute efforts to implement its strategy of becoming the "bank offering the best comprehensive finance services". For the first half of 2016, the Bank recorded RMB7.23 trillion on-and-off balance sheet comprehensive financing volume, a growth of 8.0% over the end of the previous year, which marked the remarkable improvement in its ability to make use of comprehensive finance products portfolio. Meanwhile, helpful explorations into new models of comprehensive financing services were made. The Group adopted the "combined corps" model, namely "CITIC Bank+subsidiaries of CITIC Group+subsidiaries of the Bank", and designed comprehensive tailor-made programs such as "on-balance sheet+off-balance sheet", "corporate+retail", "home+abroad" "online+offline", and "commercial banking+investment banking+leasing". As a result, breakthroughs were made in winning over a group of key customers. These provided good demonstration for the execution of the Group's strategy of becoming the "bank offering the best comprehensive financing services". During the Reporting Period, the Bank officially established its Asset Management Business Center, which will develop a leading platform for bank asset management by leveraging on the advantages of CITIC Group integrated financial service platform.

The "One Body Two Wings"[1] structure exhibited remarkable vitality. During the Reporting Period, the Group's corporate banking business enjoyed a more solid market status and rendered increasingly remarkable support to the business transformation. The Bank topped all Joint-Stock Banks in terms of both balance and increment of Renminbi denominated corporate loans. In retail banking, clearer direction of transformation and rapid improvement in productivity enabled the Bank to hit the record of exceeding RMB1,200 billion assets under management, and break the threshold of RMB800 billion personal loans reaching RMB804.063 billion with a growth rate of 20.26% over the end of the previous year. The Bank doubled its sales as agency business, and achieved a share of 46.50% for retail non-interest income in the net non-interest income. With outstanding innovation advantages, the financial market segment realized a higher return on risk-adjusted capital than Bank's average. Moreover, the income structure of the three major business segments were better balanced, with the operating income from retail banking recording a share of 24.98%. Therefore, the Bank was better positioned for the sustainable development.

1 Refers to the business structure that the Bank has set up based on inheritance of its traditional competitiveness and heritage, with corporate banking as its main body, retail banking and financial market as its two wings.

The "Three-Large and One-High" strategy yielded early results. The development and maintenance of the "Three-Large" customers achieved good results, covering all of the "5 large power companies", "4 large oil and gas companies", "2 large coal manufacturers", "10 large defense industry enterprises" and all the top 50 real estate developers. The "Three-Large and One-High" customers took up a combined 85% of corporate loans primarily granted by the Head Office, and the key regions, namely the"4 municipalities and 11 provinces"[1] took up 76%. The Bank strengthened its corporate and retail coordinated marketing and consolidated its medium and high-end retail customer base, reaching 482,800 customers, a growth of 12.72% over the end of the previous year, and 19,900 private banking customers, a growth of 16.74% over the end of the previous year. In addition, steady growth was achieved in retail basic customers. The Elites Card that targeted young people, in particular, attracted 3,799,700 customers, a year-on-year growth of 113.97%.

The deployment of "Going Global" achieved new breakthroughs. The Group's plan on upgrading its London Representative Office to London Branch was approved by the CBRC and the application for establishing Sydney Representative Office was approved by regulators from both home and abroad. At present, the Group has established correspondent bank relationship with 1,936 bank in 125 countries, thus successfully built a network of correspondent banks to provide its customers with global services. At the same time, the Group sped up its loan grant worldwide. The launch of cross-border financing services covering overseas investment, overseas IPO and re-financing, privatization and transfer of listing board, and management of foreign exchange risk, which markedly enhanced the Bank's competitiveness in cross-border business.

The integration of channels moved up to a new step. To improve customer experience, the Group focused its efforts on providing integrated services via physical outlets and online platforms. The exploration into different forms of outlets such as "outlet inside outlet", unmanned smart outlets, community wealth management outlets, and "Xing Fu Nian Hua" (Happy Elderly) outlets helped to develop differentiated outlet operation models. The foundation for online financial services was developed by unifying user systems, building the Big Data smart marketing platform, and constructing the financial web portal. R&D and use of tools such as smart counters, lobby marketing PAD and smart teller machines resulted in better marketing quality and higher process efficiency.

[1] Refers to the 4 municipalities directly under the central government, namely, Beijing, Shanghai, Tianjin and Chongqing, and the 11 provinces that include Guangdong, Jiangsu, Zhejiang, Fujian, Shandong, Henan, Hunan, Hebei, Hubei, Shaanxi, and Sichuan.

Analysis of the Financial Statements

Impact of replacing business tax ("BT") with value-added tax ("VAT")

Pursuant to the Circular regarding the Comprehensive Implementation of the Pilot Program for Transformation from Business Tax to Value-added Tax (the "VAT") Pilot Programs (Cai Shui [2016]No.36), the Bank started to implemented this tax replacement reform policy on 1 May 2016. VAT is the tax excluded from price, after the tax replacement reform, the book value of operating income excludes VAT, and the book value of operating expenses exclude the deductible input VAT.

To better compare with the corresponding period data, in the following analysis of financial statements, the Bank calculated and analyzed the year-on-year increase/decrease and growth rate for items including operating income, net interest income, net non-interest income, operating expenses, operating charges, net interest margin, net interest spread and cost-to-income ratio on the basis of the restored data including VAT for the period from January to June 2016.

Income Statement Analysis

Unit: RMB million

Item	January-June 2016 (pre-tax)	January-June 2016	January-June 2015	Year-on-year increase/(decrease)	Year-on-year growth rate *(%)*
Operating income	**80,548**	**78,382**	69,957	10,591	15.14
– Net interest income	**55,124**	**53,436**	49,744	5,380	10.82
– Net non-interest income	**25,424**	**24,946**	20,213	5,211	25.78
– Operating expenses	**(23,216)**	**(23,174)**	(23,290)	(74)	(0.32)
– Asset impairment losses	–	**(23,884)**	(16,691)	7,193	43.10
Profit before taxation	–	**31,281**	30,120	1,161	3.85
Income tax	–	**(7,604)**	(7,151)	453	6.33
Net profit	–	**23,677**	22,969	708	3.08
Including: Net profit attributable to the Bank's shareholders	–	**23,600**	22,586	1,014	4.49

Operating Income

During the Reporting Period, the Group realized an operating income of RMB80.548 billion, up 15.14% year on year, of which, the net interest income and net non-interest income accounted for 68.4% and 31.6%, respectively, down 2.7 percentage points and up 2.7 percentage points year on year, respectively. As a result, the income structure of the Bank continued to be optimized.

Item	**January-June 2016** *(%)*	January-June 2015 *(%)*	January-June 2014 *(%)*
Net interest income	**68.4**	71.1	73.5
Net non-interest income	**31.6**	28.9	26.5
Total	**100.0**	100.0	100.0

Net Interest Income

During the Reporting Period, the Group realized a net interest income of RMB55.124 billion, up RMB5.380 billion or 10.82% year on year. The growth of interest-earning assets promoted the increase of interest income, which offset the impact of the decrease of net interest margin.

Net Interest Margin and Net Interest Spread

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

Unit: RMB million

	January-June 2016			January-June 2015			January-December 2015		
Item	**Average balance**	**Interest (pre-tax)**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/ cost rate (%)	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets									
Loans and advances to customers	**2,686,124**	**67,695**	**5.07**	2,240,688	68,398	6.16	2,327,333	136,077	5.85
Investment in debt securities	**574,499**	**10,408**	**3.64**	413,142	8,058	3.93	471,232	18,190	3.86
Deposits and placements with Central Bank	**488,942**	**3,744**	**1.54**	513,014	3,760	1.48	510,289	7,502	1.47
Deposits and placements with banks and non-bank financial institutions	**243,835**	**2,446**	**2.02**	199,127	2,045	2.07	221,356	4,250	1.92
Amounts under resale agreements	**38,146**	**444**	**2.34**	99,041	2,404	4.89	102,603	3,998	3.90
Investments classified as receivables	**1,194,416**	**24,634**	**4.15**	848,367	23,018	5.47	878,034	45,638	5.20
Others	**11,625**	**2**	**0.03**	7,466	2	0.05	8,284	6	0.07
Subtotal	**5,237,587**	**109,373**	**4.20**	4,320,845	107,685	5.03	4,519,131	215,661	4.77
Interest-bearing liabilities									
Deposits from customers	**3,246,387**	**28,615**	**1.77**	2,885,836	32,659	2.28	3,003,860	64,749	2.16
Borrowings from Central Bank	**78,629**	**1,205**	**3.08**	35,105	624	3.58	28,375	994	3.50
Deposits and placements from banks and non-bank financial institutions	**1,235,488**	**17,519**	**2.85**	947,260	20,506	4.37	981,227	36,534	3.72
Amounts under repurchase agreements	**27,181**	**337**	**2.49**	21,334	339	3.20	23,057	561	2.43
Interbank certificates of deposit	**242,105**	**3,702**	**3.07**	49,098	1,138	4.67	71,480	2,957	4.14
Issued deposit certificates	**10,056**	**72**	**1.44**	8,046	74	1.85	7,365	121	1.64
Debt securities payable	**109,030**	**2,796**	**5.16**	99,374	2,597	5.27	101,304	5,304	5.24
Others	**197**	**3**	**3.06**	187	4	4.31	174	8	4.60
Subtotal	**4,949,073**	**54,249**	**2.20**	4,046,240	57,941	2.89	4,216,842	111,228	2.64
Net interest income		**55,124**			49,744			104,433	
Net interest spread(1)			**2.00**			2.14			2.13
Net interest margin(2)			**2.12**			2.32			2.31

Notes: (1) Representing the difference between the average yield of total interest-earning assets and the average cost rate of total interest-bearing liabilities.

(2) Calculated by dividing net interest income by average balance of total interest-earning assets.

The table below sets out the changes in the Group's net interest income resulting from changes in the scale and interest rate factors:

Unit: RMB million

Item	January-June 2016 compared with January-June 2015 Scale factor	Interest rate factor	Total
Assets			
Loans and advances to customers	13,607	(14,310)	(703)
Investment in debt securities	3,145	(795)	2,350
Deposits and placements with Central Bank	(177)	161	(16)
Deposits and placements with banks and non-bank financial institutions	459	(58)	401
Amounts under resale agreements	(1,477)	(483)	(1,960)
Investments classified as receivable	9,387	(7,771)	1,616
Others	1	(1)	–
Changes in interest income	24,945	(23,257)	1,688
Liabilities			
Deposits from customers	4,076	(8,120)	(4,044)
Borrowings from Central Bank	773	(192)	581
Deposits and placement from banks and non-bank financial institutions	6,246	(9,233)	(2,987)
Amounts under repurchase agreements	93	(95)	(2)
Interbank certificates of deposit	4,470	(1,906)	2,564
Issued deposit certificates	18	(20)	(2)
Debt securities payable	252	(53)	199
Others	–	(1)	(1)
Changes in interest expense	15,928	(19,620)	(3,692)
Changes in net interest income	9,017	(3,637)	5,380

During the Reporting Period, the Group's net interest margin was 2.12%, down 0.20 percentage point year on year. The net interest spread stood at 2.00%, down 0.14 percentage point year on year. The main underlying reasons lay on the year-on-year drop of net interest margin and net interest spread were interest rate cuts and the interest rate marketization.

Interest Income

During the Reporting Period, the Group achieved an interest income of RMB109.373 billion, up RMB1.688 billion or 1.57% year on year. This increase was primarily due to the continuous scale-up of interest-earning assets, which offset the impact of the declining average yield rate. The Group's average balance of interest-earning assets was RMB5,237.587 billion, an increase of RMB916.742 billion or 21.22% year on year. The average yield rate of interest-earning assets reached 4.20%, a drop of 0.83 percentage point year on year.

Interest Income from Loans and Advances to Customers

During the Reporting Period, the Group recorded an interest income of RMB67.695 billion from loans and advances to customers, down RMB703 million or 1.03% year on year, mainly because the average yield rate of loans and advances to customers declined by 1.09 percentage points. Of the Group figure, the Bank's interest income form loans and advances to customers was RMB64.573 billion, a decrease of RMB1.743 billion or 2.63% year on year.

Classification by Maturity Structure

The Group

Unit: RMB million

Item	**January-June 2016**			January-June 2015			January-December 2015		
	Average balance	**Interest income (pre-tax)**	**Average yield (%)**	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	**1,285,635**	**30,160**	**4.72**	1,137,674	33,859	6.00	1,178,627	65,540	5.56
Medium to long-term loans	**1,400,489**	**37,535**	**5.39**	1,103,014	34,539	6.31	1,148,706	70,537	6.14
Total	**2,686,124**	**67,695**	**5.07**	2,240,688	68,398	6.16	2,327,333	136,077	5.85

The Bank

Unit: RMB million

Item	**January-June 2016**			January-June 2015			January-December 2015		
	Average balance	**Interest income (pre-tax)**	**Average yield (%)**	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	**1,265,761**	**29,846**	**4.74**	1,113,419	33,426	6.05	1,154,142	64,712	5.61
Medium to long-term loans	**1,252,802**	**34,727**	**5.57**	1,005,396	32,890	6.60	1,039,810	66,736	6.42
Total	**2,518,563**	**64,573**	**5.16**	2,118,815	66,316	6.31	2,193,952	131,448	5.99

Classification by Business

The Group

Unit: RMB million

Item	**January-June 2016** Average balance	**January-June 2016** Interest income (pre-tax)	**January-June 2016** Average yield (%)	January-June 2015 Average balance	January-June 2015 Interest income	January-June 2015 Average yield (%)	January-December 2015 Average balance	January-December 2015 Interest income	January-December 2015 Average yield (%)
Corporate loans	**1,867,374**	**48,535**	**5.23**	1,594,208	49,748	6.29	1,630,940	97,956	6.01
Discounted loans	**95,673**	**1,644**	**3.46**	66,671	1,504	4.55	89,753	3,214	3.58
Personal loans	**723,077**	**17,516**	**4.87**	579,809	17,146	5.96	606,640	34,907	5.75
Total	**2,686,124**	**67,695**	**5.07**	2,240,688	68,398	6.16	2,327,333	136,077	5.85

The Bank

Unit: RMB million

Item	**January-June 2016** Average balance	**January-June 2016** Interest income (pre-tax)	**January-June 2016** Average yield (%)	January-June 2015 Average balance	January-June 2015 Interest income	January-June 2015 Average yield (%)	January-December 2015 Average balance	January-December 2015 Interest income	January-December 2015 Average yield (%)
Corporate loans	**1,723,040**	**45,766**	**5.34**	1,496,455	48,112	6.48	1,521,013	94,192	6.19
Discounted loans	**90,329**	**1,563**	**3.48**	58,847	1,295	4.44	82,866	2,842	3.43
Personal loans	**705,194**	**17,244**	**4.92**	563,513	16,909	6.05	590,073	34,414	5.83
Total	**2,518,563**	**64,573**	**5.16**	2,118,815	66,316	6.31	2,193,952	131,448	5.99

Interest Income from Investment in Debt Securities

During the Reporting Period, the Group's interest income from investment in debt securities stood at RMB10.408 billion, up RMB2.350 billion or 29.16% year on year, primarily because the average balance of investment in debt securities grew from RMB413.142 billion in the first half of 2015 to RMB574.499 billion in the first half of 2016, an increase of 39.06%.

Interest Income from Deposits and Placements with Central Bank

During the Reporting Period, the Group's interest income from deposits and placements with Central Bank amounted to RMB3.744 billion, representing a decrease of RMB16 million or 0.43% year on year. This decrease was mainly due to the Group's efforts in enhancing its management of liquidity by reducing the excess reserve with Central Bank, which led to the scale-down of average balances of deposits and placements with Central Bank.

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

During the Reporting Period, the Group's interest income from deposits and placements with banks and non-bank financial institutions was RMB2.446 billion, an increase of RMB401 million or 19.61% year on year, which was mainly because the average balance of deposits and placements with banks and non-bank financial institutions increased from RMB199.127 billion in the first half of 2015 to RMB243.835 billion in the first half of 2016, an increase of 22.45%.

Interest Income from Amounts under Resale Agreements

During the Reporting Period, the Group's interest income from amounts under resale agreements stood at RMB444 million, down RMB1.960 billion or 81.53% year on year, primarily due to the RMB60.895 billion decrease in the average balance of amounts under resale agreements and a drop of 2.55 percentage points in the average yield thereof.

Interest Income from Investments classified as receivables

During the Reporting Period, the Group's interest income from investments classified as receivables stood at RMB24.634 billion, up RMB1.616 billion or 7.02% year on year, mainly due to the continuous expansion of investment management products managed by securities companies and wealth management products of financial institutions, which offset the impact of the fall of average yield rate from 5.47% to 4.15%.

Interest Expense

During the Reporting Period, the Group's interest expense was RMB54.249 billion, down RMB3.692 billion or 6.37% year on year, which was primarily because the average cost rate of its interest-bearing liabilities decreased by 0.69 percentage point.

Interest Expense on Deposits from Customers

During the Reporting Period, the interest expense on deposits from customers of the Group was RMB28.615 billion, a drop of RMB4.044 billion or 12.38% year on year, which was primarily because the average cost rate of customer deposits went down by 0.51 percentage point. The Bank's interest expense on deposits from customers stood at RMB27.575 billion, a decrease of RMB4.043 billion or 12.79% year on year.

The Group

Unit: RMB million

Item	**January-June 2016**			January-June 2015			January-December 2015		
	Average balance	**Interest expense**	**Average cost rate** *(%)*	Average balance	Interest expense	Average cost rate *(%)*	Average balance	Interest expense	Average cost rate *(%)*
Corporate deposits									
Time deposits	**1,514,836**	**20,073**	**2.66**	1,437,321	23,323	3.27	1,499,194	46,324	3.09
Demand deposits	**1,193,102**	**3,982**	**0.67**	949,746	3,512	0.75	999,091	7,454	0.75
Subtotal	**2,707,938**	**24,055**	**1.79**	2,387,067	26,835	2.27	2,498,285	53,778	2.15
Personal deposits									
Time deposits	**354,777**	**4,305**	**2.44**	351,932	5,562	3.19	352,878	10,453	2.96
Demand deposits	**183,672**	**255**	**0.28**	146,837	262	0.36	152,697	518	0.34
Subtotal	**538,449**	**4,560**	**1.70**	498,769	5,824	2.35	505,575	10,971	2.17
Total	**3,246,387**	**28,615**	**1.77**	2,885,836	32,659	2.28	3,003,860	64,749	2.16

The Bank

Unit: RMB million

Item	**January-June 2016**			January-June 2015			January-December 2015		
	Average balance	**Interest expense**	**Average cost rate** *(%)*	Average balance	Interest expense	Average cost rate *(%)*	Average balance	Interest expense	Average cost rate *(%)*
Corporate deposits									
Time deposits	**1,443,932**	**19,491**	**2.71**	1,370,643	22,747	3.35	1,427,532	45,206	3.17
Demand deposits	**1,161,522**	**3,969**	**0.69**	924,357	3,500	0.76	973,182	7,429	0.76
Subtotal	**2,605,454**	**23,460**	**1.81**	2,295,000	26,247	2.31	2,400,714	52,635	2.19
Personal deposits									
Time deposits	**295,803**	**3,876**	**2.64**	304,311	5,123	3.39	302,079	9,576	3.17
Demand deposits	**164,296**	**239**	**0.29**	128,863	248	0.39	136,070	489	0.36
Subtotal	**460,099**	**4,115**	**1.80**	433,174	5,371	2.50	438,149	10,065	2.30
Total	**3,065,553**	**27,575**	**1.81**	2,728,174	31,618	2.34	2,838,863	62,700	2.21

Interest Expense on Borrowings from Central Bank

During the Reporting Period, the Group's interest expense on borrowings from Central Bank was RMB1.205 billion, a year-on-year increase of RMB581 million or 93.11%, which was mainly due to the increase of the average balance of its borrowings from Central Bank.

Interest Expense on Deposits and Placements from Banks and Non-Bank Financial Institutions

During the Reporting Period, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB17.519 billion, down RMB2.987 billion or 14.57% year on year, which was primarily because the average cost rate of such deposits and placements went down by 1.52 percentage points due to the descending money market interest rate.

Interest Expense on Interbank Certificates of Deposit

During the Reporting Period, the Group's interest expense on interbank certificates of deposit amounted to RMB3.702 billion, up RMB2.564 billion or 225.31% year on year, which was mainly the result of the Group's balance of interbank certificates of deposit increased from RMB49.098 billion in the first half of 2015 to RMB242.105 billion in the first half of 2016, representing an increase of 393.11%.

Interest Expense on Debt Securities Payable

During the Reporting Period, the Group's interest expense on debt securities payable recorded RMB2.796 billion, up RMB199 million or 7.66% year on year, which was mainly because the average balance of debt securities payable went up from RMB99.374 billion in the first half of 2015 to RMB109.030 billion in the first half of 2016, an increase of 9.72%.

Net Non-Interest Income

During the Reporting Period, the Group realized a net non-interest income of RMB25.424 billion, an increase of RMB5.211 billion or 25.78% year on year.

Unit: RMB million

Item	**January-June 2016 (pre-tax)**	**January-June 2016**	January-June 2015	Year-on-year increase/ (decrease)	Year-on-year growth rate *(%)*
Net fee and commission income	**21,700**	**21,296**	17,480	4,220	24.14
Net trading gain	**2,320**	**2,252**	1,426	894	62.69
Net gain from investment securities	**1,208**	**1,202**	1,183	25	2.11
Gain/(loss) from arbitrage	**–**	**(1)**	1	(2)	(200.00)
Other net operating gain	**–**	**197**	123	74	60.16
Total net non-interest income	**25,424**	**24,946**	20,213	5,211	25.78

Net Fee and Commission Income

During the Reporting Period, the Group realized a net fee and commission income of RMB21.700 billion, an increase of RMB4.220 billion or 24.14% year on year. Fee and commission income amounted to RMB22.757 billion, up 23.90% year on year. This increase was primarily due to the relatively rapid growth in bank card fees, wealth management service fees, and agency fees, etc.

Unit: RMB million

Item	**January-June 2016 (pre-tax)**	**January-June 2016**	January-June 2015	Year-on-year increase/ (decrease)	Year-on-year growth rate *(%)*
Bank card fees	**8,475**	**8,318**	5,851	2,624	44.85
Consulting and advisory fees	**3,222**	**3,169**	3,791	(569)	(15.01)
Guarantee fees	**1,284**	**1,260**	1,614	(330)	(20.45)
Wealth management service fees	**3,315**	**3,261**	2,568	747	29.09
Settlement fees	**755**	**743**	1,043	(288)	(27.61)
Agency fees	**3,944**	**3,871**	2,042	1,902	93.14
Commissions for custody and other trusted services	**1,412**	**1,387**	1,121	291	25.96
Others	**350**	**344**	337	13	3.86
Subtotal	**22,757**	**22,353**	18,367	4,390	23.90
Fee and commission expense	**–**	**(1,057)**	(887)	170	19.17
Net fee and commission income	**21,700**	**21,296**	17,480	4,220	24.14

Other Net Non-interest Income

During the Reporting Period, the Group realized the other net non-interest income of RMB3.724 billion, an increase of RMB991 million, or 36.26% year on year, which was mainly due to the increase in net gain from foreign exchange trade.

Operating Expenses

During the Reporting Period, the Group incurred RMB23.216 billion operating expenses, a decrease of RMB74 million or 0.32% year on year. The Group reinforced its efforts in cost management and control, further optimized its pattern of resources allocation and strengthened the instruction in efficiency improvement and light capital development. During the Reporting Period, the Group recorded a cost to income ratio (excluding business tax and surcharges) of 24.24%, down 1.81 percentage points year on year.

Unit: RMB million

Item	January-June 2016 (pre-tax)	January-June 2016	January-June 2015	Year-on-year increase/ (decrease)	Year-on-year growth rate (%)
Staff cost	–	**11,632**	10,656	976	9.16
Property and equipment expenses	–	**4,092**	3,855	237	6.15
Other expenses	**3,804**	**3,762**	3,714	90	2.42
Subtotal	**19,528**	**19,486**	18,225	1,303	7.15
Business tax and surcharges	–	**3,688**	5,065	(1,377)	(27.19)
Total operating expenses	**23,216**	**23,174**	23,290	(74)	(0.32)
Cost-to-income ratio	**28.82%**	**29.57%**	33.29%	Down 4.47 percentage points	
Cost-to-income ratio (excluding business tax and surcharges)	**24.24%**	**24.86%**	26.05%	Down 1.81 percentage points	

Loss on Asset Impairment

During the Reporting Period, the Group's asset impairment loss was RMB23.884 billion, increasing by RMB7.193 billion or 43.10% year on year, of which impairment loss on loans and advances to customers stood at RMB19.796 billion, up RMB4.405 billion or 28.62% year on year; the investment classified as receivables reached RMB1.348 billion, mainly because the Group increased its provision for underlying assets with customer credit risks.

Unit: RMB million

Item	January-June 2016	January-June 2015	Year-on-year increase/ (decrease)	Year-on-year growth rate (%)
Loans and advances to customers	**19,796**	15,391	4,405	28.62
Interest receivable	**2,556**	1,105	1,451	131.31
Investments classified as receivables	**1,348**	(5)	1,353	–
Others(Note)	**184**	200	(16)	(8.00)
Total loss on asset impairment	**23,884**	16,691	7,193	43.10

Note: Including the impairment losses of available-for-sale financial assets, held-to-maturity investments, repossessed assets, other assets, and off-balance sheet items.

Income Tax Analysis

During the Reporting Period, the Group's expense on income tax was RMB7.604 billion, up RMB453 million or 6.33% year on year. The Group's effective tax rate stood at 24.31%, 0.57 percentage point higher than the rate of 23.74% for the first half of 2015.

Balance Sheet Analysis

As at the end of the Reporting Period, total assets of the Group reached RMB5,606.778 billion, up 9.46% over the end of the previous year, which was mainly due to the increase in the Group's loans and advances to customers, investments classified as receivables and investments in debt securities and equity instruments; and its total liabilities registered RMB5,274.908 billion, up 9.83% over the end of the previous year, which was mainly the result of the increase in deposits from customers, deposits and placements from banks and non-bank financial institutions and issued debt certificates.

Unit: RMB million

	30 June 2016		31 December 2015	
Item	**Balance**	**Proportion** *(%)*	Balance	Proportion *(%)*
Loans and advances to customers	**2,688,755**	**48.0**	2,468,283	48.2
Investment in debt securities and equity instruments[1]	**693,027**	**12.4**	580,896	11.3
Cash and deposits with Central Bank	**613,571**	**10.9**	511,189	10.0
Net amount of interbank asset business[2]	**1,452,490**	**25.9**	1,450,347	28.3
Others[3]	**158,935**	**2.8**	111,577	2.2
Total assets	**5,606,778**	**100.0**	5,122,292	100.0
Deposits from customers	**3,455,161**	**65.5**	3,182,775	66.3
Interbank liability business[4]	**1,212,924**	**23.0**	1,188,960	24.8
Debt certificates issued	**410,423**	**7.8**	289,135	6.0
Others[5]	**196,400**	**3.7**	141,736	2.9
Total liabilities	**5,274,908**	**100.0**	4,802,606	100.0

Notes: (1) Including financial assets measured at fair value through profit or loss for the current period, available-for-sale financial assets, held-to-maturity investments and investments in associates.

(2) Including deposits and placements with banks and non-bank financial institutions, amounts under resale agreements and investments classified as receivables.

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

(4) Including deposits and placements from banks and non-bank financial institutions and amounts under repurchase agreements.

(5) Including borrowings from Central Bank, financial liabilities measured at fair value through profit or loss for the current period, derivative financial liabilities, staff remunerations payable, tax payables, interest payables, estimated liabilities, deferred income tax liabilities and other liabilities, etc..

Loan Business

As at the end of the Reporting Period, the Group's loans and advances to customers amounted to RMB2,749.227 billion, up 8.72% over the end of the previous year. It accounted for 48.0% of the Group's total assets, down 0.2 percentage point over the end of the previous year.

The Group

Unit: RMB million

Item	**30 June 2016** Balance	**30 June 2016** Proportion (%)	31 December 2015 Balance	31 December 2015 Proportion (%)
Corporate loans	**1,865,821**	**67.9**	1,767,422	69.9
Discounted loans	**79,343**	**2.9**	92,745	3.7
Personal loans	**804,063**	**29.2**	668,613	26.4
Total loans and advances to customers	**2,749,227**	**100.0**	2,528,780	100.0
Impairment provision for loans and advances to customers	**(60,472)**		(60,497)	
Net loans and advances to customers	**2,688,755**		2,468,283	

As at the end of the Reporting Period, the Bank's loans and advances to customers amounted to RMB2,570.189 billion, up 8.70% over the end of the previous year.

The Bank

Unit: RMB million

Item	**30 June 2016** Balance	**30 June 2016** Proportion (%)	31 December 2015 Balance	31 December 2015 Proportion (%)
Corporate loans	**1,711,469**	**66.6**	1,627,573	68.8
Discounted loans	**74,196**	**2.9**	87,219	3.7
Personal loans	**784,524**	**30.5**	649,764	27.5
Total loans and advances to customers	**2,570,189**	**100.0**	2,364,556	100.0
Impairment provision for loans and advances to customers	**(59,536)**		(59,682)	
Net loans and advances to customers	**2,510,653**		2,304,874	

Please refer to "Risk Management" in this announcement for risk analysis of loan business.

Investments Classified as Receivables

As at the end of the Reporting Period, the Group's investments classified as receivables amounted to RMB1,175.122 billion, an increase of RMB62.030 billion or 5.57% over the end of the previous year.

Unit: RMB million

Item	**30 June 2016** Balance	**30 June 2016** Proportion *(%)*	31 December 2015 Balance	31 December 2015 Proportion *(%)*
Bank note assets	**583,736**	**49.7**	423,467	38.0
Interbank wealth management products	**322,133**	**27.4**	396,246	35.6
General credit assets	**269,253**	**22.9**	293,379	26.4
Total investments classified as receivables	**1,175,122**	**100.0**	1,113,092	100.0
Provision for impairment on investments classified as receivables	**(2,233)**		(885)	
Net investments classified as receivables	**1,172,889**		1,112,207	

Investment in Debt Securities and Equity Instruments

As at the end of the Reporting Period, the Group had RMB693.148 billion investment in debt securities, an increase of RMB112.051 billion or 19.28% over the end of the previous year. Analysis of investment in debt securities and equity instruments portfolio is set out in the following table:

Unit: RMB million

Item	30 June 2016 Value	30 June 2016 Proportion (%)	31 December 2015 Value	31 December 2015 Proportion (%)
Debt securities investment				
Held-to-maturity debt securities	**191,451**	**27.6**	179,971	31.0
Available-for-sale debt securities	**340,888**	**49.3**	297,580	51.2
Trading financial assets	**12,752**	**1.8**	8,536	1.5
Financial assets measured at fair value through profit or loss for the current period	**5,751**	**0.8**	2,457	0.4
Total debt securities	**550,842**	**79.5**	488,544	84.1
Investment funds				
Available-for-sale investment funds	**1,170**	**0.2**	446	0.1
Trading financial assets	**1**	**–**	1	–
Total investment funds	**1,171**	**0.2**	447	0.1
Equity investments				
Available-for-sale equity investments	**511**	**0.1**	580	0.1
Investments in associates	**1,049**	**0.1**	976	0.2
Total equity investments	**1,560**	**0.2**	1,556	0.3
Certificates of deposit and interbank certificates of deposit				
Trading financial assets	**41,884**	**6.0**	15,226	2.6
Available-for-sale financial assets	**97,676**	**14.1**	75,314	12.9
Total certificates of deposit and interbank certificates of deposit	**139,560**	**20.1**	90,540	15.5
Investments in wealth management products				
Available-for-sale financial assets	**15**	**–**	10	–
Total investment in wealth management products	**15**	**–**	10	–
Total investment in debt securities and equity instruments	**693,148**	**100.0**	581,097	100.0
Impairment provision for investment in debt securities and equity instruments	**(121)**		(201)	
Net investment in debt securities and equity instruments	**693,027**		580,896	
Market value of listed securities in held-to-maturity debt securities	**190,917**		180,341	

As at the end of the Reporting Period, the Group's investment in debt securities reached RMB550.842 billion, an increase of RMB62.298 billion or 12.75% over the end of the previous year, which was primarily because the Group made proactive adjustments to the investment structure and allocation of debt securities based on its management on market interest rates and liquidity.

Classification of Debt Securities Investment by Issuing Institution

Unit: RMB million

Item	**30 June 2016** Value	Proportion (%)	31 December 2015 Value	Proportion (%)
Banks and non-bank financial institutions	**87,882**	**16.0**	72,865	14.9
Government	**192,506**	**34.9**	165,203	33.8
Policy banks	**152,845**	**27.7**	140,963	28.9
Public entities	**1,992**	**0.4**	4	–
Others(Note)	**115,617**	**21.0**	109,509	22.4
Total debt securities	**550,842**	**100.0**	488,544	100.0

Note: Primarily corporate bonds.

Domestic and Overseas Debt Securities Investment

Unit: RMB million

Item	**30 June 2016** Value	Proportion (%)	31 December 2015 Value	Proportion (%)
Domestic	**522,026**	**94.8**	460,526	94.3
Overseas	**28,816**	**5.2**	28,018	5.7
Total debt securities	**550,842**	**100.0**	488,544	100.0

Foreign Currency Denominated Debt Securities Held

As at the end of the Reporting Period, the Group held a total of USD8.429 billion worth of foreign currency denominated debt securities (equivalent to RMB56.001 billion), of which the Bank held USD1.661 billion, accounting for 19.71% of the Group's total amount. The Group's impairment provision for foreign currency denominated debt securities investment was USD13 million (equivalent to RMB85 million).

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 2016.

Unit: RMB million

Name of debt securities	Book value	Maturity date (DD/MM/YY)	Annual interest rate	Provision for impairment
			(%)	
Debt Securities 1	4,000	28/02/2017	4.20	–
Debt Securities 2	4,000	18/08/2029	5.98	–
Debt Securities 3	3,868	04/03/2019	2.72	–
Debt Securities 4	3,161	23/04/2017	4.11	–
Debt Securities 5	2,997	08/03/2021	3.25	–
Debt Securities 6	2,665	23/04/2019	4.32	–
Debt Securities 7	2,341	18/02/2021	2.96	–
Debt Securities 8	2,259	27/02/2023	3.24	–
Debt Securities 9	2,215	06/05/2017	1.83	–
Debt Securities 10	2,050	17/01/2018	2.62	–
Total debt securities	29,556			–

Holdings of Shares and Securities in Other Listed Companies

Unit: RMB

No.	Stock code	Stock name	Initial investment amount	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Book value at the beginning of the reporting period	Changes in shareholder's interest during the reporting period	Accounting item	Source of investment
1	00762	China Unicom (HK)	7,020,000.00	–	2,747,035.69	–	3,167,237.31	(420,201.62)	Available-for-sale financial assets	Cash purchase
2	V	Visa Inc.	7,509,605.39	–	101,734,142.84	70,309.36	103,321,332.97	(1,587,190.13)	Available-for-sale financial assets	Gift/bonus share
3	MA	MasterCard International	201,629.69	–	4,436,531.11	6,776.81	4,792,750.59	(356,219.48)	Available-for-sale financial assets	Bonus share
4	03996	CH ENERGY ENG (HK)	324,698,781.12	0.82%	267,137,367.46	–	334,909,434.62	(67,772,067.16)	Available-for-sale financial assets	Cash purchase
Total			**339,430,016.20**		**376,055,077.10**	**77,086.17**	**446,190,755.49**	**(70,135,678.39)**		

Shareholdings in Non-Listed Financial Enterprises

Unit: RMB

Name of company	Initial investment amount	Number of shares held (share)	Shareholding percentage	Book value at the end of the reporting period	Gain or loss during the reporting period	Changes in shareholder's equity during the reporting period	Accounting item	Source of investment
China UnionPay Co., Ltd.	113,750,000.00	87,500,000	2.99%	113,750,000.00			Available-for-sale financial assets	Cash purchase
SWIFT	161,127.66	35	–	437,573.33	–	8,471.01	Available-for-sale financial assets	Bonus share
Joint Electronic Teller Services	4,535,347.33	16 (Class B)	–	4,410,841.87	–	–	Available-for-sale financial assets	Bonus share
Electronic Payment Services Company (HK) Ltd.	14,263,759.80	2	–	13,872,187.61	–	–	Available-for-sale financial assets	Bonus share
Total	**132,710,234.79**			**132,470,602.81**	**-**	**8,471.01**		

Note: Apart from the equity investment set out in the table above, CNCB Investment, a subsidiary of the Bank, also held private equity fund with net value of RMB72 million as at the end of the Reporting Period.

Changes in Provisions for Investment Impairment

Unit: RMB million

Item	**30 June 2016**	31 December 2015
Beginning balance	**201**	138
Accruals during the year(1)	**(1)**	53
Write-offs	**–**	–
Transfer in/(out)(2)	**(79)**	10
Ending balance	**121**	201

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

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

Classification of Derivatives and Fair Value Analysis

Unit: RMB million

Item	**30 June 2016**			31 December 2015		
	Nominal principal	**Fair value Assets**	**Fair value Liabilities**	Nominal principal	Fair value Assets	Fair value Liabilities
Interest rate derivatives	**705,258**	**1,455**	**733**	604,523	1,291	995
Currency derivatives	**2,003,567**	**19,907**	**17,525**	1,600,764	11,489	10,119
Other derivatives	**80,021**	**1,673**	**6,079**	23,985	1,008	304
Total	**2,788,846**	**23,035**	**24,337**	2,229,272	13,788	11,418

On-Balance Sheet Interest Receivables

Unit: RMB million

Item	31 December 2015	Increase during the current period	Decrease during the current period	**30 June 2016**
Loan interest receivables	10,343	66,301	(64,107)	**12,537**
Interest receivable for debt securities	7,882	10,357	(10,825)	**7,414**
Interest on investments classified as receivables	12,963	24,416	(24,770)	**12,609**
Other interest receivables	1,458	6,611	(6,989)	**1,080**
Total	32,646	107,685	(106,691)	**33,640**
Allowances for impairment losses on interest receivables	(2,134)	(2,556)	2,011	**(2,679)**
Net interest receivable	30,512	105,129	(104,680)	**30,961**

Repossessed Assets

Unit: RMB million

Item	**30 June 2016**	31 December 2015
Original value of repossessed assets		
– Land, premises and buildings	**1,295**	1,045
– Others	**175**	85
Provisions for impairment on repossessed assets		
– Land, premises and buildings	**(140)**	(137)
– Others	**(10)**	(33)
Total book value of repossessed assets	**1,320**	960

Deposits from Customers

The Group

As at the end of the Reporting Period, deposits from customers of the Group amounted to RMB3,455.161 billion, an increase of RMB272.386 billion or 8.56% over the end of the previous year; it accounted for 65.5% of total liabilities, down 0.8 percentage point over the end of the previous year.

Unit: RMB million

Item	**30 June 2016**		31 December 2015	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Corporate deposits				
Demand deposits	**1,403,570**	**40.6**	1,194,486	37.5
Time deposits	**1,480,512**	**42.9**	1,446,939	45.5
Including: negotiated deposits	**75,390**	**2.2**	101,333	3.2
Subtotal	**2,884,082**	**83.5**	2,641,425	83.0
Personal deposits				
Demand deposits	**214,231**	**6.2**	178,917	5.6
Time deposits	**356,848**	**10.3**	362,433	11.4
Subtotal	**571,079**	**16.5**	541,350	17.0
Total deposits from customers	**3,455,161**	**100.0**	3,182,775	100.0

The Bank

As at the end of the Reporting Period, the Bank had RMB3,256.244 billion deposits from customers, an increase of RMB261.418 billion or 8.73% over the end of the previous year.

Unit: RMB million

Item	30 June 2016 Balance	30 June 2016 Proportion (%)	31 December 2015 Balance	31 December 2015 Proportion (%)
Corporate deposits				
Demand deposits	**1,365,781**	**42.0**	1,163,000	38.9
Time deposits	**1,403,987**	**43.1**	1,366,291	45.6
Including: negotiated deposits	**74,762**	**2.3**	100,512	3.4
Subtotal	**2,769,768**	**85.1**	2,529,291	84.5
Personal deposits				
Demand deposits	**193,283**	**5.9**	160,207	5.3
Time deposits	**293,193**	**9.0**	305,328	10.2
Subtotal	**486,476**	**14.9**	465,535	15.5
Total deposits from customers	**3,256,244**	**100.0**	2,994,826	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

Item	30 June 2016 Balance	30 June 2016 Proportion (%)	31 December 2015 Balance	31 December 2015 Proportion (%)
Renminbi	**3,119,023**	**90.3**	2,854,718	89.7
Foreign currencies	**336,138**	**9.7**	328,057	10.3
Total	**3,455,161**	**100.0**	3,182,775	100.0

Breakdown of Deposits by Geographical Location

Unit: RMB million

Item	**30 June 2016** Balance	Proportion (%)	31 December 2015 Balance	Proportion (%)
Bohai Rim[Note]	**899,873**	**26.0**	809,760	25.4
Yangtze River Delta	**821,372**	**23.8**	730,304	22.9
Pearl River Delta and West Strait	**569,348**	**16.5**	498,538	15.7
Central region	**489,418**	**14.2**	472,675	14.9
Western region	**413,022**	**11.9**	408,822	12.9
Northeastern region	**67,581**	**2.0**	77,792	2.4
Overseas	**194,547**	**5.6**	184,884	5.8
Total deposits from customers	**3,455,161**	**100.0**	3,182,775	100.0

Note: Including the Head Office.

Breakdown of Deposits by Remaining Maturity

The Group

Unit: RMB million

Item	Repayable-on-demand Balance	Proportion (%)	Within 3 months Balance	Proportion (%)	Within 3-12 months Balance	Proportion (%)	Within 1-5 years Balance	Proportion (%)	After 5 years Balance	Proportion (%)	Total Balance	Proportion (%)
Corporate deposits	1,553,245	45.0	456,994	13.2	597,325	17.3	276,216	8.0	302	–	2,884,082	83.5
Personal deposits	329,631	9.5	110,813	3.2	85,272	2.5	44,969	1.3	394	–	571,079	16.5
Total	1,882,876	54.5	567,807	16.4	682,597	19.8	321,185	9.3	696	–	3,455,161	100.0

The Bank

Unit: RMB million

Item	Repayable-on-demand Balance	Proportion (%)	Within 3 months Balance	Proportion (%)	Within 3-12 months Balance	Proportion (%)	Within 1-5 years Balance	Proportion (%)	After 5 years Balance	Proportion (%)	Total Balance	Proportion (%)
Corporate deposits	1,515,456	46.6	394,277	12.1	583,668	17.9	276,065	8.5	302	–	2,769,768	85.1
Personal deposits	308,683	9.4	54,842	1.7	77,611	2.4	44,946	1.4	394	–	486,476	14.9
Total	1,824,139	56.0	449,119	13.8	661,279	20.3	321,011	9.9	696	–	3,256,244	100.0

Items Measured at Fair Value

Unit: RMB million

Item	30 June 2016	31 December 2015	Current-year profit or loss due to changes in fair value	Current-year changes in fair value recorded in shareholders' equity
Financial assets measured at fair value through profit or loss for the current period	**60,388**	26,220	153	–
Derivative financial assets (Note)	**23,035**	13,788	(685)	–
Available-for-sale financial assets	**440,004**	373,636	–	(2,128)
Investment properties	**332**	325	–	–
Total assets measured at fair value	**523,759**	413,969	(532)	(2,128)
Financial liabilities measured at fair value through profit or loss for the current period	**102**	–	(1)	–
Derivative financial liabilities	**24,337**	11,418	–	–
Total liabilities measured at fair value	**24,439**	11,418	(1)	–

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

Shareholders' Equity

Changes in the Group's shareholders' equity during the Reporting Period are described in the following table:

Unit: RMB million

	30 June 2016							
	Interests attributable to the Bank's shareholders					Minority interest		
Item	**Share capital**	**Capital reserve**	**Other comprehensive income**	**Surplus reserve and general risk provision**	**Retained profit**	**Ordinary shares holders**	**Holders of other equity instruments**	**Total Share-holders' Equity**
Beginning balance	**48,935**	**58,636**	**3,584**	**87,917**	**118,668**	**121**	**1,825**	**319,686**
1. Net profit	**-**	**-**	**-**	**-**	**23,600**	**5**	**72**	**23,677**
2. Other comprehensive income	**-**	**-**	**(1,037)**	**-**	**-**	**-**	**-**	**(1,037)**
3. Capital input or reduction by shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4. Profit distribution	**-**	**-**	**-**	**-**	**(10,374)**	**(10)**	**(72)**	**(10,456)**
Ending balance	**48,935**	**58,636**	**2,547**	**87,917**	**131,894**	**116**	**1,825**	**331,870**

Notes: (1) China CITIC Bank held the 2015 Annual General Meeting on 26 May 2016 and passed the resolution to pay cash dividends to its eligible shareholders for the year ended 31 December 2015 at RMB2.12 (pre-tax) per 10 shares. The dividends payment, about RMB10.374 billion in total, was completed on 25 July 2016.

(2) Lin'An CITIC Rural Bank affiliated to the Group held the 2015 Annual General Meeting on 14 April 2016 and passed the resolution to pay cash dividends to its eligible shareholders for the year ended 31 December 2015 at RMB1 (pre-tax) per 10 shares. The dividends, paid by 9 May 2016, amounted to RMB20 million, including RMB9.80 million paid to minority shareholders.

(3) For the first half of 2016, CNCBI, a subsidiary of the Bank, paid USD10.875 million (roughly equivalent to RMB72 million) dividends to holders of its other equity instruments. The afore-mentioned other equity instruments refer to the perpetual non-cumulative additional tier-one securities issued by CNCBI on 22 April 2014.

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 2016**	31 December 2015
Credit commitments		
– Banker's Acceptance bills	**573,634**	631,431
– Letters of guarantee issued	**143,256**	133,567
– Letters of credit issued	**89,860**	92,164
– Irrevocable loan commitments	**217,927**	200,933
– Credit card commitments	**188,150**	149,138
Subtotal	**1,212,827**	1,207,233
Operating leasing commitments	**13,339**	14,799
Capital commitments	**4,045**	7,232
Pledged assets	**144,290**	143,182
Total	**1,374,501**	1,372,446

Cash Flow Statement Analysis

Net Cash Flows from Operating Activities

Net cash inflows from operating activities registered RMB49.632 billion, representing a year-on-year growth of RMB11.452 billion, which was primarily because the cash inflow due to the increase in customer deposits and interbank business offset the cash outflow due to the increase in loans and advances to customers and investments classified as receivables.

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities recorded RMB71.757 billion, a year-on-year decrease of RMB20.838 billion, mainly due to the decrease in net payments on acquisition of investments.

Net Cash Flows Generated from Financing Activities

Net cash flows generated from financing activities reached RMB112.710 billion, up RMB76.868 billion year on year, primarily due to the increase in net cash proceeds from issuance of interbank deposit certificates and certificates of deposit.

Unit: RMB million

Item	**January-June 2016**	**Year-on-Year growth rate** *(%)*	**Main reason**
Operating cash flow	**49,632**	29.99	
Including: net cash inflow from interbank business[Note]	**71,159**	(66.32)	Decrease in incremental interbank deposits and placements
Cash inflow due to increase in deposits from customers	**268,255**	16.76	Increase in corporate deposits
Cash outflow due to increase in loans and advances to customers	**(236,510)**	80.94	Increase in various loans
Cash outflow due to increase in investments classified as receivables	**(62,026)**	(75.01)	Decrease in investment management products managed by securities companies
Cash Flow Used in Investing activities	**(71,757)**	(22.50)	
Including: Proceeds from redemption of investments	**259,014**	(23.07)	Decrease in disposal and repayment of debt securities
Payments on acquisition of investments	**(327,241)**	(23.37)	Decrease in debt securities investments
Cash Flow Generated from Financing Activities	**112,710**	214.46	
Including: Proceeds from issued debt certificates	**336,974**	263.80	Issuance of interbank deposit certificates and certificates of deposit
Repayment of debt certificates	**(218,350)**	307.94	Repayment of matured debt certificates

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

Capital Adequacy Ratio and Leverage Ratio Analysis

The Group calculated and disclosed its capital adequacy ratio according to the Regulation Governing Capital of Commercial Banks (provisional) promulgated by the CBRC (implemented since 1 January 2013).

Capital Adequacy Ratio Indicators

As at the end of the Reporting Period, the Group's capital adequacy ratios at all levels complied with regulatory requirements of the above-mentioned measures. As at the end of the Reporting Period, the Group recorded 8.89% core tier-one capital adequacy ratio, down 0.23 percentage point over the end of the previous year; 8.94% tier-one capital adequacy ratio, down 0.23 percentage point over the end of the previous year; and 11.26% capital adequacy ratio, down 0.61 percentage point over the end of the previous year.

Unit: RMB million

Item	**30 June 2016**	31 December 2015	Growth rate *(%)*/ increase/ (decrease)	31 December 2014
Net core tier-one capital	**328,377**	316,159	3.86	262,786
Net tier-one capital	**330,205**	317,987	3.84	264,582
Net capital	**416,056**	411,740	1.05	362,848
Risk-weighted assets	**3,694,147**	3,468,135	6.52	2,941,627
Core tier-one capital adequacy ratio	**8.89%**	9.12%	Down 0.23 percentage point	8.93%
Tier-one capital adequacy ratio	**8.94%**	9.17%	Down 0.23 percentage point	8.99%
Capital adequacy ratio	**11.26%**	11.87%	Down 0.61 percentage point	12.33%

Leverage Ratio Indicators

Unit: RMB million

	30 June 2016	31 December 2015	Growth rate (%)/ increase/ (decrease)	31 December 2014
Leverage ratio	**5.12%**	5.26%	Down 0.14 percentage point	5.19%
Net tier-one capital	**330,205**	317,987	3.84	264,582
Adjusted balance of on-and off-balance sheet assets	**6,450,776**	6,044,069	6.73	5,096,499

Note: Leverage ratios were calculated in accordance with provisions of the Measures for Management of Leverage Ratios of Commercial Banks (Amended) (CBRC Decree 2015 No.1). For more detailed information about leverage ratios, please refer to the relevant column on the web of investor relations at the Bank's website. The website is: http://www.citicbank.com/about/investor/financialaffairs/gglzb/.

Liquidity Coverage Ratio Indicators

Unit: RMB million

	30 June 2016	31 December 2015	Growth rate(%)/ Increase/ (decrease)	31 December 2014
Liquidity coverage ratio	**104.71%**	87.78%	Up 16.93 percentage points	111.64%
Qualified liquid assets with high quality	**592,649**	464,437	27.61	426,953
Net cash flows used in coming 30 days	**565,989**	529,112	6.97	382,429

Note: The Group disclosed liquidity coverage ratio related information as per the Measures on Liquidity Coverage Ratio Information Disclosure of Commercial Banks (Yin Jian Fa [2015] No.52).

Major Accounting Estimates and Assumptions

The preparation of financial statements in conformity with the International Financial Reporting Standards (IFRS) 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 during 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 judgement on uncertainties are reviewed. Such accounting estimates and assumptions made by the Group have all been appropriately recognized during the current period of the concerned changes and during subsequent periods of any impacts resulting from such changes.

The basis for preparation of the Group's financial statements was influenced by estimates and judgments in the following main aspects: impairment losses on loans and advances, available-for-sale financial assets and held-to-maturity investments, impairment of available-for-sale equity investments, fair value of financial instruments, classification of held-to-maturity investments, income tax, retirement welfare liabilities, and judgment on degree of control over investment targets.

Major Financial Statement Items with More than 30% Changes

Unit: RMB million

Item	End of June 2016/first half of 2016	Growth rate *(%)* over previous year-end/ year-on-year	Main reason
Precious metal	4,805	303.44	Increase in precious metal
Financial assets measured at fair value through profit or loss for the current period	60,388	130.31	Increase in investment in interbank deposit certificates
Derivative financial assets	23,035	67.07	Increase in currency derivative financial instrument business
Financial assets held under resale agreements	96,747	(30.18)	Decrease in bills held under resale agreements
Other assets	73,486	87.03	Increase in precious metal leasing
Borrowings from Central Bank	78,100	108.27	Increase in borrowings from Central Bank
Financial liabilities measured at fair value through profit or loss for the current period	102	–	Increase in short-selling debt securities
Derivative financial liabilities	24,337	113.15	Increase in currency derivative financial instrument business
Financial assets sold under repurchase agreements	19,261	(72.94)	Decrease in domestic interbank debt securities sold under repurchase agreements
Debt certificates issued	410,423	41.95	Increase in interbank certificates of deposit
Net gain from investing activities	2,252	57.92	Increase in net gain from foreign exchange transactions
Asset impairment loss	23,884	43.10	Increase in provisioning for impairment on credit assets

Segment Report

Business Segments

Major business segments of the Group cover corporate banking, retail banking and financial market business. During the Reporting Period, the Group's capacity in retail banking grew fast and the proportion of operating income reached 25.0%, up 2.4 percentage points year on year, thanks to the Group's continuous efforts in deepening its strategic re-transformation, carrying out the philosophy of light, intelligent and unique development, and enhancing innovation as a driving force.

Unit: RMB million

Business segment	January-June 2016 Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)	January-June 2015 Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)
Corporate banking	**44,478**	**56.7**	**14,636**	**46.8**	42,641	61.0	17,722	58.8
Retail banking	**19,578**	**25.0**	**5,139**	**16.4**	15,841	22.6	2,762	9.2
Financial market	**8,672**	**11.1**	**7,244**	**23.2**	9,024	12.9	8,126	27.0
Other businesses	**5,654**	**7.2**	**4,262**	**13.6**	2,451	3.5	1,510	5.0
Total	**78,382**	**100.0**	**31,281**	**100.0**	69,957	100.0	30,120	100.0

Note: (1) In 2016, the business segmentation was readjusted by shifting international business and investment banking business in financial market business segment to corporate banking business segment, and figures in comparative period were restated.

(2) Segment operating income for the period from January to June 2016 excludes VAT.

Geographical Segments

The table below sets out the Group's operating results by geographical segment during the Reporting Period.

Unit: RMB million

Geographical segment	30 June 2016 Total assets(Note) Amount	Proportion (%)	Total liabilities Amount	Proportion (%)	January-June 2016 Profit before tax Amount	Proportion (%)
Yangtze River Delta	**1,154,890**	**20.6**	**1,149,037**	**21.8**	**6,271**	**20.0**
Pearl River Delta and West Strait	**837,672**	**15.0**	**834,294**	**15.8**	**2,994**	**9.6**
Bohai Rim	**1,271,358**	**22.7**	**1,261,289**	**23.9**	**4,897**	**15.7**
Central region	**660,089**	**11.8**	**659,582**	**12.5**	**1,440**	**4.6**
Western region	**580,851**	**10.4**	**575,878**	**10.9**	**5,038**	**16.1**
Northeastern region	**82,202**	**1.5**	**81,167**	**1.5**	**856**	**2.7**
Head Office	**3,036,911**	**54.1**	**2,744,649**	**52.1**	**8,384**	**26.8**
Hong Kong	**255,017**	**4.6**	**227,470**	**4.3**	**1,401**	**4.5**
Inter-segment adjustment	**(2,280,521)**	**(40.7)**	**(2,258,480)**	**(42.8)**	**–**	**–**
Total	**5,598,469**	**100.0**	**5,274,886**	**100.0**	**31,281**	**100.0**

Note: Excluding deferred income tax assets and deferred income tax liabilities.

Unit: RMB million

Geographical segments	31 December 2015 Total assets(Note) Amount	Proportion (%)	Total liabilities Amount	Proportion (%)	January-June 2015 Profit before tax Amount	Proportion (%)
Yangtze River Delta	1,099,815	21.5	1,090,635	22.7	3,793	12.6
Pearl River Delta and West Strait	752,965	14.7	751,135	15.6	1,176	3.9
Bohai Rim	1,114,688	21.8	1,099,277	22.9	6,100	20.3
Central region	617,426	12.1	609,986	12.7	5,166	17.2
Western region	557,507	10.9	551,901	11.5	3,700	12.3
Northeastern region	93,262	1.8	92,311	1.9	666	2.2
Head Office	2,622,096	51.3	2,354,458	49.0	8,148	27.1
Hong Kong	241,411	4.7	215,502	4.5	1,371	4.4
Inter-segment adjustment	(1,984,859)	(38.8)	(1,962,609)	(40.8)	–	–
Total	5,114,311	100.0	4,802,596	100.0	30,120	100.0

Note: Excluding deferred income tax assets and deferred income tax liabilities.

Business Overview

The Bank has implemented the policy on replacing business tax with value-added tax in all business aspects since 1 May 2016. To facilitate comparison with data of the comparable periods, all figures for profit or loss contained in this section include value-added tax, unless otherwise stated.

Corporate Finance

In implementing its strategy of becoming the "bank offering the best comprehensive finance services", the Bank targeted the demands of "large industries, large customers, large projects and high-end customers", and tapped into the needs for financial services in terms of industrial chains, fund chains and product chains. With the use of the "combined corps" model, namely "CITIC Bank+subsidiaries of CITIC Group+subsidiaries of the Bank", and comprehensive tailor-made services such as "commercial banking+investment banking+leasing", "on-balance sheet+off-balance sheet", "domestic+overseas", "corporate+retail" and "online+offline", the Bank provided a package of financial solutions to its customers to maintain its competitive advantages in corporate financial services. As at the end of the Reporting Period, the Bank realized RMB43.525 billion operating income from its corporate banking business, up 5.35% year on year, accounting for 56.26% of its total operating income. This amount included RMB8.071 billion net non-interest income from corporate finance, 33.31% of the Bank's total.

Corporate Customer Management

The Bank's corporate banking focused on "Three-Large and One-High" customers. Through the corporate-retail interaction platform, the Bank, in batches, developed high-end individual retail customers. Its corporate customers were classified into five categories, namely, Head Office strategic customers and branch strategic customers, institutional customers, ordinary enterprise customers, and small business customers. As at the end of the Reporting Period, 546,000 corporate customers opened accounts with the Bank, up 3.04% over the end of the previous year.

The Bank finalized the name list of 200 Head Office strategic customers (including over 9,800 member enterprises) and 2,237 branch strategic customers (including 5,150 member enterprises), covering Top 500 world companies, Top 500 Chinese companies and leading enterprises of mainstream industries. "Head-office to head-office" cooperation and synergized marketing within the Group enabled the Bank to actively get involved in areas such as mergers and acquisitions (M&A), asset restructuring, investment management and IPO advisory services. As at the end of the Reporting Period, the Bank's average daily balance of deposits from strategic customers recorded RMB564.916 billion, and that of loans RMB402.603 billion, respectively representing an increase of 19.49% and 3.29% over the end of the previous year, giving full play to the support of strategic customers.

With the Chinese economy entering the New Normal and the supply-side reform, the Bank emphasized the core value of government institutional customers to continuously enhance competitiveness of its institutional business. Closely following the government strategy on new-type urbanization and smart city development, the Bank entered into strategic cooperation agreements with 30 local governments or governmental competent departments, expanded projects such as government PPP funds, pension funds, and guidance funds for industries in need of transformation or upgrading, and promoted in-depth cooperation with economically developed provinces and cities in the area of urban development. More emphasis was placed on the construction of online platforms for customer acquisition. The Bank launched "Smart Payment", "Tobacco Business Loan" and 104 fund transaction systems, to provide large institutional customers such as those in areas of public finance, social security and housing reserves with payment management and online lending services. These measures enhanced customer loyalty. Over 80% of on-balance sheet loans to institutional customers were invested in the three major areas of urban construction, transportation, and eduction, science, culture and health. As at the end of the Reporting Period, the Bank had 27,106 accounts of various institutional customers and these institutional customers recorded RMB903.150 billion average daily balance of deposits, and RMB290.842 billion balance of on-and-off balance sheet financing, an increase of 6.60% and 9.29% over the end of the previous year, respectively.

The Bank established the corporate-retail interaction mechanism, finalized 12 interaction sub-projects, and promoted these sub-projects. As a result, high-quality corporate and retail customer resources were able to achieve mutual transfer. During the Reporting Period, the Bank made RMB138.678 billion agency payment of salaries and recorded RMB168.15 billion retail AUM for recipients of such agency payment, a year-on-year growth of 32.43% and 29.58% respectively; 3,266 high-end retail customers' accounts were transferred from executives of corporate customers to high-end retail customers of the Bank; and an additional 198,000 credit cards were issued.

Corporate Deposits and Loans

In terms of corporate deposits, in face with impacts of interest liberalization and Internet finance, the Bank pooled resources to promote transaction banking. By developing the trade finance platform, asset custody platform, cash management platform, e-commerce platform, and Internet finance platform, the Bank achieved a steady growth in corporate deposits. As at the end of the Reporting Period, the Bank's balance of corporate deposits denominated in both Renminbi and foreign currencies recorded RMB2,769.768 billion, a growth of 9.51% over the end of the previous year, ranking the first among joint stock banks in balance and increment[1]. At the same time, The Bank boosted the transaction banking products and acquired low-cost stable settlement deposits via multiple channels, so that the liability cost continued to reduce. As at the end of the Reporting Period, the Bank recorded a 1.81% cost ratio for corporate deposits denominated in both Renminbi and foreign currencies, a drop of 38 percentage points over the end of the previous year.

With regard to corporate loans, the Bank grasped opportunities of government strategies such as integration of Beijing, Tianjin and Hebei Province, "the Belt and Road Initiative", and development of the Yangtze River Economic Belt. Accordingly, it regarded the "4 municipalities directly under the central government and 11 provinces" as its priority geographical targets for loan grant. Meanwhile, more loans were granted to 18 key industries in the 4 major areas of urbanization, infrastructure, high-end manufacturing and modern services. The Head Office intensified its uniform allocation of credit resources. For the first half of 2016, among the incremental corporate loans, the proportion of loans to the 18 key industries was 86.91%, to the "Three-Large and One-High" customers was 84.69%, to the "4 municipalities directly under the central government and 11 provinces" was 76.40%, and to Beijing, Tianjin and Hebei Province, "the Belt and Road Initiative" and the Yangtze River Economic Belt and free trade zone was 52.96%. As at the end of the Reporting Period, the Bank recorded RMB1,785.665 billion of corporate loan balance, a growth of 4.13% over the end of the previous year. This amount included RMB1,711.469 billion of general corporate loan balance, up 5.15% over the end of the previous year.

[1] Including balance and increment of corporate deposits denominated in Renminbi net of active liabilities (including structured deposits, negotiated deposits and central treasury cash management deposits).

Transaction Banking

The Bank was the first in China to launch its exclusive brand, "Transaction +", for transaction banking. The philosophy of the brand was to "build transaction capability, extend the business chain, integrate commercial resources and make use of Internet business ecology". It leveraged on the unique "financial+non-financial" resources of CITIC Group and relied on enterprise transaction behavior and the entire transaction chain to provide "whole-process, multi-channel, one-stop and smart" transaction banking services. "Transaction+" covers 6 sub-brands ("e-payment and receipt, e-finance/asset, e-trade finance, e-commerce, e-custody, and e-channel") and 16 unique products, forming a complete brand system and product line.

During the Reporting Period, the Bank harvested substantial growth in all business areas of transaction banking, thanks to its vigorous marketing and brand promotion. As at the end of the Reporting Period, the Bank recorded 315,200 accounts of "e-channel" customers with total transaction value of RMB30.15 trillion, an increase of 21.08% year on year; and registered 12,546 "e-finance/asset" projects representing a year-on-year growth of 86.54% with 34,672 customers, a year-on-year growth of 19.98% and 272 "e-commerce" projects, up 98.54% year on year.

The Bank made vigorous efforts to develop trade finance business, maintaining its upper and lower-stream enterprise customers and enhancing the loyalty of "Three-Major, One-High" customers. New business models were launched. A demonstrative example was the two-party services[1] provided by leasing companies set up in free trade zones. Targeting industrial leaders, the Bank initiated projects such as reverse factoring and bill pool. All these brought the Bank comprehensive benefits including more settlement deposits, acquisition of customer resources and well-maintained customer relations.

Meanwhile, the Bank made active explorations into off-balance sheet financing. Products such as commercial paper guarantee and export outright sale prepaid gold factoring were launched under the premise that the risks thereof were controllable. Amid the continuing economic downturn, the Bank placed stringent control on trade finance risks. Business in "high energy consumption, heavy-pollution, and overcapacity" industries was stringently controlled, and centralized adjustment to auto finance basically completed. As a result, trade finance business slowed down to some extent. As at the end of the Reporting Period, domestic trade finance of the Bank registered a cumulative finance volume of RMB307.391 billion, a drop of 11.21% year on year. Online finance for e-supply chain finance recorded RMB10.590 billion, a year-on-year growth of 2.14%.

1 In this model, the Bank sets up leasing companies in free trade zones and transfers to its branches in the free trade zones its creditor right to the lessees' lease rental receivables. The Bank's branches in the free trade zones together with branches at the localities of the lessees jointly provide the leasing companies with such services as financing, receivables management, debt collection and guarantee for bad debts. The Bank uses this model to fully leverage the cost advantages of capital available in the free trade zone.

International Business

The Bank was guided by the principle of value creation and capital-saving development. Accordingly, it further reinforced business innovation in aretherefore as cross-border interaction and transaction settlement, cross-border market investment and finance, cross-border bond issuance, M&A at home and abroad, and overseas delisting. As a result, its comprehensive service capacity was upgraded. As at the end of the Reporting Period, the Bank realized USD107.90 billion[1] forex receipt and payment in balance of international payments, ranking the 1st among all Joint-Stock Banks, and completed RMB149.92 billion[2] cross-border Renminbi forex receipt and payment, ranking the 2nd among all Joint-Stock Banks.

The Bank kept abreast with the Renminbi internationalization process and provided financial services based on key reforms such as Renminbi internationalization, capital account liberalization, and offshore/onshore integration. Vigorous efforts were made to promote innovations in separate accounting for FT accounts, special accounts for FTZ investment and financing, two-way fund pools, and financial services at FTZ trading platforms. As at the end of the Reporting Period, an aggregate amount of RMB8.07 billion of FT cross-border loans were disbursed in Shanghai FTZ.

To leverage on opportunities available from "Going Global" of Chinese enterprises, the Bank accelerated its global credit granting, and launched cross-border finance services covering overseas investment, overseas IPO and re-financing, privatization and change of listing venues, and management of foreign exchange risk. As a result, its competitiveness in cross-border business was markedly enhanced. As at the end of the Reporting Period, the Bank completed multiple transactions in areas such as FDI/ODI direct investment, pooling of funds for overseas IPOs, cross-border financing of all definitions, and loosened forex purchase and sale under the capital account. Its cross-border fund pools denominated in Renminbi and foreign currencies had 72 new group customers entering into contracts.

The Bank made historic breakthroughs in building overseas platforms. The planning for upgrading London Representative Office to London Branch was approved by the CBRC, and the application for establishing Sydney Representative Office was approved by regulators from both home and abroad. As an active participant in the development of a self-regulatory mechanism for the interbank forex market, the Bank, as a core member, was among the first members to sign the Convention on the Conduct of Foreign Exchange Business by Banks, to implement the relevant requirements of macro-prudential and micro-prudential regulations.

---

1 End of June 2016 data from Balance of Payments Department, SAFE.
2 End of June 2016 data from PBOC RCPMIS.

Investment Banking

The Bank stuck to the philosophy of "increasing profit, improving market share, boosting innovation and controlling risk" in its investment banking business and consequently was able to raise profitability and realize continuous rapid development of this business segment. As at the end of the Reporting Period, investment banking business realized RMB5.666 billion operating income, up 23.65% year on year; and achieved incremental financing scale of RMB432.126 billion, up 8.86% year on year.

As at the end of the Reporting Period, the Bank had underwritten RMB206.7 billion debt financing tools. As a result, it became one of the 6 institutions that underwrote more than RMB200 billion debt financing tools of all markets, and ranked the 1st among all medium-sized banks in terms of both scale and number of publicly offered debt financing tools underwriting. Despite fluctuations of the bond market, the Bank maintained the highest benchmark for rating gravity, with nearly 70% of the bonds underwritten being bonds of AAA grade, and free of any bond repayment failure or cross default.

To leverage on the business opportunities available from infrastructure development along "the Belt and Road Initiative", the Bank founded "the Belt and Road Initiative" fund, the first ever of its kind in banking industry. As at the end of the Reporting Period, the fund had exceeded RMB60 billion in scale and put on market in 10 key cities along "the Belt and Road Initiative" including Shanghai, Guangzhou and Hangzhou, rendering effective support to key capital construction projects such as local rail transport development and shanty town renovation.

Asset Custody Business

Against the backdrop of drastic volatility of the stock market in the first half of 2016, following the innovative development model of "commercial banking+investment banking+custody", the Bank implemented its three-tier operation system, namely "Head Office-operating departments-branches, to constantly improve the outcome of business operation and management. As at the end of the Reporting Period, assets under the Bank's custody reached RMB5,350.538 billion, an increase of 28.42% year on year; and commission income from custody and other entrusted business stood at RMB1.412 billion, a year-on-year growth of 25.96%.

The Bank continued to consolidate its market competitiveness and brand influence as "the leading bank to provide custody services for e-commerce funds". It promoted the "custody+agency sale" business model, and successfully marketed the publicly offered funds for "sheer custody". As at the end of the Reporting Period, publicly offered funds under the Bank's custody exceeded the RMB1 trillion threshold, reaching RMB1,009.582 billion and winning a domestic market share of 13%. As per relevant statistics from the China Banking Association, the Bank was able to top all Joint-Stock Banks in this particular business segment for three consecutive years. Its custody for securities brokerages recorded RMB1,559.253 billion, ranking the 2nd among commercial banks[1]. In addition, the Bank pioneered to set up "custody+investment advisory services" business model to provide custody of wealth management products for local commercial banks and recorded RMB6.0 billion in total custody scale. Meanwhile, the "Internet+pension finance" cooperation model was further explored. During the Reporting Period, the Bank had 193,800 personal pension accounts, an increase of 15.78% over the end of the previous years. The Bank kept improving its custody business operation system to improve business operation capacity. Meanwhile, multiple measures were adopted to reinforce the risk warning and education and effectively prevented risks.

Small Business Finance

The Bank developed its small business finance in a prudent manner. Proactive adaptations were made to its strategy on development of small business finance, whereby small business finance was shifted from the retail to the corporate banking segment. The Bank concentrated its efforts on the key regions of "4 municipalities directly under the central government and 11 provinces" and key branches, to develop high-quality small business customer groups at the upper and lower reaches of the "major industries, major customers and major projects". Therefore, the Bank was able to promote small business finance with large corporate business. During the Reporting Period, based on the "credit factory" operation model, the Bank proactively developed a service system for small enterprises featuring in "special operation units, special processes, special teams, special products, special systems, and special resources".

As a prudential measure, the Bank made proactive exits from risky small business customers, and carried out risk screening of guarantee companies and their businesses for better business risk control. In implementation of the strategy on developing a capital-saving bank, proactive efforts were made to reduce the disbursement of general loans with high capital commitment. As at the end of the Reporting Period, the Bank registered RMB477.058 billion balance of loans to small and micro enterprises, a decline of 0.25% over the end of the previous year, and had 87,706 accounts of small and micro enterprise customers, an increase of 6.33% over the end of the previous year.

[1] Commercial banks include five state-owned banks and Joint-Stock Banks.

Retail Banking Business

During the Reporting Period, the Bank set the goal of becoming "the bank offering the best customer experience" in retail banking. Efforts were made to promote its second transformation. The Bank focused on expanding its asset business, asset management, and billing market business, and boosted its capacity building for a better customer management system, higher outlet productivity and more professional retail banking teams, which yielded positive results. During the Reporting Period, the Bank realized RMB19.198 billion operating income from retail banking, a year-on-year increase of 24.48% and accounting for 24.82% of its total operating income. Of this amount, RMB11.548 billion was net non-interest income from retail finance, up 49.0% year on year, taking up 47.65% of the Bank's total net non-interest income, an increase of 7.47 percentage points. In terms of retail net non-interest income structure, credit card contributed RMB7.453 billion, accounting for 64.54% and agency business contributed RMB2.622 billion, accounting for 22.71%, indicating a more optimal income structure.

During the Reporting Period, thanks to its outstanding performance and good market reputation in retail financial services, the Bank received the "Award for Greatest Progress in Retail Banking in China" and "Award for Best Customer Relations Management" from The Asian Banker magazine's assessment for "Excellence in Retail Banking Financial Services".

Retail Customer Management

The Bank's retail banking focused on providing medium and high-end customers and provided them with all-dimensional services, namely "investment+finance", "home+abroad", and provided super-high-end customers with comprehensive wealth preservation and inheritance services such as "family trust" and "MOM"[1]. As at the end of the Reporting Period, the Bank recorded 62.5461 million accounts of retail customers, a growth of 7.88% over the end of the previous year; 482,800 accounts of middle and high-end retail customers, a growth of 12.72% over the end of the previous year; and 19,900 accounts of private banking customers, a growth of 16.74% over the end of the previous year. In the meantime, a steady growth was recorded in retail basic customers. The Elites Card that targeted young people, in particular, attracted 3,799,700 accounts, a growth of 113.97% over the end of the previous year.

[1] Refers to Manager of Managers, an investment model where the fund managers of MOM select fund managers that for a long time consistently implement their own investment philosophies, maintain steady investment styles and achieve higher than normal returns, after following and researching the investment processes of the latter fund managers, and have such fund managers take charge of investment management by means of investing in sub-accounts that are entrusted to the latter fund managers.

The Bank acquired customers through multiple channels by segmenting customers of different markets. The "Three-Card" customer groups, namely Elites Card, Fragrant Card, and Happy Elderly Card, were effectively expanded. As at the end of the Reporting Period, the number of customers of this "Three-Card" groups amounted to 14.2466 million, corresponding to a deposit balance of RMB305.975 billion and an AUM balance of RMB860.153 billion, representing a growth of 33.11%, 14.38% and 22.04% respectively over the end of the previous year. Thanks to the expansion of agency salary payment services to its strategic corporate customers during the Reporting Period, the Bank recorded 4.4140 million accounts of individual customers that received agency salary pay, a year-on-year increase of 6.35%. Credit card business was boosting in customer acquisition, attracting 2.6315 million new accounts in the first half of 2016, a year-on-year growth of 32.10%. The early market influence of Xinjin Bao came out, which was launched with the application of Internet concepts attracting 2.1214 million accounts, among which 66.43% were new customers with the AUM of RMB41.247 billion at the Bank. "Going abroad" financial services were provided to 1.30 million customers, including 80,000 new customers. By granting retail loans, the Bank attracted 264,400 new accounts, a year-on-year increase of 112.25%.

Personal deposits

The Bank promoted the growth in personal deposits by multiple means. Existing liability products were optimized continuously; channels for acquisition of settlement deposits were expanded; and innovative liability products such as Zeng Li Bao and Cun Guan Ying released. As at the end of the Reporting Period, the Bank recorded RMB1,214.714 billion personal AUM[1], and RMB486.476 billion balance of personal deposits, up 12.53% and 4.50% over the end of the previous year, respectively.

During the Reporting Period, the retail liability business structure of the Bank underwent continuing improvement. Personal demand deposits accounted for 47.03% of general personal deposits, a year-on-year growth of 7.56 percentage points. At the same time, the cost of personal deposits went down markedly, and the personal deposit average cost rate stood at 1.80% as at the end of the Reporting Period, a year-on-year drop of 0.70 percentage point.

Personal Loans

The Bank took the market opportunity available from the thriving demand for personal loans. It issued more retail loans in the new lending and actively developed the "credit factory" to expand and grow its personal loan business. As at the end of the Reporting Period, the Bank recorded RMB586.499 billion balance of personal loans (excluding credit card business), up 23.65% over the end of the previous year.

[1] Personal AUM referring to personal asset under management includes customers' deposits and investments in wealth management.

During the Reporting Period, the Bank made proactive efforts to adjust its business structure. Focus was placed on developing the important product of "Home for Loan integrated credit lending" backed by mortgage of core properties, so as to dissolve cyclic risks brought about by the economic downturn. As at the end of the Reporting Period, the balance of "Home for Loan" amounted to RMB228.399 billion, up 48.7% over the end of the previous year; the incremental "Home for Loans" took up 66.70% of total incremental personal loans; and the "Home for Loan" NPL ratio stood at 0.47%, lower than the average NPL ratio of personal loans. In addition, the Bank developed online loans in a proactive manner based on data interaction between housing reserves and social security authorities, regarding recipients of agency paid salaries as its key target customers. As at the end of the Reporting Period, the Bank registered RMB9.719 billion balance of online lending and a corresponding NPL ratio of 1.26%, representing a growth of 101% and a drop of 0.20 percentage point over the end of the previous year, respectively.

The Bank concentrated the operation of its personal lending business at tier-one branches, building the Head Office and branches two-tier system for concentrated recovery of retail loans, developed professional teams for loan recovery, and reinforced the post-lending risk management. As at the end of the Reporting Period, the Bank's asset quality remained stable, with an NPL ratio of 1.21%, slightly up 0.01 percentage point over the end of the previous year.

Wealth Management and Private Banking

During the Reporting Period, the Bank followed the trend of financial asset portfolio diversification and resident consumption upgrade to attract more middle and high-end customers, especially to meet the financial needs of private banking customers. Together with 8 financial subsidiaries of CITIC Group, the Bank released the CITIC Wealth Index and CITIC Select products, guided customers in allocating assets with good liquidity, and gave full play to its wealth advisory teams in asset allocation for high net worth customers and sophisticated products marketing. "CITIC Family Trust" attained extensive influence and became an important channel for the Bank to acquire high-end customers.

As at the end of the Reporting Period, the total balance of middle and high-end customers with over RMB500,000 AUM at the Bank stood at RMB863.142 billion, representing an increase of 14.20% over the end of the previous year. Private banking customers with more than RMB6 million AUM at the Bank reached a balance of RMB303.034 billion, representing an increase of 16.75% over the end of the previous year.

Credit Card

In line with the "smart development" concept in credit card business, the Bank proactively promoted the cross-sector integration and boosted its market and brand influence on all fronts. As at the end of the Reporting Period, the Bank had issued a cumulative number of 33.6915 million credit cards, an increment of 3.3161 million or 33.70% year on year; and recorded credit card transaction volume of RMB485.286 billion, up 27.17% year on year. During the Reporting Period, the Bank realized RMB11.518 billion income from credit card business, representing a growth of 31.92% year on year. This figure included RMB3.673 billion interest income and RMB7.845 billion non-interest income, representing a growth of 15.51% and 41.32% year on year, respectively. Installment business registered RMB53.192 billion in transaction amount and RMB5.559 billion in business income, up 6.79% and 47.29% year on year, respectively.

The Bank deepened cross-sector cooperation with Internet corporates such as Baidu, Alibaba, Tencent, and JD in credit card business in order to consolidate its advantages as a pioneer in Internet finance. During the Reporting Period, the Bank developed CITIC Q Card in cooperation with Tencent, targeting hundreds and millions of mobile QQ users. CITIC-JD Co-brand Credit Card, a partnership with JD, targeted the "90s generation (in broad sense)", and provided services such as interest-free installment payment for JD Baitiao, Installment Billing for the Small White Card and high-amount installment borrowing for the Small White Card. The CITIC-Uber Co-brand Credit Card, the first globally issued co-brand credit card for Uber with a bank, which is an international mobile travel platform, and this cooperation realized seamless connection for car use payment worldwide and enormously improved customer experience.

In addition, the Bank further improved its business travel service system. The launch of the CITIC-Utourworld Co-brand Credit Card and the theme event "CITIC for China-US Tourism" consolidated its leading advantages in business travel services market. Other efforts included iteration and innovation of high-end credit card products, development of high-profile platforms with a series of themes, and issuance of the "China Pass" credit card for foreigners to pioneer into the market of credit card for aliens. In addition, the Bank seized a share of the mobile payment market by releasing innovative payment products such as Apple Pay and Samsung Pay, and built the CITIC mobile payment brand.

In face of trends of the Big Data era and the external New Normal economic situation, the Bank kept boosting the use of measurement tools to enrich its early warning and monitoring systems on all fronts and to identify and monitor potential external risky behavior and risky groups. Meanwhile, the Bank made dynamic adjustments to the direction of its loan disbursement, carried out a comprehensive evaluation to enable an overall risk assessment of loans, and centralized loan disbursement to standardize the management of credit lines. These helped optimize its asset structure in a continuous manner. As at the end of the Reporting Period, the Bank's credit card business recorded a total of RMB198.025 billion loans balance and an overall NPL ratio of 1.41%. During the Reporting Period, the Bank won the "Grand Asia-Pacific VISA Award for Risk Prevention" due to its outstanding performance in risk management in credit card business.

Service Quality Management

During the Reporting Period, the Bank proactively institutionalized its consumer rights protection. The Consumer Rights Protection Office was established, and a long-term effective mechanism was set up to continuously improve the Bank's service quality and protect the rights of consumer. In addition, access reviews of new products and services were conducted to protect consumer rights. The internal benchmarking system for consumer rights protection at both Head Office and branch levels were enhanced. The service assessment system mainly by selecting star retail outlets and arranging retail staff ranking at outlets enriched the approaches for service monitoring, so that the service quality at outlets improved steadily. The Bank introduced 6S management to improve the standard management of outlets. It also organized publicity and education activities for customers, such as the "15 March World Consumer Rights Day" and "10,000-mile Journey for Financial Literacy", which yielded good results.

Financial Market Business

The financial market business of the Bank aimed at constructing an investment system for all assets denominated in both Renminbi and foreign currencies at the currency market, capital market and international financial market, developing a full-license operation system that focused on financing, investment, trading, agency business and consulting, and improving the all-channel service system that covered domestic, overseas and Internet platforms. In addition, the Bank increased transaction turnover, and developed businesses with low capital commitment to gradually realize the "capital-saving" operation. During the Reporting Period, influenced by the sliding down of profit in interbank business the Bank's financial market business recorded an operating income of RMB8.805 billion, a slight drop of 0.15% year on year and accounting for 11.38% of the Bank's total operating income due to the impact of market environment. Of this income figure, the non-interest income from financial market business reached RMB3.715 billion, a year-on-year growth of 2.57% and accounting for 15.33% of the Bank's total.

Interbank

The Bank continued to improve its capability in providing services to interbank customers and perfected the matrix stratified customer management system by category. A “greater interbank platform” for synergy of customer marketing was constructed to vigorously promote online operation and comprehensive coverage of business and enrich service channels. Proactively responding to the complicated market environment and severe risk situation, the Bank made efforts to overcome the adverse impact due to the continuous slagging of secondary market of notes and plenty of matured high yield assets. As at the end of the Reporting Period, the Bank’s balance of Renminbi and foreign currency denominated interbank assets (including deposits and placements with financial institutions) reached RMB1,063.966 billion, down 1.64% over the end of the previous year; while its balance of Renminbi and foreign currency denominated interbank liabilities (including deposits and placements from financial institutions) registered RMB1,170.147 billion, an increase of 6.18% over the end of the previous year.

The Bank proactively promoted the bank-bank cooperation platform and made effort to establish interbank cooperation ecosphere through setting up a system platform for different types of financial institutions. Meanwhile, the Bank continued to expand the scope of its business cooperation after achieving full coverage of mainstream financial institutions. As at the end of the Reporting Period, the Bank was in partnership with 1,730 peer customers, including state-owned banks, Joint-Stock Banks, trust companies and fund companies. Meanwhile, efforts were made to optimize customer management models, transform towards a greater interbank management system, and construct supporting mechanisms for synergized customer marketing, stratified customer management by category, product system development and service capacity building. As at the end of the Reporting Period, sales of interbank wealth management products cumulatively amounted to RMB239.843 billion, a 11.89% growth over the yearly figure of 2015.

The Bank optimized the Bill Center at the Head Office and set up the management model of five sub-centers for bill business in northern, eastern, southern, central and southwestern China to further conduct a concentrated management of bills, carry out comprehensive risk screening of all bill assets, and realized consistency between statements and actual situations for each and every transaction. To reduce secondary market trading and paper transaction and to mitigate external trading risks, the Bank suspended resale agreements business, etc.. As a replacement, the direct bill discount and electronic bills were developed with greater vigor. As at the end of the Reporting Period, the balance of bill assets of the Bank stood at RMB665.227 billion, representing an increase of 15.74% over the end of the previous year, which amount included RMB427.557 billion direct bill discount and financing, a growth of 17.65% year on year; electronic bills took up 79.65% of the total, growing 15.12 percentage points over the end of the previous year.

Financial Market

The Bank actively conducted money market transactions such as Renminbi interbank lending/borrowings and bond repos, performed its duties and responsibilities as a primary dealer at the open market, and fully leveraged on the role of money market tools in raising funds. While meeting the requirements of liquidity management bank-wide, the Bank improved the operation efficiency of short-term funds. As at the end of the Reporting Period, the total money market transaction volume of the Bank recorded RMB6.48 trillion, a year-on-year growth of 124.03%.

In face of customer needs for exchange rate risk management resulted from substantial fluctuations at the foreign exchange market and the market-oriented reform of the Renminbi exchange rate, the Bank aggressively expanded its foreign exchange market making business. Meanwhile, the Bank produced a series of exchange rate product solutions that were consistent with market trends, customer demands and regulatory requirements, which helped import and export companies with their forex receipt and payment, financing, value appreciation of liabilities and forex value preservation. Despite the ongoing recession of China's import and export, the Bank achieved RMB5.20 trillion FORX market making transactions for the first half of 2016, a growth of 26.0% year on year. Among the 530 Chinese and foreign member banks at the interbank forex market, the Bank ranked the 2nd[1] in terms of spot market making, further consolidating its status as a market maker at this interbank forex market.

Facing the complicated situations where the yield rate at the domestic bond market slightly fluctuated, the Bank made flexible adjustment to its trading strategy on interest rate market making and proactively followed the pace at the market. So the business income grew steadily and ranked the 2nd[2] among all Joint-Stock Banks in market making of Renminbi denominated bonds. Meanwhile, the Bank actively pushed forward the optimization of business model with Renminbi denominated bond and interest rate derivative as core businesses to provide customers with product and service solutions for interest rate risk management.

The Bank adopted a prudent strategy for its investment in debt securities. Its assets in this regard were of high quality, with the investment targets being primarily large enterprises and institutions that featured high credit rating and sound business operation. As at the end of the Reporting Period, there were no problems in repayment found in debt securities held by the Bank; neither was there any default on these assets. During the Reporting Period, the Bank banned additional debt securities investment in overcapacity industries, and made proactive reduction of its investment when appropriate. In addition, the Bank controlled the duration of Renminbi denominated debt securities, and selected debt securities denominated in foreign currencies with controllable risk and better returns to improve yield stability and risk resilience of its assets.

1 Data from China Foreign Exchange Trade System (CFETS).
2 Data from China Foreign Exchange Trade System (CFETS).

The Bank promoted development of gold leasing, price inquiry market making, gold import and proprietary trading. During the Reporting Period, the Bank became the first official interbank gold price inquiry market maker. As at the end the Reporting Period, the outbound gold leasing of the Bank stood at 132 tons (equivalent to RMB33 billion), a year-on-year growth of 91.76%. The Bank applied for 24 tons of gold import, an increase of 380% over the yearly amount of 2015. Thanks to its steady business conduct, the Bank ranked the 3rd[1] among all commercial banks in price inquiry market making.

Asset Management

During the Reporting Period, the Bank officially started the operation of its Asset Management Business Center. The center is structured as a business department with corporate operation model, and is relatively independent in business operation including business risk review and approval, personnel and remuneration management, and financial resources allocation. As at the end of the Reporting Period, the scale of all the wealth management products of the Bank amounted to RMB1,036.383 billion, representing an increase of 8.60% over the end of the previous year, of which bank wealth management products amounted to RMB934.086 billion, a growth of 9.42% over the end of the previous year. With 61.57% of the products to mature in at least three months and 100% of the products with lower-than-medium risk, the Bank enjoyed a prudent and healthy style of the overall asset management. During the Reporting Period, risk was strictly controlled, with nearly 1,300 matured products all repaid on time.

The Bank gave full play to CITIC Group comprehensive financial platform and made efforts to build a leading asset management platform in banking industry, which well met the financing needs of customers from retail banking, private banking, corporate banking and interbank business market. After its establishment, the Asset Management Business Center has boosted the overall interbank cooperation. It promoted partnership in managing assets and capital with more than 200 institutional customers in sectors such as securities, insurance, trust and urban commercial banking, in a view to developing the CITIC brand in asset management.

In terms of asset and product design, the Bank proactively pushed forward business innovation. For products, a multi-product system of global allocation was set up on the basis of structured products; structured wealth management products linked with gold were developed and put online; open product lines were improved, and a product system covering all business scope was set up. For assets, the Bank leveraged on opportunities arising from the supply-side reform to set the “fixed income+” target for asset allocation. On the one hand, the Bank made the best use of investment opportunities available at the overseas capital market, with indirect investment as the main means and direct investment as the supplementary. On the other hand, the Bank carried out both investment entrusted to external parties and its indigenous investment to make the best use of investment opportunities available at the domestic capital market.

1 Data from Shanghai Gold Exchange.

Integrated Financial Service Platform of CITIC Group

The Bank made full use of the unique CITIC Group advantages in both financial services and non-financial business. More efforts were made to achieve synergy through cooperation, with focus placed on "deeper cooperation between financial institutions" and "greater cooperation between industrial and financial institutions". On the one hand, leveraging on CITIC Group advantages in full-license financial services, the Bank deepened its sharing and cooperation with financial subsidiaries of CITIC Group in terms of products, channels and customer resources, and thereby managed to expand its traditional loan business into numerous other financial services such as securities, insurance, fund, trust, futures, and leasing. Therefore, the Bank was able to meet diversified financial needs of customers. On the other hand, the Bank integrated resources of CITIC Group's non-financial subsidiaries that were leaders in their respective sectors, and actively expanded industrial chains of core industrial subsidiaries, and thus extended the benefit from customer resources along the "1+N" chain.

During the Reporting Period, the Bank set up the "Head Office to Head Office, branch to branch, institution to institution, and personnel to personnel" mechanism for synergized communication, improved the plan for cooperation between financial institutions, and reinforced cooperation between industrial and financial institutions. Cross-border synergy platforms were set up, regional joint-meetings were organized, and synergy teams expanded to promote smooth daily communication and business cooperation between members of CITIC Group.

Customer resources were better shared. In the first half of 2016, the Bank recommended 170 enterprise customers and over 7,000 individual customers to subsidiaries of CITIC Group. The CITIC PPP Consortium consisting of the Bank, China International Economic Consultants, CITIC Securities, CITIC Environment and CITIC Construction got involved in more than 100 key provincial and municipal PPP projects. The joint CITIC fleet led by the Bank entered into multiple strategic cooperation agreements with local governments, planning to provide over RMB100 billion financing. In partnership with CITIC Group's financial subsidiaries, the Bank provided 185 enterprises with RMB236.294 billion financing arrangements, up 61.02% year on year. "Yun Shu Guan", a joint product between the Bank and CITIC Press, recorded 325 outlets and more than 120,000 times visits in the first half of 2016. During the Reporting Period, the Bank issued a cumulative number of 54,700 co-brand credit cards with CITIC-Prudential Life Insurance, the cumulative transaction volume of which stood at RMB642 million, a growth of 20.0% year on year.

Cross-selling achieved steady growth. During the Reporting Period, the Bank sold as agency RMB152.455 billion products for CITIC Group's financial subsidiaries. As at the end of the Reporting Period, the Bank recorded 941,800 and 411,400 customers using Xinjin Bao in cooperation with CITIC-Prudential Fund Management and China AMC, with their respective holding value standing at RMB14.123 billion and RMB8.617 billion, up 3.16% and 29.17% over the end of the previous year, respectively. In addition, the Bank collected RMB916 million, including RMB345 million installment payments, and RMB18.753 billion premium payment for CITIC-Prudential Life Insurance and Tian'an Property Insurance, a year-on-year growth of 82.65% and 343.23%, respectively.

Cooperation in key business areas deepened. During the Reporting Period, the Bank, in respective partnership with CITIC Securities and China Securities, lead underwrote 9 and 13 bonds respectively, both totaling RMB10.5 billion in value. The Bank also invested in 55 investment management products that were managed by China Securities, CITIC Securities and CITIC Trust, with a combined value of RMB33.940 billion. In cooperation with CITIC Securities, China Securities, CITIC-Prudential Fund Management, China AMC, CITIC Trust, and CITIC-CP Asset Management, the Bank developed 73 products, recording cumulative RMB54.742 billion sales revenue and RMB71 million income. Moreover, the Bank's volume of asset custody for subsidiaries of CITIC Group reached RMB455.104 billion, up 39.97% over the end of the previous year, accounting for 8.51% of the Bank's total volume of asset custody; custody fee income stood at RMB109 million, up 15.43% year on year, accounting for 7.67% of the Bank's total custody fee income. The Bank, together with CITIC Securities, CITIC Trust, and China AMC, provided service to 616 accounts of annuity customers, at a business scale of RMB23.359 billion, 51.02% of the Bank's total.

Intra services enjoyed effective capacity building. As at the end of the Reporting Period, CITIC Group's subsidiaries had RMB75.912 billion balance of corporate deposits and RMB23.729 billion balance of corporate credit with the Bank, a growth of 10.04% and 23.42% over the end of the previous year, respectively. The NPL ratio of such loans was zero. For CITIC Group's subsidiaries, the Bank made agency salary payment of RMB3.192 billion to 66,000 persons, a growth of 38.24% year on year.

Internet Finance

The Bank has defined its strategic direction for "capital-saving style" development, i.e., to achieve sustainable steady return with less capital consumption and more intensive business models. In the future, the Bank will vigorously develop mobile online business based on intensive, efficient and multi-format outlets.

In terms of Internet cross-sector cooperation, the Bank promoted the establishment of Baixin Bank explore new ways to transform and upgrade in Internet financing. At the moment, the regulator has officially accepted Baixin Bank's application for piloting direct banking as an independent legal entity. Credit card cooperation between the Bank and Baidu, Alibaba, Tencent and JD covered the three major areas of joint acquisition of customers, online service provision and data sharing. As at the end of the Reporting Period, over 7.50 million customers already applied for credit cards via online channels. Meanwhile, the Bank initiated and set up the "Online Finance Alliance of Commercial Banks" in partnership with 11 other joint-stock commercial banks, for the purpose of promoting the implementation of account regulation policies, for realizing system interconnection, mutual recognition of accounts and mutual financing between member banks, and reshaping industrial rules in the future.

With regard to platform construction, the Bank, regarding mobile banking as the core, strode towards channel integration by developing the three major Internet infrastructures, namely uniform user system, Big Data smart marketing platform and user behavior analysis. In the Sina.com rating of mobile banking, the Bank's mobile banking ascended remarkedly by 10 places, and thereby became one of the best among peers in this regard. As at the end of the Reporting Period, the Bank recorded 16.0170 million mobile banking customers and 3.1673 million active mobile banking users, an increase of 83.20% and 206.91% year on year, respectively; the volume and value of mobile banking transactions stood at 41.3214 million and RMB1,170.168 billion, up 307.45% and 248.15% year on year, respectively.

In terms of product promotion, with the Chinese economy entering the New Normal, unexpected thriving of third-party payment and rapid popularity of Big Data application, online billing became the trend of development. In its effective expansion of the billing business, the Bank dramatically increased its partner suppliers from 1,000 to 105,000 accounts via the use of its "Payment All In One", "CITIC Bank e-Pay" and "Cross Border E-Commence Payment". During the Reporting Period, the Bank recorded 260 million transactions and RMB410.968 billion transaction value in online billing business, up 143.44% and 76.53% year on year, respectively. Online billing business recorded RMB227 million pre-tax income (excluding credit cards), a year-on-year growth of 158.72%; and a retained deposit balance of RMB27.747 billion, growing by 97.52% over the end of the previous year.

In terms of Big Data application and marketing, the Bank used Big Data to conduct precise marketing, and deepen in-house resource integration, channel sharing and customer integration. These practices effectively upgraded the capability of retail customer acquisition and improved comprehensive operating results. The customer acquisition rate improved by nearly 5 times over that of the traditional marketing model. As at the end of the Reporting Period, the Bank recorded 10,000 incremental up-to-standard customers (with AUM balance of RMB50,000 or above and 4 or more cross products held) and RMB2.146 billion cumulative increase in AUM of such customers, or nearly RMB210,400 increase per account.

Information Technology

During the Reporting Period, the Bank drafted and promulgated China CITIC Bank 13th Five-Year Information Science and Technology Plan to speed up the infrastructure transformation including application, data and technique and the infrastructure construction including Big Data and cloud computing. Among others, it launched, as planned, key strategic projects including the new-generation credit lending system, overseas core business system, integrated Renminbi and foreign currency payment platform, interbank platform, CITIC Cloud platform, ect. Various efforts were carried out in an orderly manner. Consequently, application was put in operation and rendered effective support to the reform and transformation of key areas in all business lines. The application included cross-border Renminbi payment, new version of the financial web portal, full life cycle bill management, CITIC "Debit and Credit in All" card, and electronic reproduction of stamps and seals.

Distribution Channels

For the purpose of upgrading customer experience, the Bank further integrated and connected electronic and physical channels, optimized the coordinated services between mobile and Internet channels and physical-outlet (sub-branch) channels, promoted mutual acquisition of customers, and strove to build integrated services of physical outlets and online platforms.

Faster adjustment of physical outlets

During the Reporting Period, the Bank followed the philosophy of developing "capital-saving style, smart, differentiated" outlets. Allocation of outlet resources favored branches in Beijing, Shanghai, Guangzhou and Shenzhen, while community (small and micro) sub-branches were developed in a prudent manner. As at the end of the Reporting Period, the Bank had 1,396 outlets in 131 large and medium-sized cities in China, consisting of 38 (business department of) tier-one branches (directly managed by the Head Office), 93 tier-two branches, and 1,265 sub-branches (including 81 community/small and micro sub-branches), covering all provinces, autonomous regions and municipalities directly under the central government in China.

In its promotion of capital-saving style outlets, the Bank cut floor area of newly built outlets, placed a stricter control on floor area of relocated outlets and outlets that expanded their rented premises, and clarified floor area criteria for sub-branches to be upgraded or downgraded. Such ways and practices effectively controlled the cost of outlet development. The exploration into different forms of outlets such as "outlet inside outlet", unmanned smart outlets, community wealth management outlets, and "Xing Fu Nian Hua" (Happy Elderly) outlets helped to improve the productivity of outlets.

Following the trend of developing smart outlets, the Bank focused on the use of "new technologies, new products, and new experiences", R&D and release of tools such as interactive marketing screens, smart teller machines, digital labeling systems, and diversified ATM functions for utility service fee payment. As a result, the Bank recorded a higher ratio of human substitution rate and lower human costs at outlets. As at the end of the Reporting Period the Bank had 3,177 self-service banks, and 10,704 self-service terminals.

Quicker arrangement of online outlets

During the Reporting Period, the Bank set up an online financial services platform with the development of the uniform user system, Big Data smart marketing platform and financial web portal.

In mobile financial services, with the introduction of agile development mechanisms, continuing enrichment of application scenarios, and launch of product functions such as investment select, financing loans, fund pooling and cross-border remittance, the Bank benefited its customers with optimized experience.

A brand new financial web portal was put in place. Multiple new Internet technologies were used to connect different devices, different information and different scenarios. The smart one-stop platform for financial services became a brand new product and a service channel for the Bank to "attract and acquire customers".

The old version of personal online banking smoothly transited to the new one. As at the end of the reporting period, personal online banking recorded 20.5016 million users, a year-on-year increase of 30.29%. The transaction substitution rate of personal e-banking reached 97.36%.

The Call Center of the Bank received 66.828 million incoming calls. By making 268,300 times outgoing calls to customers during the Reporting Period, the center proactively provided services such as customer care and telephone notices.

Subsidiary Business

CIFH

CITIC International Financial Holdings Limited (CIFH) was incorporated in Hong Kong in December 1924 and restructured to become an investment holdings company after the acquisition of Hong Kong Chinese Bank Limited by former CITIC Ka Wah Bank Limited in 2002. The Bank acquired 70.32% equity interest of CIFH in October 2009, of which the acquisition made CIFH to become the Bank's consolidated subsidiary. The remaining 29.68% equity interest was held by BBVA. On 27 August 2015, the Bank purchased all of 29.68% equity interest of CIFH from BBVA. Consequently, CIFH became the Bank's wholly-owned subsidiary. The business scope of CIFH includes commercial banking and non-banking financial services. CIFH conducts its commercial banking business mainly via CNCBI, its wholly-owned subsidiary, and conducts its non-banking financial business primarily via CIAM, of which CIFH holds 40% equity interest.

As at the end of the Reporting Period, CIFH had a total assets of HKD292.086 billion, an increase of 3.63% over the end of the previous year. During the Reporting Period, CIFH realized a net profit of HKD1.131 billion, down 19.67% year on year, mainly because CNCBI increased its provision for impairment losses to improve its risk resilience, and CIAM witnessed a year-on-year decrease in profit.

CNCBI has 34 branches in Hong Kong and 4 branches overseas, plus two subsidiaries, namely, CNCBI (China) Limited and Hong Kong Chinese Finance Limited. As at the end of the Reporting Period, CNCBI registered HKD289.811 billion total assets, HKD2.856 billion operating income and HKD1.189 billion net profit, representing a growth of 3.69%, a growth of 5.78% and a drop of 3.8% year on year, respectively.

As a PE investment company, CIAM engaged in "PE+" private equity investment, fund management and consulting services. During the Reporting Period, CIAM successfully introduced CEFC China Energy Company Limited as an investor to participate in shareholding and hold 15% equity interest of CIAM, which further expanded its industrial and financial resources. Meanwhile, leveraging on the good opportunity available from development of agriculture funds, CIAM completed the first phase investment of CITIC YBN to the Chongqing YBN Modern Agricultural Fund.

CNCB Investment

CNCB Investment, formerly China Investment and Finance Limited, is an overseas subsidiary of the Bank established in Hong Kong in 1984. In April 2015, with regulatory approval, the Bank injected approximately RMB1.490 billion capital into CNCB Investment, and renamed the company from "China Investment and Finance Limited" to "CNCB (Hong Kong) Investment Limited" in October 2015. At the moment, CNCB Investment has a registered capital of HKD1.889 billion, in which the Bank holds 99.05% of its equity interest 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 fund investment, equity 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.

During the Reporting Period, CNCB Capital, a subsidiary of CNCB Investment, obtained from Securities and Futures Commission of Hong Kong the license for Type 1 (Dealing in securities). Therefore, via its subsidiaries, CNCB Investment is qualified to engage in investment banking business including Type 1 (Dealing in securities), Type 4 (Advising on securities), Type 6 (Advising on corporate finance) and Type 9 (Asset management).

In accordance with the positioning of "building an overseas investment and finance platform that combines the Bank's overseas licensed businesses and domestic non-licensed businesses", CNCB Investment and its subsidiaries enhanced their interaction with the Bank's branches in different localities, leveraged on their own unique competitiveness that lied in the combination of proprietary debt financing and equity investment, and accelerated efforts to promote the establishment of CITIC overseas "the Belt and Road Initiative" fund. Further, CNCB Investment led two of its domestic subsidiaries acquired the QFLP cross-border investment qualification, so as to extend the channel for overseas funds to invest in China. All these efforts helped to lay a good foundation for developing its cross-border asset management business.

As at the end of the Reporting Period, CNCB Investment had total assets and consolidated AUM equivalent to RMB4.910 billion and RMB61.3 billion (actual paid up amount), down 7.17% and up 117% over the end of the previous year, respectively, and realized a net after-tax profit equivalent to RMB93 million, up 12.05% year on year.

Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, located in Lin'an City, Zhejiang Province, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 13 enterprises holding the rest 49%. Lin'an CITIC Rural Bank is mainly engaged in general commercial banking business.

As at the end of the Reporting Period, Lin'an CITIC Rural Bank recorded RMB1.091 billion total assets, RMB239 million net assets and RMB10 million net profit, a drop of 4.47%, 4.02% and an increase of 42.86% year on year, respectively. Lin'an CITIC Rural Bank had a capital adequacy ratio of 31.96%, a provision coverage ratio of 221.57%, and a provision to loan ratio of 3.48%.

CITIC Financial Leasing

Preparation for establishing CITIC Financial Leasing started in February 2015 upon the approval from the CBRC. Wholly owned by the Bank, it was incorporated in the Binhai New Area of Tianjin with a registered capital of RMB4 billion and started to operate on 8 April 2015.

CITIC Financial Leasing formulated a three-year plan for its strategic development and pushed forward its joint-stock reform with step by step. It pioneered to launch the "Leasing+" cooperation system to construct an immediate financial services sharing platform. During the Reporting Period, the Bank made achievements in professionalized business operation. The 27.17% share of investment in clean energy enabled it to maintain its leading advantages in the industry.

As at the end of the Reporting Period, CITIC Financial Leasing recorded total assets of RMB28.418 billion, total liabilities of RMB24.074 billion, cumulative lease grant of RMB10.898 billion, and net profit of RMB223 million, which was an increase of 85.83% over the yearly figure of 2015.

Risk Management

To transform from risk control to risk management, the Bank inherited its prudent risk preference, realized the restrictive functions of capital, used advanced risk measurement technique as a support, and stroke an appropriate qualitative and quantitative balance between profitability and risk by means of more intensive economic capital management and fund transfer pricing. Based on such risk preference, the Bank developed its risk tolerance indicator system, including indicators in the three categories of profitability, capital and risk, covering 26 quantitative indicators such as credit risk, market risk, operational risk, liquidity risk, interest rate risk of bank accounts and country risk. Further, risk tolerance indicator value was put forward for areas eligible for quantitative management.

Credit Risk

Credit Risk Management

Risk Management of Corporate Loans

With the Chinese economy undergoing restructuring and promoting supply-side reform, the macroeconomic environment became complex and intricate and the pressure of economic downturn remained relatively high. In its proactive response to external environmental changes during the Reporting Period, the Bank persisted in its prudent and flexible credit policy in line with its objectives of "preventing and controlling risks, leveraging on opportunities, and speeding up transformation" and its market positioning that focused on "large industries, large customers, large projects and high-end customers". Accordingly, faster optimal adjustments to its loan structure were made to improve its capacity for sustainable development.

In terms of local government financing vehicle (LGFV) loans, the Bank strictly adhered to the policy on limit management of the total amounts of on-and-off-balance sheet LGFV loans in all definitions, pursuant to the principle of "total quantity control, structural optimization, differentiated treatment, and gradual transition".

For newly added business, priority support was rendered to municipalities directly under the central government, provincial capitals or cities under separate state planning in economically developed areas; financing for public utilities such as water, power and gas; projects for better welfare of the general population such as significant infrastructure construction in economically developed regional centers and key cities, renovation of shanty towns and risky residential blocks; significant transportation, agriculture and ecological projects including railways and high ways in central and western China, navigation courses of inland rivers, farmland water conservancy facilities, energy conservation and ecological development. In particular, the priority support was given to PPP projects that were included in the NDRC key project packages and PPP project base and PPP projects with government subsidies already incorporated in local fiscal budgets and with clear and steady cash flows.

For existing business, the Bank made it a priority to continue with or have replacement by borrowers and projects that enjoyed strong regional fiscal resources, high administrative level, and adequate cash flows. This helped the Bank to make proactive optimal adjustments to its business structure and effectively reduce and dissolve risks. The Bank also reduced or exited from LGFV projects that were low in administrative level, heavy in government debt burden, weak in financing capability, poor in asset quality, and insufficient in cash flows.

With regard to property loans, the Bank upheld the overall lending principle of "total quantity control, dual-core criteria, optimal targeting, and tighter management". Regionally, the Bank focused on tier-one cities, with priority credit support rendered to central livable cities that enjoyed economic development and a healthy property market. With regard to customers, the Bank persisted in managing name list. Loans were only granted to enterprises on the name list. In principle, the Bank supported the top 50 real estate companies in terms of sales revenues, and local property developers that ranked among the top 5 in terms of sales revenue/floor area sold for the recent two years in cities where the Bank's tier-one branches were located. In terms of projects, the Bank prioritized its support to ordinary residential projects that enjoyed good locations and mature amenities, and at the same time considered a small number of projects that aimed at meeting needs of a small number of buyer groups for better housing. Strict control was placed on incremental loans to the development of commercial properties such as hotels, office buildings and business complexes.

With regard to loans to industries with overcapacity, the Bank undertook proactive efforts to implement the government policy on reducing overcapacity. According to the principle of "total quantity control, optimal solution to existing capacity, differentiated treatment, and risk control", the Bank supported the iron/steel and coal/choking industries in its development to reduce their overcapacity. For industries suffering severe overcapacity, such as iron/steel, cement, ship building, plate glass and aluminum, the branches reviewed and approved the loan applications from customers within the name list verified by the Head Office. For those customers falling outside of the name list, the Head Office would be directly responsible of the review and approval process. In strict accordance with its rules and regulations, the Bank intensified its exit from relevant industries to continuously optimize its loan structure.

With regard to loans to small and micro enterprises, the Bank followed the government's industry policy and referred to its own strategic plan as guidance. Based on industrial chains, supply chains and the general market, the Bank selected, as its loan recipients, high-quality small and micro enterprises that were good willingness to repay loans as well as repayment ability, robust in operation, promising in growth, stable in cash flow and sustainable in business operation. Big Data and industrial analysis were used to construct the total industrial chain business model of small enterprises. In accordance with industrial chains, fund chains, equity chains and transaction chains of its large customers, the Bank used "chain-style" development, practiced "professional operation" and "batch development", and thereby coordinated business operation and risk management for better development of its small enterprise loan business.

Risk Management of Personal Credit

In response to changes in the macro economic situation and regulatory requirements, the Bank strictly implemented the government's macro control policy to ensure operational compliance and risk controllability of its personal credit business. By standardizing the processes for granting loans to individual consumers and promoting the construction of a "credit factory", the Bank improved business efficiency while ensuring risk control as the premise. Meanwhile, the Bank made proactive efforts to adjust its business structure. Focus was placed on developing the important product of of "Home for Loan" backed by mortgage of core properties, in order to dissolve cyclic risks brought about by the economic downturn. The new retail loan management system was optimized, and the systematic risk control key point was set improve risk control and quality monitoring of personal loan business. More work was done to carry out quantitative risk management, and promote online operation of the automated review of consumer loans related to private car loans and "Home for Loan" products, which upgraded the automated review and approval of retail credit.

The Bank will make further efforts to raise the strategic status and business proportion of personal credit, constantly optimize the structure of relevant products, and regard loans backed by mortgage of properties as the core of incremental personal loans. In addition, the shares of consumer loans and home mortgage loans will both be increased.

Risk Management of Credit Card Business

To strictly safeguard the risk bottom line in the credit card business, the Bank followed the philosophy of "structural adjustment, risk control and higher profitability", deepened "all-round total-process" reform of its risk policy framework, and improved the construction of "a multi-dimensional full-life cycle measurement and management platform". Before lending, the Bank used the Internet and Big Data to enrich the portraits of customers, optimize credit resource allocation via all-round upgrading of loan assessment, and enhanced the tools for management of customer group structure for deeper restructuring of customer groups. After lending, the Bank kept improving its early warning mechanism, exited from and reduced customers with high potential risks in advance, and increased credit support to high-value customers for the purpose of optimizing its loan structure. In loan recovery, with simultaneous use of multiple channels and measures, the Bank improved its capability in non-performing assets recovery and, at the same time, explored securitization of non-performing assets.

Risk Management in Wealth Management

The Bank stringently abided by regulatory policies and followed the trend of development in the asset management industry. Along the capital-saving development path and in accordance with the requirements of isolating risks, the Bank continued to place risk limit to the total quantity of its wealth management business. Its proactive support was given to the strategic emerging industries of the country, the energy sector, the high-end service sector, and the medical industry for their financing needs. It also pushed forward financing arrangements for the transformation of traditional manufacturing, high-end manufacturing, and projects along "the Belt and Road Initiative". Greater support was rendered to areas such as urbanization, affordable housing, shanty town renovation, land rectification, and industrial park development.

Risk Management in Financial Market Business

The Bank prudently conducted its securities investment business and provided customers with the value added service of risk mitigation. With regard to Renminbi denominated bond investment, the Bank focused on premium enterprises as its key investment targets. The Bank maintained its close attention to credit risk of the bond market, and adopted effective measures to ensure good quality of bond assets. With regard to foreign currency denominated bond investment, the Bank regarded bonds issued overseas by premium Chinese issuers as key credit investment targets to ensure risks were controllable.

Loan Monitoring and Post-Lending Management

During the Reporting Period, the Chinese macroeconomy was still caught in the "overlap of three stages"; economic development in China entered the New Normal; and domestic and international economic and financial environments were complicated and intertwined. All these combined to confront the quality of credit assets in the banking industry. In response, the Bank focused on fulfillment of credit asset quality indicators and ensured stability of asset quality bank-wide on the one hand, and emphasized the development of systems and platforms and promoted implementation of its program on reforming the risk management system on the other hand. During the Reporting Period, the Bank prioritized efforts to enhance the following aspects:

The Bank improved its risk early warning committee and decision-making mechanism, refined the mechanism for post-lending parallel operational inspections, managed low-quality customers by controlling name list, focused on effective execution of new systems, and thereby further realized the role of the first defense line in post-lending management. Off-spot monitoring, inspection of operational risk KRI indicator, and training based on typical case studies were also applied to enable higher-level post-lending management and risk early warning. In parallel with the stringent control of operational risk by restructuring the loan disbursement review system, final-review mandates of tier-two branches and out-of-town branches/sub-branches were taken back by the Head Office after online operation of the imaging system. The specific district management model was adopted to promote six key tasks, namely, "reduction of problematic assets+parallel operation+early warning mechanism+extensive credit grant inspection+practice of operational risk management+risk culture". Important functional modules of the information system were optimized, resulting in marked improvement of post-lending management quality.

The Bank effectively strengthened the risk monitoring of key areas and proactively prevented and mitigated systemic credit risk, including: constructed and improved the bank-wide risk early warning system for better capacity of risk early warning and risk dissolution; pushed branches to fully practice parallel operation and reinforced effective implementation of the three defense lines in post-lending management; prioritized efforts to tighten risk monitoring and screening of sectors of iron and steel, coal and coking, paper making, ship building, PV, wholesale and real estate, and the screening of customer groups such as the guarantee community and group customers, and the screening of key businesses such as factoring, trade finance and banker's acceptance bills; monitored, analyzed and announced asset quality of key retail credit products on a regular basis to monitor the dissolution of delfaul loans and non-performing loans; increased efforts to exit from and restructure of risky loans, monitored the execution of instructive indicators for quota management of various portfolios on a monthly basis; and set up mechanisms of monthly reporting on risk monitoring & control and quota monitoring.

The Bank intensified efforts to dissolve and dispose default loans. During the Reporting Period, via interaction between the Head Office and the branches, and through coordination between risk management sector and business departments, the Bank managed its customers by controlling name list, prepared tailor-made dissolution solutions for each and every account, and made comprehensive use of a series of measures including collection, restructuring, transfer and write-off to reduce non-performing loans and special mention loans. Consequently, the Bank attained its yearly target on asset quality control.

In order to achieve "total coverage of the entire institution, all customers, all products and all processes", the Bank effectively promoted IT development for the construction of a new generation credit business system that was oriented toward the Bank's future strategic development. During the Reporting Period, the Bank completed the compilation of detailed business requirements for the project and accomplished periodical results.

Credit Risk Analysis

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 RMB2,749.227 billion, an increase of RMB220.447 billion or 8.72% 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 and West Strait ranked the top three, recording RMB723.429 billion, RMB614.569 billion and RMB450.406 billion, and accounting for 26.32%, 22.35% and 16.38% of the Group total, respectively. In terms of growth rate, the Pearl River Delta, the Yangtze River and the western region recorded the highest numbers, reaching 13.49%, 11.01% and 10.01%, respectively, all higher than the Group's average loan growth rate.

The Group

Unit: RMB million

	30 June 2016		31 December 2015	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Yangtze River Delta	**614,569**	**22.35**	553,616	21.89
Bohai Rim[1]	**723,429**	**26.32**	680,886	26.93
Pearl River Delta and West Strait	**450,406**	**16.38**	396,853	15.69
Central region	**371,877**	**13.53**	348,882	13.80
Western region	**374,276**	**13.61**	340,226	13.45
Northeastern region	**67,663**	**2.46**	68,949	2.73
Overseas	**147,007**	**5.35**	139,368	5.51
Total Loans	**2,749,227**	**100.00**	2,528,780	100.00

Note: (1) Including the Head Office.

The Bank

	30 June 2016		31 December 2015	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Yangtze River Delta	**611,678**	**23.80**	550,812	23.29
Bohai Rim[1]	**696,910**	**27.12**	660,803	27.95
Pearl River Delta and West Strait	**447,785**	**17.42**	394,884	16.70
Central region	**371,877**	**14.47**	348,882	14.75
Western region	**374,276**	**14.56**	340,226	14.39
Northeastern region	**67,663**	**2.63**	68,949	2.92
Total Loans	**2,570,189**	**100.00**	2,364,556	100.00

Note: (1) Including the Head Office.

Concentration of Loans by Product

As at the end of the Reporting Period, the Group's corporate loan balance (excluding discounted bills) reached RMB1,865.821 billion, a steady growth of RMB98.399 billion or 5.57% over the end of the previous year; and personal loan balance of the Group reached RMB804.063 billion, up RMB135.450 billion or 20.26% over the end of the previous year. Personal loans grew faster than corporate loans, with their balance proportion further going up to 29.25%. Balance of discounted bills decreased by RMB13.402 billion compared with that at the end of the previous year.

The Group

Unit: RMB million

	30 June 2016		31 December 2015	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Corporate loans	**1,865,821**	**67.86**	1,767,422	69.89
Personal loans	**804,063**	**29.25**	668,613	26.44
Discounted bills	**79,343**	**2.89**	92,745	3.67
Total loans	**2,749,227**	**100.00**	2,528,780	100.00

The Bank

Unit: RMB million

	30 June 2016		31 December 2015	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Corporate loans	**1,711,469**	**66.59**	1,627,573	68.83
Personal loans	**784,524**	**30.52**	649,764	27.48
Discounted bills	**74,196**	**2.89**	87,219	3.69
Total loans	**2,570,189**	**100.00**	2,364,556	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 corporate loans among the Group's corporate loans. Their loan balances amounted to RMB415.182 billion and RMB295.643 billion, respectively, collectively taking up 38.09% of the Group's total corporate loans, up 0.23 percentage point over the end of the previous year. In terms of growth rate, loans to the three sectors, namely, real estate, water conservancy, environment and public utilities management, leasing and commercial services grew faster, up 15.99%, 11.52% and 9.62% over the end of the previous year respectively, all being higher than the Group's corporate loan average growth rate.

The Group

Unit: RMB million

	30 June 2016		31 December 2015	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Manufacturing	**415,182**	**22.24**	414,273	23.44
Transportation, warehousing and postal service	**157,045**	**8.42**	147,535	8.35
Production and supply of power, gas and water	**59,681**	**3.20**	54,704	3.10
Wholesale and retail	**257,232**	**13.79**	260,675	14.75
Real estate	**295,643**	**15.85**	254,892	14.42
Water conservancy, environment and public utilities management	**142,116**	**7.62**	127,435	7.21
Leasing and commercial services	**162,019**	**8.68**	147,798	8.36
Construction	**103,011**	**5.52**	102,532	5.80
Public and social organizations	**22,123**	**1.19**	20,835	1.18
Others	**251,769**	**13.49**	236,743	13.39
Total corporate loans	**1,865,821**	**100.00**	1,767,422	100.00

The Bank

Unit: RMB million

	30 June 2016		31 December 2015	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Manufacturing	**402,770**	**23.54**	403,285	24.78
Transportation, warehousing and postal service	**153,518**	**8.97**	144,453	8.87
Production and supply of power, gas and water	**48,512**	**2.83**	49,086	3.01
Wholesale and retail	**241,631**	**14.12**	245,419	15.08
Real estate	**260,535**	**15.22**	224,873	13.82
Water conservancy, environment and public utilities management	**132,667**	**7.75**	120,704	7.42
Leasing and commercial Services	**159,953**	**9.35**	146,115	8.98
Construction	**101,183**	**5.91**	101,188	6.22
Public and social organizations	**21,757**	**1.27**	20,835	1.28
Others	**188,943**	**11.04**	171,615	10.54
Total corporate loans	**1,711,469**	**100.00**	1,627,573	100.00

Breakdown of Loans by Type of Guarantee

As at the end of the Reporting Period, the Group's loans guarantee structure was further optimized. The balance of collateral and pledge loans stood at RMB1,638.846 billion, up RMB188.728 billion over the end of the previous year, and took up a proportion of 59.61%, 2.27 percentage points higher over the end of the previous year. The balance of unsecured and guaranteed loans recorded RMB1,031.038 billion, up RMB45.121 billion over the end of the previous year, accounting for 37.50% of the Bank's total, down 1.49 percentage points over the end of the previous year.

The Group

Unit: RMB million

Type of Guarantee	30 June 2016		31 December 2015	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Unsecured loans	**527,106**	**19.17**	492,822	19.49
Guaranteed loans	**503,932**	**18.33**	493,095	19.50
Collateral loans	**1,327,884**	**48.30**	1,169,587	46.25
Pledge loans	**310,962**	**11.31**	280,531	11.09
Subtotal	**2,669,884**	**97.11**	2,436,035	96.33
Discounted bills	**79,343**	**2.89**	92,745	3.67
Total loans	**2,749,227**	**100.00**	2,528,780	100.00

The Bank

Unit: RMB million

Type of Guarantee	30 June 2016		31 December 2015	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Unsecured loans	**500,214**	**19.46**	467,932	19.79
Guaranteed loans	**442,640**	**17.22**	435,395	18.41
Collateral loans	**1,257,894**	**48.94**	1,113,612	47.10
Pledge loans	**295,245**	**11.49**	260,398	11.01
Subtotal	**2,495,993**	**97.11**	2,277,337	96.31
Discounted bills	**74,196**	**2.89**	87,219	3.69
Total loans	**2,570,189**	**100.00**	2,364,556	100.00

Concentration of Borrowers of Corporate Loans

The Group focused its attention on the concentrated risk control over its corporate loan borrowers. During the Reporting Period, the Group complied with the applicable regulatory requirements on concentration of borrowers. Since a single borrower is defined by the Group as a specified legal entity, one borrower can be the related party of another borrower.

The Group

Major regulatory indicator	Regulatory standard	**30 June 2016**	31 December 2015	31 December 2014
Percentage of loans to the single largest customer *(%)*	≤10	**3.10**	2.48	2.75
Percentage of loans to the top 10 customers (%)	≤50	**16.17**	14.60	12.14

Notes: (1) Percentage of loans to the single largest customer = balance of loans to the single largest 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

Sector			**30 June 2016**	
		Amount	**Proportion in total loans** *(%)*	**Proportion in regulated capital** *(%)*
Borrower A	Real estate	**12,868**	**0.48**	**3.10**
Borrower B	Public management, social security and social organizations	**9,978**	**0.36**	**2.39**
Borrower C	Leasing and commercial services	**7,800**	**0.28**	**1.87**
Borrower D	Manufacturing	**7,308**	**0.27**	**1.75**
Borrower E	Leasing and commercial services	**6,108**	**0.22**	**1.47**
Borrower F	Transportation, warehousing and postal service	**4,921**	**0.18**	**1.18**
Borrower G	Financial services	**4,697**	**0.17**	**1.13**
Borrower H	Manufacturing	**4,651**	**0.17**	**1.12**
Borrower I	Mining	**4,520**	**0.16**	**1.08**
Borrower J	Water conservancy, environment and public utilities management	**4,505**	**0.16**	**1.08**
Total loans		**67,356**	**2.45**	**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 RMB67.356 billion, accounting for 2.45% of its total loans and 16.17% of its net capital.

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 the CBRC. The Guidelines on the Classification of Loan Risks require Chinese commercial banks to classify their credit assets into five classes, namely pass, special mention, substandard, doubtful and loss, of which the last three classes are regarded as non-performing loans (NPLs).

During the Reporting Period, the Bank continued to reinforce the centralized management of loan classification and kept enhancing the system for the management of credit asset risks by class. While adhering to the core criteria of "safety of loan recovery", the Bank treated different classes of loans with different risk management measures after taking into full consideration various factors that may impact the quality of credit assets.

The Bank held firmly to its procedure for classification of loan risks which includes the following steps: business departments to conduct post-lending inspections; afterwards, credit departments of branches to provide preliminary opinions, to be followed by preliminary risk identification by credit management departments of the branches; thereafter chief risk officers at the branches to review the preliminary identification results; and the Head Office finalizes the identification. 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 2016		31 December 2015	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Pass	**2,638,911**	**95.99**	2,402,338	95.00
Special mention	**71,796**	**2.61**	90,392	3.57
Substandard	**23,056**	**0.84**	20,876	0.83
Doubtful	**11,837**	**0.43**	11,238	0.44
Loss	**3,627**	**0.13**	3,936	0.16
Total Loans	**2,749,227**	**100.00**	2,528,780	100.00
Performing loans	**2,710,707**	**98.60**	2,492,730	98.57
Non-performing loans	**38,520**	**1.40**	36,050	1.43

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 2016		31 December 2015	
	Balance	**Proportion**	Balance	Proportion
		(%)		*(%)*
Pass	**2,464,316**	**95.88**	2,241,820	94.81
Special mention	**68,656**	**2.67**	87,962	3.72
Substandard	**23,008**	**0.90**	20,023	0.85
Doubtful	**10,605**	**0.41**	10,833	0.46
Loss	**3,604**	**0.14**	3,918	0.16
Total Loans	**2,570,189**	**100.00**	2,364,556	100.00
Performing loans	**2,532,972**	**98.55**	2,329,782	98.53
Non-performing loans	**37,217**	**1.45**	34,774	1.47

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 RMB236.573 billion over the end of the previous year, and accounted for 95.99% of total loan balance, representing a growth of 0.99 percentage point over the end of the previous year. The balance of special mention loans declined by RMB18.596 billion, accounting for 2.61% of total loan balance, down 0.96 percentage point over the end of the previous year. The balance of special mention loans declined mainly because the Group reinforced its efforts to mitigate risks and achieved effective results in implementing comprehensive measures to collect, restructure and transfer the concerned loans during the Reporting Period.

As at the end of the Reporting Period, the balance of the Group's non-performing loans (NPLs), recognized in accordance with the regulatory risk classification criteria, stood at RMB38.520 billion, up RMB2.470 billion over the end of the previous year; and its NPL ratio recorded 1.40%, down 0.03 percentage point over the end of the previous year. The NPL growth rate went neck and neck with that of the same period of the previous year.

During the Reporting Period, the Group continued the trend of " rise in NPL balance and drop in NPL ratio". Balance of NPLs kept rising mainly because (1) continuing slowdown of economic growth exposed enterprises in general to considerable business pressure, led to the spread of risks to multiple sectors and areas, and consequently worsening credit risks; and (2) the economic restructuring accelerated the exposure of overcapacity industries to credit risks and resulted in more NPLs.

At the beginning of 2016, the Group had already made sufficient projection and adequate preparation regarding the changing trend of loan quality. Thanks to its pertinent measures for risk prevention and mitigation, the Group was able to put the changes in NPLs under control.

During the Reporting Period, the Group worked hard to improve loan quality and reinforce disposal of non-performing loans, disposing RMB37.138 billion NPL principal by means of collection and write-off, disposing the same at a faster rate over that of the previous years.

Migration of Loans

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

The Bank

	30 June 2016	31 December 2015	31 December 2014
Migration ratio of pass loans *(%)*	**1.10**	2.67	3.21
Migration ratio of special mention loans *(%)*	**26.38**	31.77	30.16
Migration ratio of substandard loans *(%)*	**50.22**	59.66	58.23
Migration ratio of doubtful loans *(%)*	**36.22**	41.39	38.19
Ratio of migration from performing to non-performing loans *(%)*	**1.14**	1.48	1.03

As at the end of the Reporting Period, the Bank's migration ratio from performing to non-performing loans was 1.14%, up 0.39 percentage point over the same period of the previous year. The main reason was higher probability of default on the part of the borrowers due to the overlapping impacts of multiple factors in a time of economic downturn, and consequently more loans migrating from performing to non-performing class. Moreover, there was also a marked increase in the migration ratio of substandard loans and doubtful loans compared with that of the same period of the previous year, mainly because the Group intensified its write-off efforts.

Loans Overdue

The Group

Unit: RMB million

	30 June 2016		31 December 2015	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Loans repayable on demand	**2,650,266**	**96.40**	2,453,880	97.04
Loans overdue:				
1-90 days	**46,898**	**1.71**	36,998	1.46
91-180 days	**17,854**	**0.65**	9,794	0.39
181 days or more	**34,209**	**1.24**	28,108	1.11
Subtotal	**98,961**	**3.60**	74,900	2.96
Total customer loans	**2,749,227**	**100.00**	2,528,780	100.00
Loans overdue for 91 days and more	**52,063**	**1.89**	37,902	1.50
Restructured loans	**9,126**	**0.33**	8,482	0.34

Notes: (1) Loans overdue refer to loans with principals or interests overdue for one day or more.

(2) Restructured loans refer to the loans overdue or downgraded but the conditions of which, namely the amount and the maturity, have been rearranged.

The Bank

Unit: RMB million

	30 June 2016		31 December 2015	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**2,474,567**	**96.28**	2,293,468	96.99
Loans overdue:				
1-90 days	**45,042**	**1.75**	33,853	1.44
91-180 days	**17,712**	**0.69**	9,542	0.40
181 days or above	**32,868**	**1.28**	27,693	1.17
Subtotal	**95,622**	**3.72**	71,088	3.01
Total customer loans	**2,570,189**	**100.00**	2,364,556	100.00
Loans overdue for 91 days and more	**50,580**	**1.97**	37,235	1.57
Restructured loans	**9,122**	**0.35**	8,472	0.36

Notes: (1) Loans overdue refer to loans with principals or interests overdue for one day or more.

(2) Restructured loans refer to the loans overdue or downgraded but the conditions of which, namely the amount and the maturity, have been rearranged.

As at the end of the Reporting Period, the Group's balance of loans overdue reached RMB98.961 billion, up RMB24.061 billion over the end of the previous year, and the proportion of loans overdue in total loans rose by 0.64 percentage point over the end of the previous year. Of these loans overdue, 47.39% were short-term temporary loans with a maturity of less than 3 months, and loans overdue for 91 days and more amounted to RMB52.063 billion, an increase of RMB14.161 billion over the end of the previous year. Loans overdue increased mainly because borrowers suffered tight fund chains or even break of fund chains as a result of longer cycles of payback, pervasive reduction of banks' loans, and greater difficulty in financing, which causes the intensity and even rupture in the capital chain of the borrower, etc.

The Group managed and controlled loan restructuring in a stringent and prudent manner. As at the end of the Reporting Period, the Group restructured RMB9.126 billion loans, a growth of RMB644 million in amount and a drop of 0.01 percentage point in proportion over the end of the previous year.

Breakdown of NPLs by Product

The Group

Unit: RMB million

	30 June 2016			31 December 2015		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Corporate loans	**28,575**	**74.19**	**1.53**	28,008	77.69	1.59
Personal loans	**9,928**	**25.77**	**1.23**	8,022	22.25	1.20
Discounted bills	**17**	**0.04**	**0.02**	20	0.06	0.02
Total	**38,520**	**100.00**	**1.40**	36,050	100.00	1.43

The Bank

Unit: RMB million

	30 June 2016			31 December 2015		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Corporate loans	**27,303**	**73.36**	**1.60**	26,751	76.93	1.64
Personal loans	**9,897**	**26.59**	**1.26**	8,003	23.01	1.23
Discounted bills	**17**	**0.05**	**0.02**	20	0.06	0.02
Total	**37,217**	**100.00**	**1.45**	34,774	100.00	1.47

As at the end of the Reporting Period, the Group's balance and ratio of corporate NPLs increased by RMB567 million and dropped 0.06 percentage point over the end of the previous year, respectively; while the balance and ratio of personal NPLs respectively grew by RMB1.906 billion and 0.03 percentage point over the end of the previous year. The rise in NPLs was mainly due to the significant increase in the credit risk of privately owned SMEs engaged in manufacturing, trade enterprises and sole proprietary business owners in these industries.

Breakdown of NPLs by Geographic Location

The Group

Unit: RMB million

	30 June 2016			31 December 2015		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Yangtze River Delta	**8,112**	**21.06**	**1.32**	8,838	24.52	1.60
Bohai Rim[1]	**9,143**	**23.75**	**1.26**	8,869	24.60	1.30
Pearl River Delta and West Strait	**5,710**	**14.82**	**1.27**	7,685	21.32	1.94
Central region	**8,645**	**22.44**	**2.32**	5,212	14.46	1.49
Western region	**3,711**	**9.63**	**0.99**	2,668	7.40	0.78
Northeastern region	**2,116**	**5.49**	**3.12**	1,753	4.06	2.54
Overseas	**1,083**	**2.81**	**0.74**	1,025	2.84	0.74
Total	**38,520**	**100.00**	**1.40**	36,050	100.00	1.43

Note: (1) Including the Head Office.

The Bank

Unit: RMB million

	30 June 2016			31 December 2015		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Yangtze River Delta	**8,100**	**21.76**	**1.32**	8,789	25.27	1.60
Bohai Rim[1]	**9,143**	**24.57**	**1.31**	8,869	25.50	1.34
Pearl River Delta and West Strait	**5,502**	**14.78**	**1.23**	7,483	21.52	1.89
Central region	**8,645**	**23.23**	**2.32**	5,212	14.99	1.49
Western region	**3,711**	**9.97**	**0.99**	2,668	7.68	0.78
Northeastern region	**2,116**	**5.69**	**3.12**	1,753	5.04	2.54
Total	**37,217**	**100.00**	**1.45**	34,774	100.00	1.47

Note: (1) Including the Head Office.

As at the end of the Reporting Period, the Group's NPLs were mainly concentrated in the Bohai Rim, the central region, and the Yangtze River Delta. Their NPL balances summed up to RMB25.90 billion, accounting for a combined 67.25% of the Group's total. In terms of incremental NPLs, the central region registered the largest number of RMB3.433 billion, leading to a 0.83 percentage point rise in its NPL ratio. The following is the western region, which recorded RMB1.268 billion incremental NPLs and a 0.27 percentage point rise in its NPL ratio. The main reasons NPLs increased were due to: (1) the central and western regions were besieged with backward industrial structures and concentration of overcapacity industries, and were caught in accelerated credit risk exposure in the process of supply-side reform such as eliminating overcapacity and destocking; and (2) the risk spreaded from the coastal areas to the central and western regions, and the credit risk of small and medium-sized enterprises in those regions intensified in a time of economic downturn due to their poor risk resilience.

Breakdown of Corporate NPLs by Sector

The Group

Unit: RMB million

	30 June 2016			31 December 2015		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Manufacturing	**10,764**	**37.68**	**2.59**	10,329	36.88	2.49
Transportation, warehousing and postal service	**169**	**0.59**	**0.11**	275	0.98	0.19
Production and supply of power, gas and water	**454**	**1.59**	**0.76**	119	0.42	0.22
Wholesale and retail	**9,453**	**33.08**	**3.67**	12,136	43.33	4.66
Real estate	**278**	**0.97**	**0.09**	249	0.89	0.10
Leasing and commercial services	**40**	**0.14**	**0.02**	54	0.19	0.04
Water conservancy, environment and public utilities management	**170**	**0.59**	**0.12**	192	0.69	0.15
Construction	**1,110**	**3.88**	**1.08**	1,944	6.94	1.90
Public and social organizations	**0**	**0.00**	**0.00**	0	0.00	0.00
Others	**6,137**	**21.48**	**2.44**	2,710	9.68	1.15
Total	**28,575**	**100.00**	**1.53**	28,008	100.00	1.59

The Bank

Unit: RMB million

	30 June 2016			31 December 2015		
	Balance	**Proportion** *(%)*	**NPL ratio** *(%)*	Balance	Proportion *(%)*	NPL ratio *(%)*
Manufacturing	**10,539**	**38.61**	**2.62**	10,169	38.01	2.52
Transportation, warehousing and postal service	**167**	**0.61**	**0.11**	273	1.02	0.19
Production and supply of power, gas and water	**454**	**1.66**	**0.94**	119	0.45	0.24
Wholesale and retail	**9,358**	**34.27**	**3.87**	11,901	44.49	4.85
Real estate	**268**	**0.98**	**0.10**	223	0.83	0.10
Leasing and commercial services	**40**	**0.15**	**0.02**	54	0.20	0.04
Water conservancy, environment and public utilities management	**170**	**0.62**	**0.13**	192	0.72	0.16
Construction	**1,110**	**4.07**	**1.10**	1,944	7.27	1.92
Public and social organizations	**0**	**0.00**	**0.00**	0	0.00	0.00
Others	**5,197**	**19.03**	**2.75**	1,876	7.01	1.09
Total	**27,303**	**100.00**	**1.60**	26,751	100.00	1.64

As at the end of the Reporting Period, the Group's non-performing corporate loans were mainly concentrated in wholesale & retail and manufacturing. Their respective NPL balances, collectively accounting for 70.76% of the Group's total, decreased by RMB2.683 billion and increased by RMB435 million over the end of the previous year, and their corresponding NPL ratios dropped by 0.99 percentage point and rose by 0.10 percentage point over the end of the previous year, respectively. NPLs of the wholesale & retail sector went down mainly because, (1) after a fairly complete risk exposure, the sector witnessed a recent slowdown of incremental NPLs; and (2) disposal of NPLs in the sector was enhanced.

As at the end of the Reporting Period, the Group's NPL balances in wholesale & retail, construction, transportation, warehousing and postal service, water conservancy, environment and public utilities management, and leasing and commercial services decreased by RMB2.683 billion, RMB834 million, RMB106 million, RMB22 million and RMB14 million over the end of the previous year, and their corresponding NPL ratios went down 0.99, 0.82, 0.08, 0.03 and 0.02 percentage point, respectively.

Analysis of Provision for Loan Impairment

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

The Group

Unit: RMB million

	As at 30 June 2016	**As at** 31 December 2015
Beginning balance	**60,497**	51,576
Accruals during the year[1]	**19,796**	35,120
Reversal of impairment allowances[2]	**(287)**	(592)
Transfer out[3]	**85**	32
Write-offs	**(19,872)**	(26,239)
Recovery of loans and advances written off in previous years	**253**	600
Ending balance	**60,472**	60,497

Notes: (1) Equivalent to the net loan impairment recognized as accruals for the Group in the consolidated income statement 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 the provision for loan impairment released from loans converted to repossessed assets.

The Bank

Unit: RMB million

	As at 30 June 2016	As at 31 December 2015
Beginning balance	**59,682**	51,136
Accruals during the year[1]	**19,633**	34,523
Reversal of impairment allowances[2]	**(273)**	(582)
Transfer out[3]	**72**	2
Write-offs	**(19,802)**	(25,972)
Recovery of loans and advances written off in previous years	**224**	575
Ending balance	**59,536**	59,682

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

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

(3) Including the provision for loan impairment released from loans converted to repossessed assets.

As at the end of the Reporting Period, the Group's balance of provision for loan impairment registered RMB60.472 billion, representing a decrease of RMB25 million over the end of the previous year. Its ratio of balance of provision for loan impairment to NPL balance (i.e., provision coverage ratio) and ratio of balance of provision for loan impairment to total loans (i.e., provision to loan ratio) stood at 156.99% and 2.20% respectively. The provision coverage ratio and the provision to loan ratio decreased by 10.82 percentage points and 0.19 percentage point over the end of the previous year, respectively.

During the Reporting Period, the Group accrued provision for loan impairment at the amount of RMB19.796 billion, an increase of RMB4.405 billion year on year. The reasons for increasing such provisioning were: (1) the Group made a proactive response to the risks in economic downturn by enhancing its risk hedging capability; and (2) with more energy on NPL write-offs, the Group made efforts to increase provisions to the best of its capacity to get well prepared for write-offs.

Market Risk

The main market risk confronting the Bank includes interest rate risk and exchange rate risk. The Bank has established a market risk management system covering risk identification, measurement, monitoring and control. The market risk is managed through product access approval and risk limit management, which enables the Bank to control potential losses arising from market risk within the acceptable level and increase risk-adjusted returns.

Interest Rate Risk

Interest rate risk refers to the risk of losses to the overall earnings and economic value of bank accounts resulting from unfavorable changes in factors such as interest rate and maturity structure. It includes re-pricing risk, yield curve risk, benchmark risk and option risk. The Bank manages its interest rate risk for the overall objective of observing the prudent risk preference and achieving steady growth in both net interest income and economic value within the acceptable range of interest rate risk.

During the Reporting Period, global economic recovery remained ambiguous, with some of the major economies entering the era of "negative interest rate". At home, more in-depth impacts of interest rate liberalization and more dramatic fluctuations in domestic market interest rates exposed financial institutions to greater challenges in their management of interest rate risk. In calm response to all these challenges, the Bank optimized its risk monitoring indicators, and at the same time made comprehensive use of multiple methods including interest rates sensitivity gap analysis, net interest income sensitivity analysis and stress test to measure various types of interest rate risk, analyze risks on a regular basis and project net interest income. In addition, the Bank applied active management means such as price control and adjustment for continuous capacity building in its autonomous, differentiated and market-oriented pricing, further promoted the use of Loan Prime Rate (LPR), and reasonably set up maturity structures and product mixes of its asset and liability portfolios. Thanks to all these efforts, the Bank was able to control its interest rate risk at a reasonable level.

For interest rate risk in connection with trading in bonds and interest rate derivatives, the Bank set risk limits such as Price Value of a Basis Point (PVBP) and market value stop-loss, and made comprehensive use of Value at Risk (VaR) and stress test for risk analysis and management. Therefore, the interest rate risk was controlled within the acceptable level.

The Group

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total assets	179,250	2,449,988	2,146,056	645,879	185,605	5,606,778
Total liabilities	140,938	3,479,558	1,213,824	382,675	57,913	5,274,908
Asset-liability gap	38,312	(1,029,570)	932,232	263,204	127,692	331,870

The Bank

Unit: RMB million

Item	Non-interest bearing	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total assets	192,587	2,237,127	2,112,306	625,803	180,222	5,348,045
Total liabilities	119,093	3,354,425	1,141,123	353,657	57,742	5,026,040
Asset-liability gap	73,494	(1,117,298)	971,183	272,146	122,480	322,005

Exchange Rate Risk

Exchange rate risk refers to the risk of on-and-off balance sheet businesses of a bank incurring losses due to unfavorable changes of exchange rate. The Bank manages exchange rate risk by matching foreign currency denominated assets with liabilities denominated in the same currencies. For businesses with potential exchange rate risk such as foreign exchange purchase and sale and forex trading, the Bank set corresponding foreign exchange exposure limits to control its exchange rate risk at an acceptable level.

Exchange rate risk of the Bank is mainly subject to impacts of the Renminbi exchange rate against the US dollar. Since the second quarter of 2016, the Renminbi kept depreciating against the US dollar until the exchange rate reached a 5-year low. The cumulative depreciation for the first half of the year reached roughly 2.25%. Thanks to its proactive response to fluctuations in the forex market, strict control of the forex risk exposure of relevant businesses, revision and improvement of the limit management process, plus more intensive routine risk monitoring, early warning and reporting, the Bank was able to control its exchange rate risk within the acceptable level.

The Group

Unit: RMB million

Item	**USD**	**HKD**	**Other currencies**	**Total**
Net on-balance sheet position	16,428	(6,980)	(9,265)	183
Net off-balance sheet position	(9,832)	26,872	(27,027)	(9,987)
Total	6,596	19,892	(36,292)	(9,804)

The Bank

Unit: RMB million

Item	**USD**	**HKD**	**Other currencies**	**Total**
Net on-balance sheet position	(9,544)	15,849	(9,494)	(3,189)
Net off-balance sheet position	11,713	825	(26,751)	(14,213)
Total	2,169	16,674	(36,245)	(17,402)

Liquidity Risk

Liquidity risk refers to the risk that the Bank is unable to obtain adequate capital in a timely manner and at reasonable cost to repay matured debts, perform other payment obligations and meet other capital needs for the conduct of normal business. The Bank maintains a prudent liquidity risk level, and effectively identifies, measures, monitors and controls liquidity risk by implementing a prudential coordinated liquidity risk management strategy.

The Bank has set up a robust structure for liquidity risk management, which clearly defines the division of duties among the Board of Directors, the Board of Supervisors and the senior management and their subordinate specialized committees, and relevant departments of the Bank in the management of liquidity risk, with a view to improving its strategies, policies and procedures on liquidity risk management in a continuing manner.

The Bank 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. Domestic branches of the Bank, in accordance with requirements of the Head Office, are responsible for fund management within their respective jurisdictions pursuant to their authorized mandates. All domestic and overseas affiliates of the Bank are responsible for developing their own strategies and procedures for liquidity risk management and implementing them pursuant to the requirements of competent regulators and within the Group's master policy framework on liquidity risk management.

During the Reporting Period, the government continued with its prudent monetary policy. Policy measures such as cuts of bank reserve requirement ratio, Medium-term Lending Facility (MLF), Pledged Supplementary Lending (PSL), and open market were applied to maintain reasonably sufficient market liquidity. As a result, interest rates at the money market remained stable on the whole. At the same time, cash withdrawal during the Spring Festival period and other seasonal factors brought along some disturbance. In response to such policy and market situations, the Bank made proactive efforts to promote and intensify liquidity risk management, and kept a moderately sufficient liquidity in the overall sense. During the Reporting Period, the Bank mainly adopted the following measures to manage its liquidity risk: (1) continued to assess its liquidity risk policy as scheduled, improved its liquidity risk management system, optimized its programs on liquidity risk measurement and monitoring, reinforced liquidity risk limit management, conducted stress test on a regular basis, and organized emergency drills where necessary and appropriate to ensure effectiveness of its emergency response plan for liquidity risk management; (2) carried out a coordinated management on its assets and liabilities and structured its assets and liabilities in reasonable ways to ensure a stable growth and coordinated development of its various businesses and a basically matched fund use with sources; (3) reinforced the proactive management of liabilities to ensure the financing channels smooth, including money market, interbank certificates of deposit, interbank deposits and large-amount deposit certificates. Meanwhile the Bank diversified the sources of liabilities to support the operation of asset business; and (4) improved routine liquidity management, dynamically adjusted the liquidity portfolio management strategy, and intensified liquidity reserves management to maintain a reasonable reserve level and upgrade efficiency of daytime fund management.

The Group

Unit: RMB million

Repayable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
(1,848,650)	(326,613)	448,699	871,895	671,046	515,493	331,870

The Bank

Unit: RMB million

Repayable on demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
(1,816,064)	(253,960)	415,061	797,135	644,230	535,603	322,005

Operational Risk

During the Reporting Period, the operational risk of the Bank was controllable in general. In order to enhance the level of operational risk management on all fronts, the following measures were put into place: (1) the Bank reinforced the refined management of operational risk and improved the regulation system of operational risk. Administrative Measures of CITIC Bank for Comprehensive Assessment of Operational risk was issued to enhance *ex post* evaluation of operational risk management and raise the level of such management throughout the Bank. The Knowledge Handbook of CITIC Bank on Operational risk Management was compiled to help the conduct of relevant work bank-wide; (2) the Bank continued to promote the normal use of operational risk management tools. The key operational risk indicators system was re-examined and optimized to reinforce the routine monitoring; operational risk and control self-assessment (RCSA) was carried out bank-wide; and continuous efforts were made to enhance loss data collection and analysis and to construct the cross-verification mechanism for operational risk loss data; (3) the Bank used multiple means simultaneously to make operational risk management more effective. Efforts also made to cultivate risk culture, so that the risk culture cultivation and operational risk control were reasonably combined. Multi-dimensional risk screening was promoted for a full stocktaking of potential operational risks so that management and control of operational risk would be reinforced at the grassroots level; (4) the Bank boosted publicity and training on operational risk management. Numerous special training courses were organized for full-time and part-time operational risk managers from the Head Office and branches, focusing on explaining work priorities and approaches of operational risk management. Qualification examinations were held for operational risk managers to upgrade the professional level of the operational risk management team.

Internal Control

Internal Control System

The Bank has set up a governance and organizational structure for internal control that consists of the Board of Directors, Board of Supervisors, senior management, internal control functions at the Head Office and branches, internal audit departments, and management functions of other business lines. This structure is characterized by reasonable division of duties, clear responsibilities, and well-defined reporting lines. In accordance with the duties and responsibilities chartered out in the Basic Regulations on Internal Control, the Bank strives to develop an internal control system so as to strictly implement relevant internal control requirements, perform duties as mandated and make coordinated efforts.

Improvements were made to the internal control mechanism. The Bank formulated its Guidelines on Corporate Banking Marketing and Loan Disbursement and Guidelines for Stratified Management of Distributors in Online Auto Finance Business to provide explicit guidance and regulations. The Bank amended and issued the Measures for Post-lending Management in Corporate Loan Business, Administrative Measures for Risk Early Warning in Loan Business and Measures for Post-lending Management of Financial Institution Customers to put loan risk and post-lending risk under strict control. The Bank issued its Measures for Management of Domestic Branches, Measures for Assessment of Retail Productivity of Physical Outlets, Administrative Measures for Asset Management Business, Administrative Measures for Access Approval of Shortlisting Investments in Unsecured Renminbi Denominated Bonds, Measures for Management of Proprietary Futures Trading in Precious Metals and Measures for Management of Export Credit Business to further consolidate the foundation for business management. The Bank also issued the Measures for Risk Management of Financial Statement Consolidation, Administrative Measures for Comprehensive Assessment of Operational risk, Administrative Measures for Special Tests of Internal Control and Administrative Measures against Credit Card Cash Frauds Committed by Employees to intensify an overall risk control and internal control.

More intensive efforts were made to prevent and control the occurrence of irregular incidents. The Bank attached great importance to risk screening of irregular incidents. With the formulation of the annual Program on Prevention and Control of Irregular Incidents, the Bank assessed the relevant prevention efforts and deployed annual tasks for such prevention. The monthly risk screening of abnormal staff conduct served as both a deterrent and a warning to increase the awareness of employees. Special risk screenings were organized for bill business and credit card frauds, eliminating potential risks in a timely manner.

Internal control measures were enhanced. The Bank put in place multiple pertinent measures at the same time to enhance its internal control, targeting different types of risks and business areas, including, among others, credit risk, market risk, liquidity risk, operational risk, safe production of information system and management of financial statements consolidation. Annual processes were combed with attention focused on risk points and control points in connection with requirements of the new system. To improve staff training and compliance education, the Bank issued the Compilation of Case Studies on Risk Incidents and the Collection of Representative Case Studies for Warning Education. In addition, the Bank organized knowledge competitions themed "Strategy, Culture, Compliance and Clean Governance" and released the computer interactive training courseware "Elites Compliance Drill Camp" to build employee capacity for risk understanding, risk awareness, risk dissolution and risk resilience.

Efforts were made to organize activities to cultivate a risk culture. The Guidance Opinions on Reinforcing the Construction of a Risk Culture and the 2016-2018 Program of Action for Risk Culture Development were released, advocating a risk culture that is uniquely CITIC Bank and covers "all employees, all aspects and all processes". Various work were completed, such as work initiating meeting, discussions and reflections, training and publicity, warning education, risk self-screening, and monthly reporting. Other efforts included launch of special training courses, construction of supporting mechanisms, and conduct of special risk screenings. As a result, the Bank effectively upgraded the risk awareness and risk control capacity in all business lines.

Compliance Management

Policy on compliance and risk management was amended and bank-wide special trainings were organized. The Bank amended and improved the Compliance Policy of China CITIC Bank Corporation Limited by drawing practical experiences in recent years and taking its overall strategic transformation requirements into consideration. In addition, the Bank further refined its framework for compliance and risk management, set up the three defense lines for such management, implemented the compliance culture, namely "compliance for value creation, everyone responsible for compliance, leadership and guidance by senior executives, all staff participation, compliance bottom line, and proactive compliance". Special training courses were organized throughout the Bank to promote the execution of the policy on compliance and risk management.

Efforts were made to improve the professional capability of the Bank's compliance review and the pre-identification and assessment of risks related to compliance. The Bank's compliance review focused on business and institutional innovation to promote compliance in accordance with law. Accordingly, the Bank proactively got involved in the early stage of business/product design/R&D, accurately disclosed compliance risk, and put forward valuable compliance review comments, suggestions or solutions. These efforts supported business innovation and development, and further upgraded efficiency and quality of compliance review.

Authorization management at all levels was optimized and constraints on authorization executed more effectively. The 2016 authorization was completed. On this basis, authorization for new units and new businesses was made in line with new institutional set-up, changes in organizational structure, management adjustment and business innovation. Organizations at all levels were encouraged to improve their authorization management and internal control. Dynamic adjustments to authorization were made in a timely manner. Branches were guided and supervised in their authorization work. Therefore, the Bank was able to vigorously promote its operation efficiency.

Anti-Money Laundering

During the Reporting Period, the Bank diligently fulfilled its anti-money laundering duties and obligations and made solid efforts in risk management and internal control against money laundering.

The Bank made continuous efforts to improve its anti-money laundering risk management IT system and constantly upgrade the capacity of system tools to support business development. Its anti-money laundering risk management IT system operated online at the end of November 2015 effectively improved the quality of the Bank's reporting on large-amount and suspicious transactions. In addition, the Bank practiced the "weighted approach" for assessing customer money laundering risk, and further standardized the process for review of customer ID identification and performance of due diligence. To satisfy the need for diversifying financial products and innovative services and complying with the latest regulatory requirements, the Bank kept optimizing the system and upgrading system support for anti-money laundering risk management in May 2016.

The Bank organized professional training on anti-money laundering to improve its professional capability in countering money laundering. During the Reporting Period, the Bank organized professional trainings on customer money laundering risk assessment and operation of the anti-money laundering risk management IT system. Standardized routine anti-money laundering operation and the application of the "weighted approach" for assessing customer money laundering risk enabled the Bank to enhance professional skills of its full-time and part-time anti-money laundering personnel bank-wide.

The Bank strengthened the routine monitoring of money laundering and terrorist financing risk. During the Reporting Period, the Bank improved its "class crimes" model for monitoring 6 types of suspicious transactions to improve identification with manual methods and reinforce the routine monitoring of suspicious transactions. 148 reports on key suspicious transactions were submitted to the People's Bank of China ("PBOC") and the public security authorities. The ratio of invalid data reported in routine monitoring went down by 43%. Dramatic improvement was registered in both the quality of routine monitoring reports and usefulness of tracking.

The Bank effectively performed its anti-money laundering reporting obligations. During the Reporting Period, the Bank reported to the PBOC 41.36 million transactions with large amount, 32,818 suspicious cases, and 6.36 million suspicious transactions.

Internal Audit

In accordance with its work philosophy of "risk warning, supervision and assessment, and value-added management", and guided by the Five-year Plan on Audit Development (2016-2020), the Bank worked hard to implement the program on reform of the audit system. In addition, efforts were rendered to reinforce the supervisory function of audit, improve the institutional framework, intensify quality control, build optimal information platforms, and highlight risk warning, with the goal of developing an independent professional audit system and continuously upgrading the audit efficiency and effectiveness.

During the Reporting Period, the Bank pooled audit resources to reinforce audit in key areas, areas prone to irregular incidents, and employee performance of duties, organized special audit of areas such as truthfulness of operation results, financial expenses, screening of employee conduct, and consumer rights protection, and conducted an overall audit in some branches. In addition, the Bank made effective use of off-site audit approaches to intensify the review and audit of doubtful data so that the Bank made continuing improvements in audit efficiency and effectiveness. Furthermore, audit was moved to early stage of business operation, so as to timely reflect and disclose significant risk potential, and to reinforce the construction of an effective internal control environment.

Capital Management

The Bank practices an overall capital management, covering management of regulatory capital, economic capital and book capital in general and capital adequacy ratio management, capital planning, capital allocation, capital evaluation and financing management, etc..

Capital adequacy ratio management is a core area of the Bank's capital management, reflecting its capacity for prudent operation and risk prevention. The Bank calculates, manages and discloses its own and the Group's capital adequacy ratios according to the Provisional Measures for Capital Management of Commercial Banks promulgated by the CBRC in June 2012. During the Reporting Period, capital ratios of both the Bank and the Group at all levels met regulatory requirements in a continuous manner. At the same time, the Bank steadily pushed forward the implementation of the new capital management approach, with new progress achieved in areas of compliance self-assessment and outcome utilization, laying a good foundation for the following application work.

In the long run, under the New Normal that features macroeconomic transformation, stricter regulation and faster interest rate liberalization, banks will be caught in the new situation of slowing profit growth coupled with faster capital consumption. The Bank's pressure from capital management still linger. Therefore, on the one hand, bearing in mind its business environment, development strategy and risk preference, and by taking capital supply and demand into comprehensive consideration, the Bank developed its capital plans in a forward-looking manner. On this basis, the Bank formulated and implemented the plan on external capital replenishment in an orderly manner, to ensure that it had adequate capital to prevent risk and meet business development requirements. On the other hand, the Bank focused on the strategy of "light capital" development and tapped into the potentials of internal management, persisted the orientation as being a valuable bank and put into continuous practice the economic capital evaluation system with "economic profit" and "return on capital" as the core; established a virtuous management mechanism that combined capital with assets, made comprehensive arrangements for asset structure and growth rate within the relevant capital constraints and in line with the management though of "capital determines assets and assets determine liabilities", and consequently controlled capital consumption within a reasonable range; and improved the capital allocation and management model to guide the shift of priority in capital and resource allocation towards branches, products, customers and industries with less capital consumption and higher in productivity. Thanks to effective implementation of a series of management measures, the Bank was able to maintain a fairly good return on capital in recent years, which in turn is conducive to better response to future capital pressure and healthy sustainable development of the Bank.

Management of Financial Statement Consolidation

During the Reporting Period, the Bank pushed forward various work relating to the management of financial statement consolidation in an orderly manner. To further standardize the management of subsidiaries, it strictly controlled the significant events of its domestic and overseas subsidiaries. Amendments to its Administrative Measures on Risk Management of Financial Statements Consolidation, formulation of remuneration programs for personnel in subsidiaries and overseas organizations, and release of the measures for risk management of subsidiaries provided institutional guarantee for sustainable healthy development of its subsidiaries have also been completed. Other improvements included meeting the requirements of the three defense lines for risk management, defining a uniform risk preference, reinforcing the uniform loan granting rules, and intensifying uniform risk management and control. The risk accountability system was put in place and helped the Bank to strengthen its overall risk management of subsidiaries and overseas branches and ensure all subsidiaries conduct their work in a lawful and compliant manner.

Outlook

During the Reporting Period, the Bank registered continuous improvement of profitability, fast growth of business scale, sustained stability of asset quality and continued optimization of the structures of business, customer and profit. All indicators and plans were successfully put into practice and consistent with the year-beginning expectations.

In the latter half of 2016, confronting sophisticated and challenging situations, the Bank will continue to follow the guidelines set at the beginning of the year, namely "maintain strategic plan, deepen business transformation, accelerate reform and innovation, and safeguard the risk bottom line". It will pool its strength to overcome difficulties, build on its existing good work and ensure smooth accomplishment of its various business plans and tasks. In business operation and management, the Bank will focus its efforts on the following seven aspects: (1) focus on strategy implementation and complete various work in an in-depth down-to-earth manner with attention paid to details of work; (2) speed up business transformation to consolidate the foundation for business growth; (3) standardize the management of subsidiaries for better synergy; (4) boost total risk management and resolutely safeguard the risk bottom line; (5) improve refined management and explore the differentiated management of branches; (6) strengthen the compliance management to effectively curb the risk of irregular incidents; and (7) organize precise training to cultivate professional talents.

III. SIGNIFICANT EVENTS

Purchase, Sale or Redemption of Shares

During the Reporting Period, neither the Bank nor any of its affiliates purchased, sold or redeemed any shares of the Bank.

Formulation and Implementation of Dividend Policy

The Bank complied with the provisions of its Articles of Association and requirements of the resolutions of General Meeting in formulating and implementing its policy on cash dividends distribution. The dividend distribution criteria and proportion were clear and explicit, and the decision-making procedures and mechanisms were complete and robust. The 2015 Annual Profit Distribution Plan was reviewed and agreed upon by the Bank's independent directors and later endorsed at the 2015 Annual General Meeting by more than 99.99% of the shareholders holding less than 5% equity in the Bank. Therefore, the Bank effectively safeguarded the rights and interests of its minority shareholders.

2015 Annual Profit Distribution Plan

As approved at the 2015 Annual General Meeting on 26 May 2016, the Bank distributed cash dividends to its A-share holders on register by 22 July 2016 and to its H-share holders on register by 6 June 2016 at RMB2.12 (pre-tax) for every 10 shares, and the total dividends distributed were summed up to approximately RMB10.374 billion. The Bank made detailed explanations about its 2015 Annual Profit Distribution Plan in its 2015 Annual Report, documents for 2015 Annual General Meeting and Circular of 2015 Annual General Meeting. For details thereof, please refer to the related announcements published on the websites of SSE (http://www.sse.com.cn), HKEXnews (http://www.hkexnews.hk) and the Bank (http://www.citicbank.com).

2016 Interim Profit Distribution

No interim plan for either profit distribution or transfer of capital reserve to share capital will be applied for 2016.

Material Acquisitions, Disposals and Restructurings of Assets

The Bank did not incur any material acquisitions, disposals or restructurings of assets, or mergers during the Reporting Period; neither did the Bank have any material acquisitions, disposals or restructurings of assets, or mergers that incurred in previous periods and went on to the Reporting Period.

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 and 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 which was subject to be disclosure except for the financial guarantee that is within the approved business scope of the Bank.

The Bank did not have any other material contract during the Reporting Period.

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

All proceeds raised by the Bank were used in strict accordance with the purposes as disclosed in the prospectus for the IPO and the prospectus for rights issues, i.e., all the proceeds were used to replenish the Bank's capital and to improve capital adequacy ratios and risk resistance capability of the Bank.

During the Reporting Period, no material investment was made by the Bank with non-raised funds.

Material Related Party Transactions

When engaging in related party transactions with related parties during its ordinary and usual course of business, the Bank followed normal commercial terms and executed the transactions with terms available to related parties being no more favorable than those available to non-related parties for similar transactions.

Related Party Transactions involving Disposal and Acquisition of Assets

The Bank was not engaged in any related party transactions involving disposal and acquisition of assets during the Reporting Period.

Credit Extension Continuing Related Party Transactions

In 2014, the Bank entered into framework agreements on credit extension continuing related party transactions with CITIC Group and its subsidiaries, and obtained the approval for the annual cap for 2015-2017 in the beginning of 2015. During the Reporting Period, with the approval from its 2015 Annual General Meeting and in accordance with the requirements of business development, the Bank applied to the exchanges for changing the cap from the previously set "RMB42 billion" to "no more than 14% of the disclosed net capital of the preceding quarter", for the purpose of ensuring that all credit extension continuing related party transactions were carried out within the regulatory limit (15% of net capital).

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 business by enhancing relevant measures including process management, strict risk review and approval, and better post-lending management. As at the end of the Reporting Period, the balance of the Bank and its subsidiaries' credit extension to related parties (CITIC Group and its subsidiaries) amounted to RMB26.695 billion. The credit extension to related companies were of high quality and were performing loans, and of will not exert material impacts on the normal business operation of the Bank in terms of transaction volume, structure and quality.

According to the framework agreement on credit extension business concluded between the Bank and CITIC Group in March 2016, the credit extension business between the Bank and CITIC Group and its subsidiaries shall follow normal commercial terms and be executed with terms and conditions being no more favorable than those available to independent third parties. Meanwhile, the Bank stringently followed the SSE and the CBRC requirements on approval and disclosure of credit extension to related parties. As at the end of the Reporting Period, there was no fund exchange and appropriation in violation of the provisions of the Notice on Several Issues Concerning the Standardization of Fund Exchange between Listed Companies and Their Related Parties and External Guarantee Provided by Listed Companies (Zheng Jian Fa [2003] No.56) and the Notice on Standardization of External Guarantee Provided by Listed Companies (Zheng Jian Fa [2005] No.120). The related party loans between the Bank and its *de facto* controller CITIC Group and the latter's subsidiaries had no adverse impact on the operating results and financial position of the Bank.

Non-Credit Extension Continuing Related Party Transactions

In 2014, the Bank entered into framework agreements on seven categories of non-credit extension continuing related party transactions with CITIC Group and its subsidiaries, and obtained the approval for the annual caps on related party transactions for 2015-2017 in the beginning of 2015. Upon review of the various continuing related party transactions conducted in 2015, the independent non-executive directors of the Bank confirmed that all these transactions were the Bank's ordinary day-to-day business, observed normal commercial terms, and were conducted in compliance with terms and conditions of relevant agreements, which were fair, reasonable and consistent with the overall interests of the Bank's shareholders.

The auditor accessed the list of continuing related party transactions from the Bank's senior management and completed relevant work in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and Hong Kong Institute of Certified Public Accountants (HICPA) Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules". For various continuing related party transactions of the Bank conducted in 2015, the auditor did not find any of the following circumstances: continuing related party transactions not approved by the Board of Directors of the Bank; pricing of related party transactions involving the provision of goods and services not compliant with the Group's pricing policy in all material aspects; execution of related party transactions not compliant with the terms and conditions of the concerned transaction agreements in all material aspects; total value of various continuing related party transactions exceeding their respective annual caps disclosed in the announcements released on 8 December 2014, 23 December 2014 and 28 January 2015.

During the Reporting Period, as per the development of business, the Bank applied to the exchanges in both Shanghai and Hong Kong for increasing caps on continuing related party transactions in comprehensive services, for the purpose of ensuring that all businesses were carried out orderly within their respective annual caps.

During the Reporting Period, the Bank carried out continuing related party transactions 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:

Third-Party Escrow Services

According to the third-party escrow services framework agreement concluded between the Bank and CITIC Group in December 2014, third-party escrow services between the Bank and CITIC Group and its subsidiaries 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 subsidiaries shall be determined on the basis of relevant market rates and subject to periodic review. In 2016, the annual cap for the Bank's transactions under the third-party escrow services framework agreement was RMB60 million. As at the end of the Reporting Period, the actual transaction amount was RMB8 million, which did not exceed the approved annual cap.

Asset Custody Services

According to the asset custody services framework agreement entered into between the Bank and CITIC Group in December 2014, asset custody services, account management services and third-party regulatory services provided between the Bank and CITIC Group and its subsidiaries 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. The aforementioned service fees shall also be subject to periodic review. In 2016, the annual cap for the Bank's transactions under the asset custody services framework agreement was RMB900 million. As at the end of the Reporting Period, the actual transaction amount was RMB138 million, which did not exceed the approved annual cap.

Financial Consulting and Asset Management Services

According to the financial consulting and asset management services framework agreement entered into between the Bank and CITIC Group in December 2014, the financial consulting and asset management services provided between the Bank and CITIC Group and its subsidiaries have no fixed prices or rates. The price and rate applicable to a particular service shall be determined through fair and reciprocal negotiations between the two parties and on terms no more favorable than those available to independent third parties and may be calculated on the basis of the scale, rate and duration of the service. In 2016, the annual cap for the Bank's transactions under the financial consulting and asset management services framework agreement was RMB600 million. As at the end of the Reporting Period, the actual transaction amount was RMB63 million, which did not exceed the approved annual cap.

Capital Transactions

According to the capital transactions framework agreement entered into between the Bank and CITIC Group in December 2014, the Bank and CITIC Group and its subsidiaries shall conduct capital transactions in their ordinary day-to-day business according to applicable general market practices and on normal commercial terms. The prices and rates applicable to such transactions between the two parties shall be the prevailing market prices or the rates generally applicable to independent third parties for similar transactions. Specifically, for foreign exchange and precious metal transactions, precious metal leasing, money market transactions, and bond transactions, the two parties shall price their transactions according to openly available market prices; for agency settlement of bonds, the two parties shall decide on the rates thereof according to prevailing industrial regulations; for financial derivatives, transaction prices shall be fixed in accordance with market activity of the products under transaction, openly available market quotes and the Bank's requirements relating to the management of various risks. In 2016, the annual transaction caps under the capital transactions framework agreement were: RMB3.2 billion for gains and losses of transactions, RMB2.8 billion for fair value of derivative financial instruments classified as assets and RMB4.3 billion for fair value of derivative financial instruments classified as liabilities. As at the end of the Reporting Period, the profit or loss resulted from the actual transactions reached RMB262 million, with the fair value recorded as assets of RMB6 million and the fair value recorded as liabilities of RMB203 million. None of the actual transaction amounts exceeded the corresponding approved annual caps.

Comprehensive Services

According to the comprehensive services framework agreement entered into between the Bank and CITIC Group in March 2016, CITIC Group and its subsidiaries 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 subsidiaries 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 discussion and comply with normal commercial terms. In 2016, the Bank's annual cap for transactions under the comprehensive services framework agreement was RMB2.7 billion. As at the end of the Reporting Period, the actual transaction amount was RMB329 million, which did not exceed the approved annual cap.

Asset Transfer

According to the asset transfer framework agreement entered into between the Bank and CITIC Group in December 2014 and approved at the Bank's General Meeting held in January 2015, the transactions involving asset transfer between the Bank and CITIC Group and its subsidiaries shall be made on terms no more favorable than those available to independent third parties. The transfer prices payable by the transferee shall be determined according to the following principles: (1) for transfer of general assets, as per regulatory requirements, credit assets shall be transferred on the principle of entirety. When transferring a credit asset, the transferor shall use the loan principal as the transaction price, and take post-transfer obligations to be performed by the Bank into priority consideration in addition to the consideration of market supply and demand; (2) for transfer of securitized assets, the Bank, when transferring a credit asset to a related party, shall use the loan principal as the transaction price, and determine the interest rate for transfer of the securitized credit asset with reference to the yields of similar Chinese interbank market products as disclosed by the chinabond.com.cn and the chinamoney.com.cn, in combination with price enquiries made with investors, with specific terms (such as price, volume, total price and payment) to be determined upon conclusion of contracts for individual transactions; and (3) where at present there are no prices available for particular asset transfers, once statutory government-prescribed prices are available in the future, such asset transfers shall be priced with reference to the government-prescribed prices. In 2016, the Bank's annual cap for transactions under the asset transfer framework agreement was RMB76.0 billion. As at the end of the Reporting Period, the actual transaction amount was RMB931 million, which did not exceed the approved annual cap.

Wealth Management and Investment Services

According to the wealth management and investment services framework agreement entered into between the Bank and CITIC Group in December 2014 and approved by the Bank's General Meeting in January 2015, the Bank and CITIC Group and its subsidiaries shall apply general market practices and normal commercial terms in their ordinary day-to-day business. The Bank shall provide CITIC Group and its subsidiaries 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 subsidiaries shall provide the Bank with intermediary services of wealth management, such as trust services and management services. The transactions between the two parties shall be made through fair and reciprocal negotiations, on terms no more favorable than those available to independent third parties, in line with categories and scopes of wealth management services, and with real-time adjustments made according to changes in market prices. In 2016, the Bank's annual caps under the wealth management and investment services framework agreement were: RMB3.2 billion for fees relating to non-principal-protected wealth management and agency services, RMB35.0 billion for period-end balance of principals in principal-protected wealth management services, RMB1.3 billion for yields on wealth management, RMB56.0 billion for period-end balance of investment funds, and RMB6.5 billion for the Bank's return on investment and payment of service fees to intermediaries. As at the end of the Reporting Period, the fees relating to non-principal-protected wealth management and agency services amounted to RMB779 million, the period-end balance of principal-protected wealth management reached RMB3.331 billion, the yield on wealth management amounted to RMB2 million, the period-end balance of investment funds reached RMB464 million, while the amount of service fees that the Bank received and paid reached RMB106 million. None of the above-mentioned actual amounts exceeded the corresponding approved annual cap.

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 related parties.

Material Litigations, Arbitrations and Issues of Negative Media Coverage

The Group has been involved in several litigation and arbitration cases in its ordinary course of business. Most of these litigations and arbitrations were initiated by the Group for loan recovery, while there have also been litigations and arbitrations resulting from disputes with customers.

As at the end of the Reporting Period, there were 126 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Group's ordinary course of business where the Group acted as defendant/respondent, with an aggregate disputed amount of RMB381 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 business operating results.

During the Reporting Period, no issues exposed the Bank to extensive negative media coverage.

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, except for Mr. Wang Kang, Secretary to the Board of Directors, who held 16,800 A shares of the Bank, no other directors, supervisors and senior management members (who are in office now or have already left office during the Reporting Period) held any shares, share options, restricted stocks, underlying shares or debentures of the Bank and its associated corporations (its definition refers to the "associated corporations" defined in Part XV of the Securities and Futures Ordinance ("**SFO**")), or held any interests or short positions as recorded in the register required to be kept pursuant to section 352 of the SFO, or held any interests or short positions that shall be notified to the Bank and the HKEX pursuant to Appendix 10 of the Listing Rules of HKEX "Model Code for Securities Transactions by Directors of Listed Issuers" ("**Model Code**").

During the Reporting Period, the Bank, after enquiry of all directors, supervisors and senior management members, confirmed that they had all followed and complied with the provisions on trading in securities as set out in Appendix 10 of the Listing Rules of HKEX throughout the Reporting Period.

Investigations, Penalties and Remedial Actions of the Bank and Its Directors, Supervisors, Senior Management Members, Shareholders and *de facto* Controller

During the Reporting Period, neither the Bank nor any of its directors, supervisors, senior management members, shareholders holding more than 5% shares of the Bank, and *de facto* controller had any record of being subject to investigation by competent authorities or coercive measures by judicial bodies or disciplinary bodies, transfer to judicial bodies or pursuit of criminal liabilities, investigation or administrative penalties by the CSRC, ban of entry into securities markets, being identified as inappropriate candidate, administrative punishments by other administrative authorities, or public censure by any stock exchanges, or punishment by other regulators that may have any material impact on business operation of the Bank.

Compliance with the Corporate Governance Code under the Listing Rules of HKEX

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules of HKEX throughout the six months ended 30 June 2016, except for the following:

The notice for regular meeting of the Board of Directors shall be sent at least 14 days in advance as stipulated in A.1.3 in the Code. As stated in Article 176 in the Bank's Articles of Association, the Board of Directors shall send the notice in writing 10 days before the convening date of regular meeting of the Board of Directors to all directors and supervisors. The Bank's afore-mentioned action in terms of sending notice of the Board of Directors is to implement the relevant Chinese laws and regulations. 10 days of notification period ahead of meeting complies with the requirements of relevant Chinese laws and regulations and is regarded as a reasonable time period.

As per Rules 3.21 and 3.23 of the Listing Rules of HKEX, the audit committee shall be comprised of a minimum of three members. If the listed issuer fails to do so, it shall appoint appropriate members to its audit committee to meet the requirement within three months. Since 24 June 2016, Mr. Yuan Ming, due to his workload and personal time arrangement, no longer holds his positions at the Bank as independent non-executive director, Chairman and member of the Audit and Related Party Transactions Control Committee under the Board of Directors, and member of the Nomination and Remuneration Committee under the Board of Directors of the Bank. After Mr. Yuan Ming left these positions, the Audit and Related Party Transactions Control Committee and the Nomination and Remuneration Committee of the Board of Directors will fail to meet the requirement of the the Listing Rules of HKEX and that of the rules of procedures for such committees regarding its composition. The Bank will fill up the position vacancy as soon as practically possible and has planned to complete the task within three months according to relevant provisions.

Given the changes in the external business environment, regulatory requirements, and the scope and scale of banking business, the Bank will follow the requirements of external regulators and the requirements for listed companies to continuously optimize its internal control.

Review of Interim Results

The Audit and Related Party Transactions Control Committee under the Board of Directors and the senior management of the Bank jointly reviewed the accounting policies and practices adopted by the Bank, discussed matters relating to internal control and financial reporting, and reviewed this interim results announcement and interim report, and thereafter were of the opinion that the accounting policies the Group adopted for this interim financial statements were consistent with those adopted for the preparation of the financial statements of the Group for the year ended 31 December 2015.

Equity Incentive Scheme

The Bank did not practice any equity incentive scheme during the Reporting Period.

Statement of Material Subsequent Event

From the end of the Reporting Period to the date of publication of this announcement, the Bank has no material subsequent event.

Access to the Interim Report

The Bank has prepared the interim report for A-share in accordance with corresponding regulatory requirements. A-share shareholders may write to the Bank's Board Office for copies of the A-share interim financial report prepared in accordance with the PRC accounting standards. The Bank will publish its H-share interim report in due course, which will be available in both Chinese and English languages. H-share shareholders may in due course 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 IFRS to be published by the Bank in due course.

Both A-share and H-share interim reports will be available on the websites of SSE (http://www.sse.com.cn), HKEXnews (http://www.hkexnews.hk) and the Bank (http://www.citicbank.com). For any queries about access to the interim reports and other relevant documents, please call the Bank's hotline at 86-10-85230010 or 852-28628555.

IV. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Changes in Share Capital

Table on Changes in Shareholdings

Unit: Share

	31 December 2015		Changes (+,-)					30 June 2016	
	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:	**0**	**0**	**2,147,469,539**				**2,147,469,539**	**2,147,469,539**	**4.39**
1. Shares held by the state									
2. Shares held by state-owned legal persons	0	0	2,147,469,539				2,147,469,539	2,147,469,539	4.39
3. Shares held by other domestic investors									
4. Foreign-held shares									
Shares not subject to restrictions on sale:	**46,787,327,034**	**100**					**0**	**46,787,327,034**	**95.61**
1. Renminbi denominated ordinary shares	31,905,164,057	68.19					0	31,905,164,057	65.20
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares	14,882,162,977	31.81					0	14,882,162,977	30.41
4. Others									
Total shares	**46,787,327,034**	**100**	**2,147,469,539**				**2,147,469,539**	**48,934,796,573**	**100**

Private Offering of A Shares and Subsequent Changes in Shareholding

On 20 January 2016, the Bank completed the registration and custody formalities relating to its private offering of 2,147,469,539 A shares to China Tobacco Corporation, upon which time the Bank had a total share capital of 48,934,796,573 shares, including 2,147,469,539 shares subject to restrictions on sale, accounting for about 4.39% of the total issued share capital. Changes in shareholdings thereof are detailed in the following table:

Unit: Share

	Before the change		The change	After the change	
	Number of shares held	Percentage *(%)*	New issue	Number of shares held	Percentage *(%)*
Shares subject to restrictions on sale	–	–	2,147,469,539	2,147,469,539	4.39
Shares not subject to restrictions on sale	46,787,327,034	100.00	0	46,787,327,034	95.61
Total shares	46,787,327,034	100.00	2,147,469,539	48,934,796,573	100.00

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

Information on Shareholders

Top 10 Shareholders

As at the end of the Reporting Period, the Bank had a total shareholders of 225,158 accounts, including 191,547 A-share accounts and 33,611 H-share accounts.

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 sales	Increase or decrease in shareholding during the reporting period	Shares pledged or frozen
1	CITIC Corporation Limited	State-owned	A-share, H-share	31,601,576,773	64.58	0	194,584,000	0
2	Hong Kong Securities Clearing Company Nominee Limited	Foreign	H-share	12,114,579,683	24.76	0	2,531,159	Unknown
3	China Tobacco Corporation	State-owned	A-share	2,147,469,539	4.39	2,147,469,539	2,147,469,539	0
4	China Securities Finance Corporation Limited	State-owned	A-share	913,339,572	1.87	0	41,916,902	0
5	Central Huijin Asset Management Corporation Limited	State-owned	A-share	327,288,300	0.56	0	54,450,000	0
6	China Construction Bank Corporation	State-owned	H-share	168,599,268	0.34	0	0	Unknown
7	Hong Kong Securities Clearing Company Limited	Foreign	A-share	57,094,706	0.12	0	42,378,006	0
8	Beijing Yin Ye Jin Hong Investment Partners (Limited Partnership)	Other	A-share	42,293,001	0.09	0	42,293,001	0
9	Hebei Construction Investment (Group) Limited Liability Corporation	State-owned	A-share	31,034,400	0.06	0	0	0
10	China Poly Group Corporation	State-owned	A-share	27,216,400	0.06	0	0	0

Notes: (1) The shareholdings of A-share and H-share holders were calculated based on the Bank's share registers respectively maintained with the A-share and H-share registrars of the Bank plus the shareholding statistics provided by CITIC Corporation Limited.

(2) As at the end of the Reporting Period, CITIC Corporation Limited directly owned A shares and H shares of the Bank with 31,601,576,773 shares in total, including 28,938,928,294 A shares and 2,662,648,479 H shares. As at 30 June 2016, CITIC Limited, via its subsidiaries including CITIC Corporation Limited, owned 31,897,075,773 shares of the Bank, accounting for 65.18% of the Bank's total issued share capital, including 28,938,928,294 A shares and 2,958,147,479 H shares.

(3) Note on connected relations or concerted actions of the above shareholders: According to the 2016 First Quarterly Report of China Construction Bank Corporation, as at 31 March 2016, Central Huijin Investment Limited together with its wholly owned subsidiary Central Huijin Asset Management Limited owned 57.31% equity of China Construction Bank Corporation. Except for this, as at the end of the Reporting Period, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.

Top 10 Shareholders not Subject to Restrictions on Sale

Unit: Share

No.	Name of shareholder	Number of shares not subject to restrictions on Sale	Class and number of shares	
			Class	Number
1	CITIC Corporation Limited	31,601,576,773	A-share	28,938,928,294
			H-share	2,662,648,479
2	Hong Kong Securities Clearing Company Nominee Limited	12,114,579,683	H-share	12,114,579,683
3	China Securities Finance Corporation Limited	913,339,572	A-share	913,339,572
4	Central Huijin Asset Management Corporation Limited	327,288,300	A-share	327,288,300
5	China Construction Bank Corporation	168,599,268	H-share	168,599,268
6	Hong Kong Securities Clearing Company Limited	57,094,706	A-share	57,094,706
7	Beijing Yin Ye Jin Hong Investment Partners (Limited Partnership)	42,293,001	A-share	42,293,001
8	Hebei Construction Investment (Group) Limited Liability Corporation	31,034,400	A-share	31,034,400
9	China Poly Group Corporation	27,216,400	A-share	27,216,400
10	Industrial and Commercial Bank of China – SSE 50 ETF Securities Investment Fund	22,790,450	A-share	22,790,450

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at the end of the Reporting Period, the table below set out the interests and short positions in the shares and underlying shares of the Bank held by substantial shareholders and other persons as recorded in the register that the Bank has maintained pursuant to Section 336 of the SFO:

Name	**Interests in shares held**	**Shareholding percentage in the issued share capital of the same class *(%)***	**Class of shares**
BBVA	1,633,444,000(L)	10.98(L)	H-share
	494,256,703(S)	3.32(S)	H-share
	24,329,608,919(L)	71.45(L)	A-share
CITIC Group	2,838,960,479(L)	19.08(L)	H-share
	28,938,928,294(L)	84.98(L)	A-share
CITIC Limited	2,838,960,479(L)	19.08(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) 2,292,579,000(S)	15.40(L) 15.40(S)	H-share
Li Ping	2,292,579,000(L)	15.40(L)	H-share
Haixia Industrial Investment Fund (Fujian) Limited	2,292,579,000(L) 2,292,579,000(S)	15.40(L) 15.40(S)	H-share
Haixia Capital Investment Fund Management Limited	2,292,579,000(L) 2,292,579,000(S)	15.40(L) 15.40(S)	H-share

Name	Interests in shares held	Shareholding percentage in the issued share capital of the same class *(%)*	Class of shares
Zhejiang Hexingli Holdings Group Limited	2,292,579,000(L)	15.40(L)	H-share
Zhejiang Xinhu Group Limited	2,292,579,000(L)	15.40(L)	H-share
UBS SDIC Fund Management Co., Ltd.	2,292,579,000(L)	15.40(L)	H-share
SDIC Capital Holdings Co., Ltd.	2,292,579,000(L) 2,292,579,000(S)	15.40(L) 15.40(S)	H-share
SDIC	2,292,579,000(L) 2,292,579,000(S)	15.40(L) 15.40(S)	H-share
Huang Wei	2,292,579,000(L)	15.40(L)	H-share
Gatherrise Limited	2,292,579,000(L) 2,292,579,000(S)	15.40(L) 15.40(S)	H-share
Xinhu Zhongbao Limited	2,292,579,000(L)	15.40(L)	H-share
Ningbo Jiayuan Industrial Development Limited	2,292,579,000(L)	15.40(L)	H-share
Funjian Investment and Development Group Corporation Limited	2,292,579,000(L) 2,292,579,000(S)	15.40(L) 15.40(S)	H-share
JPMorgan Chase & Co.	1,337,344,039(L) 58,369,132(S) 162,460,991(P)	8.98(L) 0.39(S) 1.09(P)	H-share

Notes: (L) — long position, (S) — short position, (P) — lending pool.

Except for the information disclosed above, as at the end of the Reporting Period, there were no other interests or short positions held by any other person or company in the shares or underlying shares of the Bank recorded in the register that the Bank has maintained pursuant to Section 336 of the SFO, requiring disclosure in accordance with Sections II and III of Part XV of the SFO.

Preference Shares

The Bank's Program on Private Offering of Preference Shares obtained the approval and regulatory opinion from the CBRC on 1 September and 15 October 2015 in succession.

On 23 March 2016, the meeting of the Board of Directors of the Bank deliberated and adopted the Proposal on Extending the Validity of the Resolution of the Shareholders' General Meeting on Private Offering of Preference Shares, Proposal on Requesting the Shareholders' General Meeting to Extend the Validity of Its Authorization for the Board of Directors to Handle Relevant Issues of the Private Offering of Preference Shares, and Proposal on Dilution of Spot Returns, Remedies and Undertakings by Relevant Stakeholders due to the Offering of Preference Shares by China CITIC Bank Corporation Limited. On 27 April 2016, the Board of Directors of the Bank deliberated and adopted the Proposal on Adjusting the Validity of the Resolution of the General Meeting on Private Offering of Preference Shares and Proposal on Requesting the General Meeting to Adjust the Validity of Its Authorization for the Board of Directors to Handle Relevant Issues of the Private Offering of Preference Shares.

On 26 May 2016, the General Meeting of the Bank deliberated and adopted the Proposal on Extending the Validity of the Resolution of the General Meeting on Private Offering of Preference Shares, Proposal on Dilution of Spot Returns, Remedies and Undertakings by Relevant Stakeholders due to the Offering of Preference Shares by China CITIC Bank Corporation Limited, Proposal on Adjusting the Validity of the Resolution of the General Meeting on Private Offering of Preference Shares, and Proposal on Requesting the General Meeting to Adjust the Validity of Its Authorization for the Board of Directors to Handle Relevant Issues of the Private Offering of Preference Shares, thus giving consent to the offering of up to 350,000,000 (inclusive) preference shares at RMB100.00 par value per share.

The application for the aforementioned private offering of preference shares obtained the approval from the Commission of Issuance Review and Approval of the CSRC on 17 June 2016. The offering thereof will be initiated upon the official reply on verification and approval from the CSRC.

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

Controlling Shareholder and De Facto Controller of the Bank

Changes in the controlling shareholder and de facto controller

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

Information on the controlling shareholder and de facto controller

CITIC Group was founded in 1979 by Mr. Rong Yiren with the support of Mr. Deng Xiaoping. Since its establishment, CITIC Group has been a pilot 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 positive image and reputation both domestic and abroad. At present, CITIC Group has developed into a large state-owned multinational conglomerate with both financial and non-financial businesses. Its financial business covers a full range of services including banking, securities, trust, insurance, fund and asset management; and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and information technology, with competitive integrated strength and great momentum of growth.

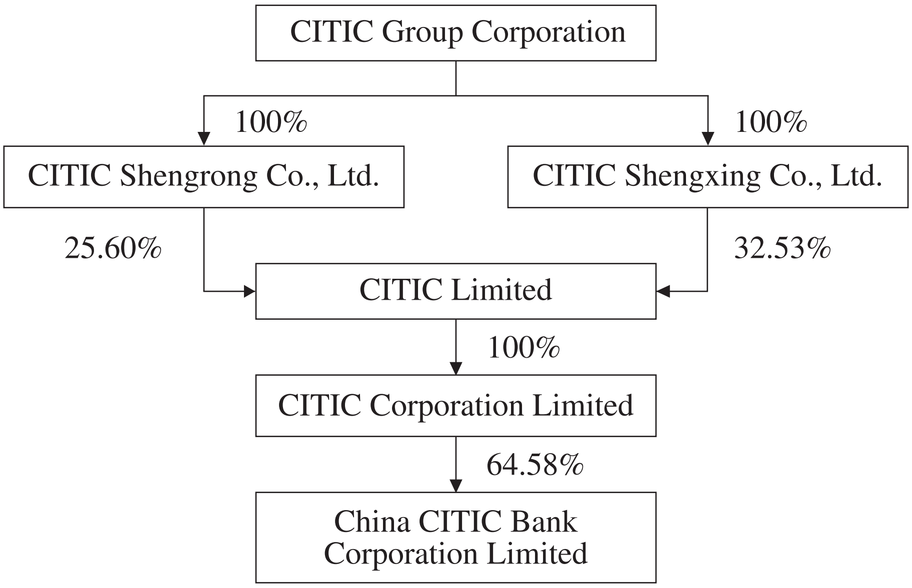
In December 2011, with approval from the State Council, and in alignment with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., CITIC Group contributed the majority of its existing net operating assets to establish CITIC Corporation Limited (its name was "CITIC Limited" when first established). CITIC Group held 99.9% equity interest in CITIC Corporation Limited, and 0.1% equity interest in Beijing CITIC Enterprise Management Co., Ltd.. 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 directly and indirectly, accounting for 61.85% of the Bank's total issued share capital. The above-mentioned share transfer was approved by the State Council, the MOF, the CBRC, the CSRC and the Hong Kong Monetary Authority. In February 2013, the relevant formalities for the share transfer were officially completed with the review and approval from the SSE and China Securities Depositary and Clearing Corporation Limited Shanghai Branch.

In August 2014, CITIC Group injected its main business assets into its Hong Kong listed subsidiary CITIC Pacific, and renamed such subsidiary into CITIC Limited. The former CITIC Limited was renamed into CITIC Corporation Limited. CITIC Limited held 100% equity interest in CITIC Corporation Limited.

As at the end of the Reporting Period, CITIC Limited together with its subsidiaries owned 28,938,928,294 A shares and 2,958,147,479 H shares of the Bank, accounting for 59.1377% and 6.0451% of the total issued share capital of the Bank, respectively. In sum, CITIC Limited owned 31,897,075,773 shares of the Bank, accounting for 65.1828% of the Bank's total issued share capital.

Among the above-mentioned shareholding, CITIC Corporation Limited, as the direct controlling shareholder of the Bank, directly owned 28,938,928,294 A shares and 2,662,648,479 H shares of the Bank, accounting for 59.1377% and 5.4412% of the Bank's total issued share capital, respectively. In total, CITIC Corporation Limited directly owned 31,601,576,773 shares of the Bank, accounting for 64.5789% of the Bank's total issued share capital.

As at the end of the Reporting Period, the ownership structure and controlling relationship between the Bank, its controlling shareholder and its *de facto* controller was as follows[1]:



V. PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

Both the Chinese and English versions of this results announcement are available on the websites of the Bank (http://www.citicbank.com) and HKEXnews (http://www.hkexnews.hk). The 2016 interim report of the Bank containing all the information required by the Listing Rules of HKEX will be published on the websites of the Bank (http://www.citicbank.com) and HKEXnews (http://www.hkexnews.hk) in due course. In the event of any discrepancies in interpretations between the English version and the Chinese version, the Chinese version shall prevail. The Bank also prepared the 2016 interim report in Chinese in accordance with the PRC GAAP, which is available on the websites of the Bank (http://www.citicbank.com) and SSE (http://www.sse.com.cn).

VI. FINANCIAL REPORT

Auditor's Opinion

PwC, the Group's external auditor, has reviewed the interim financial information of the Group for the six months ended 30 June 2016. Based on their review, nothing has come to their attention that causes them to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

[1] Both CITIC Shengrong Co., Ltd. and CITIC Shengxing Co., Ltd. are wholly-owned affiliated subsidiaries of CITIC Group incorporated on the British Virgin Islands. The chart sets out the direct and indirect shareholding of CITIC Limited in the Bank. Save as the information in the chart, CITIC Limited through its other wholly-owned affiliated subsidiaries concurrently holds shares of the Bank, and therefore holds an accumulative 65.1828% of the Bank's total issued share capital.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**Six months ended 30 June**	
		2016	2015
		Unaudited	Unaudited
Interest income		**107,685**	107,685
Interest expense		**(54,249)**	(57,941)
Net interest income	*4*	**53,436**	49,744
Fee and commission income		**22,353**	18,367
Fee and commission expense		**(1,057)**	(887)
Net fee and commission income	*5*	**21,296**	17,480
Net trading gain	*6*	**2,252**	1,426
Net gain from investment securities	*7*	**1,202**	1,183
Net hedging (loss)/gain		**(1)**	1
Other operating income		**197**	123
Operating income		**78,382**	69,957
Operating expenses	*8*	**(23,174)**	(23,290)
Operating profit		**55,208**	46,667
Impairment losses on assets	*9*	**(23,884)**	(16,691)
Revaluation gain on investment properties		**–**	3
Share of (loss)/profit of associates		**(43)**	141
Profit before tax		**31,281**	30,120
Income tax expense	*10*	**(7,604)**	(7,151)
Profit for the period		**23,677**	22,969

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
For the six months ended 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2016	2015
		Unaudited	Unaudited
Profit for the period		**23,677**	22,969
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss when specific conditions are met *(net of tax)*:			
Available-for-sale financial assets: net movement in fair value reserve		**(1,596)**	517
Exchange difference on translating foreign operations		**563**	309
Others		**(4)**	3
Items that will not be reclassified to profit or loss *(net of tax)*			
Net changes on the measurement of defined benefit plan		**–**	5
Other comprehensive (loss)/income, net of tax	*11*	**(1,037)**	834
Total comprehensive income for the period		**22,640**	23,803
Net profit attributable to:			
Equity holders of the Bank		**23,600**	22,586
Non-controlling interests		**77**	383
		23,677	22,969
Total comprehensive income attribute to:			
Equity holders of the Bank		**22,563**	23,324
Non-controlling interests		**77**	479
		22,640	23,803
Basic and diluted earnings per share *(RMB)*	*12*	**0.48**	0.48

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

Consolidated Interim Statement of Financial Position
As at 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

	30 June 2016 Unaudited	31 December 2015 Audited
Assets		
Cash and balances with central banks	**613,571**	511,189
Deposits with banks and non-bank financial institutions	**72,805**	80,803
Precious metals	**4,805**	1,191
Placements with and loans to banks and non-bank financial institutions	**110,049**	118,776
Financial assets at fair value through profit or loss	**60,388**	26,220
Derivative financial assets	**23,035**	13,788
Financial assets held under resale agreements	**96,747**	138,561
Interest receivable	**30,961**	30,512
Loans and advances to customers	**2,688,755**	2,468,283
Available-for-sale financial assets	**440,139**	373,770
Held-to-maturity investments	**191,451**	179,930
Investment classified as receivables	**1,172,889**	1,112,207
Investments in associates	**1,049**	976
Property, plant and equipment	**15,571**	15,983
Intangible assets	**725**	802
Investment properties	**332**	325
Goodwill	**873**	854
Deferred tax assets	**8,309**	7,981
Other assets	**74,324**	40,141
Total assets	**5,606,778**	5,122,292
Liabilities		
Borrowings from central banks	**78,100**	37,500
Deposits from banks and non-bank financial institutions	**1,144,462**	1,068,544
Placements from banks and non-bank financial institutions	**49,201**	49,248
Financial liabilities at fair value through profit or loss	**102**	–
Derivative financial liabilities	**24,337**	11,418
Financial assets sold under repurchase agreements	**19,261**	71,168
Deposits from customers	**3,455,161**	3,182,775
Accrued staff costs	**7,542**	8,302
Taxes payable	**3,757**	4,693
Interest payable	**36,689**	38,159
Provisions	**4**	2
Debt securities issued	**410,423**	289,135
Deferred tax liabilities	**22**	10
Other liabilities	**45,847**	41,652
Total liabilities	**5,274,908**	4,802,606

Consolidated Interim Statement of Financial Position (continued)
As at 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

	30 June 2016 Unaudited	31 December 2015 Audited
Equity		
Share capital	**48,935**	48,935
Capital reserve	**58,636**	58,636
Other comprehensive income	**2,547**	3,584
Surplus reserve	**23,362**	23,362
General reserve	**64,555**	64,555
Retained earnings	**131,894**	118,668
Total equity attributable to equity holders of the Bank	**329,929**	317,740
Non-controlling interests	**1,941**	1,946
Total equity	**331,870**	319,686
Total liabilities and equity	**5,606,778**	5,122,292

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

Approved and authorised for issue by the Board of Directors on 25 August 2016.

Li Qingping
Chairperson

Sun Deshun
President

Fang Heying
Vice President in charge of finance function

Lu Wei
General Manager of Finance and Accounting Department

Company stamp

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2016

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Equity attributable to equity holders of the Bank						Non-controlling interests		
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary equity holders	Other equity instruments holders	Total equity
As at 1 January 2016		**48,935**	**58,636**	**3,584**	**23,362**	**64,555**	**118,668**	**121**	**1,825**	**319,686**
(i) Net profit		**–**	**–**	**–**	**–**	**–**	**23,600**	**5**	**72**	**23,677**
(ii) Other comprehensive loss	*11*	**–**	**–**	**(1,037)**	**–**	**–**	**–**	**–**	**–**	**(1,037)**
Total comprehensive income		**–**	**–**	**(1,037)**	**–**	**–**	**23,600**	**5**	**72**	**22,640**
(iii) Profit appropriations										
Dividends paid to ordinary equity holders		**–**	**–**	**–**	**–**	**–**	**(10,374)**	**–**	**–**	**(10,374)**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(10)**	**–**	**(10)**
Profit appropriation to holders of other equity instruments		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(72)**	**(72)**
As at 30 June 2016		**48,935**	**58,636**	**2,547**	**23,362**	**64,555**	**131,894**	**116**	**1,825**	**331,870**

	Note	Equity attributable to equity holders of the Bank						Non-controlling interests		
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary equity holders	Other equity instruments holders	Total equity
As at 1 January 2015		46,787	49,296	(1,833)	19,394	50,447	95,586	5,844	1,825	267,346
(i) Net profit		–	–	–	–	–	22,586	316	67	22,969
(ii) Other comprehensive income	*11*	–	–	738	–	–	–	96	–	834
Total comprehensive income		–	–	738	–	–	22,586	412	67	23,803
(iii) Profit appropriations										
Profit appropriation to holders of other equity instruments		–	–	–	–	–	–	–	(67)	(67)
As at 30 June 2015		46,787	49,296	(1,095)	19,394	50,447	118,172	6,256	1,825	291,082

	Notes	Equity attributable to equity holders of the Bank						Non-controlling interests		
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary equity holders	Other equity instruments holders	Total equity
As at 1 January 2015		46,787	49,296	(1,833)	19,394	50,447	95,586	5,844	1,825	267,346
(i) Net profit		–	–	–	–	–	41,158	445	137	41,740
(ii) Other comprehensive income	*11*	–	–	5,417	–	–	–	227	–	5,644
Total comprehensive income		–	–	5,417	–	–	41,158	672	137	47,384
(iii) Changes in ownership interests in subsidiaries without change of control		–	(400)	–	–	–	–	(6,395)	–	(6,795)
(iv) Proceeds from shares issuance		2,148	9,740	–	–	–	–	–	–	11,888
(v) Profit appropriations										
Appropriations to surplus reserve		–	–	–	3,968	–	(3,968)	–	–	–
Appropriations to general reserve		–	–	–	–	14,108	(14,108)	–	–	–
Profit appropriation to holders of other equity instruments		–	–	–	–	–	–	–	(137)	(137)
As at 31 December 2015		48,935	58,636	3,584	23,362	64,555	118,668	121	1,825	319,686

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

Consolidated Interim Statement of Cash Flows
For the six months ended 30 June 2016
(Amounts in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Operating activities		
Profit before tax	**31,281**	30,120
Adjustments for:		
– net revaluation loss on investments, derivatives and investment properties	**533**	443
– investment gain	**(638)**	(268)
– net gain on disposal of property, plant and equipment	**(41)**	–
– unrealised foreign exchange loss/(gain)	**193**	(229)
– impairment losses	**23,884**	16,691
– depreciation and amortisation	**1,312**	1,174
– interest expense on debt securities issued	**6,570**	3,810
– dividend income from equity investment	**–**	(27)
– income tax paid	**(8,037)**	(8,131)
	55,057	43,583
Changes in operating assets and liabilities:		
(Increase)/decrease in balances with central banks	**(18,837)**	23,952
Decrease/(increase) in deposits with banks and non-bank financial institutions	**6,385**	(3,455)
Increase in placements with and loans to banks and non-bank financial institutions	**(2,229)**	(24,519)
Increase in financial assets at fair value through the profit or loss	**(20,686)**	(6,410)
Decrease in financial assets held under resale agreements	**43,194**	57,275
Increase in loans and advances to customers	**(236,510)**	(130,709)
Increase in investment classified as receivables	**(62,026)**	(248,164)
Increase in deposits from banks and non-bank financial institutions	**75,893**	215,928
Increase/(decrease) in borrowings from central banks	**40,600**	(40,000)
(Decrease)/increase in placements from banks and non-bank financial institutions	**(176)**	811
Increase/(decrease) in financial liabilities at fair value through profit or loss	**102**	(573)
Decrease in financial assets sold under repurchase agreements	**(51,908)**	(34,741)
Increase in deposits from customers	**268,255**	229,750
Increase in other operating assets	**(41,941)**	(30,648)
Decrease in other operating liabilities	**(5,541)**	(13,900)
Net cash flows from operating activities	**49,632**	38,180

Consolidated Interim Statement of Cash Flows (continued)
For the six months ended 30 June 2016
(Amounts in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Investing activities		
Proceeds from disposal and redemption of investments	**259,014**	336,670
Proceeds from disposal of property, plant and equipment, land use rights, and other assets	**89**	1
Cash received from equity investment income	**40**	27
Payments on acquisition of investments	**(327,241)**	(427,037)
Payments on acquisition of properties and equipment and other assets	**(3,559)**	(2,246)
Cash paid for acquisition of an associate/subsidiary	**(100)**	(10)
Net cash flows used in investing activities	**(71,757)**	(92,595)
Financing activities		
Cash received from debt securities issued	**336,974**	92,625
Cash paid for redemption of debt securities issued	**(218,350)**	(53,525)
Interest paid on debt securities issued	**(5,832)**	(3,258)
Dividends paid	**(82)**	–
Net cash flows from financing activities	**112,710**	35,842
Net increase/(decrease) in cash and cash equivalents	**90,585**	(18,573)
Cash and cash equivalents as at 1 January	**226,364**	228,375
Effect of exchange rate changes on cash and cash equivalents	**2,212**	1,473
Cash and cash equivalents as at 30 June	**319,161**	211,275
Cash flows from operating activities include:		
Interest received	**105,888**	105,646
Interest paid	**(49,584)**	(55,572)

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

NOTES:

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 both on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited on 27 April 2007.

As at 30 June 2016, the Bank 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, Hong Kong and other overseas countries and regions.

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

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.

The interim financial report was approved by the Board of Directors of the Bank on 25 August 2016.

2 Basis of preparation

The unaudited consolidated interim financial statements for the six months ended 30 June 2016 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 unaudited consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

The consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015, which have been audited.

(a) Amendments to the accounting standards effective in 2016 and adopted by the Group

In the current interim period, the Group has adopted the following amendments to the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015.

(i)	IFRS 14	Regulatory Deferral Account
(ii)	Amendments to IFRS 11	Acquisition of Interests in Joint Operations
(iii)	Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
(iv)	Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants
(v)	Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 cycle
(vi)	Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
(vii)	Amendments to IAS 1	Disclosure Initiative
(viii)	Amendments to IAS 27	Equity Method in Separate Financial Statements

The adoption of these amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

3 Principle accounting policies (continued)

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

The Group has not adopted the following new and amended standards that have been issued but are not yet effective.

			Effective for annual periods beginning on or after
(i)	Amendments to IAS 12	Income Taxes	1 January 2017
(i)	Amendments to IAS 7	Statement of Cash Flows	1 January 2017
(i)	IFRS 15	Revenue from Contracts with Customers	1 January 2018
(i)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred indefinitely.
(ii)	Amendments to IFRS 2	Share – based Payment	1 January 2018
(iii)	IFRS 9	Financial Instruments	1 January 2018
(iii)	IFRS 16	Leases	1 January 2019

(i) Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(ii) On 20 June 2016, the IASB issued an amendment to IFRS 2, 'Share-based Payment', addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled, share-based payments and equity-settled awards that include a 'net settlement' feature in respect of withholding taxes.

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group anticipates that the adoption of this amendment will not have a significant impact on the Group's consolidated financial statements.

(iii) Descriptions of IFRS 15 and IFRS 9 were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015. The Group is in the process of assessing the impact on the Group's consolidated financial statements from these new standards.

(c) Transformation from Business Taxes to Value-added Taxes (the "VAT" Program)

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No. 36), the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No. 46) and the "Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions" (Cai Shui [2016] No.70) issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from credit business, fee income on financial services, insurance business and trading of financial products at 6%, instead of business tax at 5% prior to 1 May 2016.

After the implementation of the VAT Pilot Programs, the Group's interest income, fee and commission income and trading gain of financial products are presented net of their respective VAT in the consolidated interim financial statements.

4 Net interest income

	Six months ended 30 June	
	2016	2015
Interest income arising from (Note (i)):		
Deposits with central banks	**3,744**	3,760
Deposits with banks and non-bank financial institutions	**732**	648
Placements with and loans to banks and non-bank financial institutions	**1,691**	1,397
Financial assets held under resale agreements	**442**	2,404
Investment classified as receivables	**24,416**	23,018
Loans and advances to customers		
– corporate loans	**47,548**	49,748
– personal loans	**17,173**	17,146
– discounted bills	**1,580**	1,504
Investments in debt securities	**10,357**	8,058
Others	**2**	2
Subtotal	**107,685**	107,685
Interest expense arising from:		
Borrowings from central banks	**(1,205)**	(624)
Deposits from banks and non-bank financial institutions	**(16,899)**	(20,246)
Placements from banks and non-bank financial institutions	**(620)**	(260)
Financial assets sold under repurchase agreements	**(337)**	(339)
Deposits from customers	**(28,615)**	(32,659)
Debt securities issued	**(6,570)**	(3,810)
Others	**(3)**	(3)
Subtotal	**(54,249)**	(57,941)
Net interest income	**53,436**	49,744

Note:

(i) Interest income includes interest income accrued on individually assessed impaired financial assets of RMB322 million for the six months ended 30 June 2016 (Six months ended 30 June 2015: RMB281 million).

5 Net fee and commission income

	Six months ended 30 June	
	2016	2015
Fee and commission income		
Bank card fees	**8,318**	5,851
Agency fees and commission *(Note (i))*	**3,871**	2,042
Commission for wealth management services	**3,261**	2,568
Consultancy and advisory fees	**3,169**	3,791
Commission for custodian business and other fiduciary	**1,387**	1,121
Guarantee fees	**1,260**	1,614
Settlement and clearance fees	**743**	1,043
Others	**344**	337
Total	**22,353**	18,367
Fee and commission expense	**(1,057)**	(887)
Net fee and commission income	**21,296**	17,480

Note:

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

6 Net trading gain

	Six months ended 30 June	
	2016	2015
Debt securities and certificates of deposits	**521**	951
Foreign currencies	**871**	1,156
Derivatives	**727**	(753)
Financial instrument designated at fair value through profit or loss	**133**	72
Total	**2,252**	1,426

7 Net gain from investment securities

	Six months ended 30 June	
	2016	2015
Net gain from sale of available-for-sale securities	**678**	124
Net gain from bills rediscounting	**284**	731
Others	**240**	328
Total	**1,202**	1,183

8 Operating expenses

	Six months ended 30 June	
	2016	2015
Staff costs		
– salaries and bonuses	**8,547**	7,745
– welfare expenses	**474**	470
– social insurance	**448**	469
– housing fund	**617**	547
– labour union expenses and employee education expenses	**356**	323
– housing allowance	**193**	198
– other short-term benefits	**42**	70
– post-employment benefits – defined contribution plans	**917**	825
– post-employment benefits – defined benefit plans	**1**	5
– other long-term benefits	**37**	4
Subtotal	**11,632**	10,656
Property and equipment expenses		
– rent and property management expenses	**2,182**	2,116
– depreciation	**827**	745
– amortisation expenses	**485**	429
– electronic equipment operating expenses	**306**	292
– maintenance	**154**	130
– others	**138**	143
Subtotal	**4,092**	3,855
Business tax and surcharges	**3,688**	5,065
Other general and administrative expenses		
– audit fee	**9**	8
– others	**3,753**	3,706
Subtotal	**3,762**	3,714
Total	**23,174**	23,290

9 Impairment losses on assets

	Six months ended 30 June	
	2016	2015
Loans and advances to customers	**19,796**	15,391
Interest receivable	**2,556**	1,105
Available-for-sale financial assets	**(1)**	(3)
Held-to-maturity investments	**–**	(2)
Investment classified as receivables	**1,348**	(5)
Repossessed assets	**(4)**	–
Off-balance sheet items	**(49)**	(66)
Others	**238**	271
Subtotal	**4,088**	1,300
Total	**23,884**	16,691

10 Income tax

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

	Six months ended 30 June	
	2016	2015
Current tax		
– Mainland China	**7,213**	6,830
– Hong Kong	**182**	159
– Overseas	**6**	18
Deferred tax	**203**	144
Income tax	**7,604**	7,151

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 countries in which the Group operates respectively.

(b) Reconciliation between income tax expense and profit before tax

	Six months ended 30 June	
	2016	2015
Profit before tax	**31,281**	30,120
Income tax calculated at statutory tax rate	**7,820**	7,530
Effect of different tax rates in other regions	**(108)**	(120)
Tax effect of non-deductible expenses	**227**	148
Tax effect of non-taxable income		
– interest income arising from PRC government bonds	**(330)**	(328)
– others	**(5)**	(79)
Income tax	**7,604**	7,151

11 Other comprehensive gain, net of tax

	Six months ended 30 June	
	2016	2015
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	**(1,003)**	1,175
– net amount transferred to profit or loss	**(1,125)**	(486)
Income tax relating to other comprehensive income of available-for-sale financial assets	**532**	(172)
Other comprehensive income for available-for-sale financial assets, net of tax	**(1,596)**	517
Share of other comprehensive (loss)/income of associates	**(4)**	3
Exchange differences on translation	**563**	309
Subtotal	**(1,037)**	829
Items that will not be reclassified to profit or loss		
Changes on the measurement of defined benefit plans, net of tax	**–**	5
Other comprehensive (loss)/income, net of tax	**(1,037)**	834

12 Earnings per share

Earnings per share information for the six months ended 30 June 2016 and 2015 is computed by dividing the consolidated net profit attributable to equity holders of the Bank by the weighted average number of shares in issue during the period. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2016 and 2015.

	Six months ended 30 June	
	2016	2015
Net profit attributable to equity holders of the Bank	**23,600**	22,586
Weighted average number of shares *(in million shares) (Note (i))*	**48,935**	46,787
Basic and diluted earnings per share *(in RMB)*	**0.48**	0.48

Note:

(i) On 31 December 2015, the Bank through private placement issued 2,147,469,539 shares to China National Tobacco Corporation (CNTC), at an issuance price of RMB5.55 per share, raising RMB11,888 million in total after deduction of issuance expenses (including underwriting and sponsorship fees). Such issuance resulted in an increase in share capital and share premium by RMB2,148 million and RMB9,740 million, respectively.

13 Movements of allowance for impairment losses

	Six months ended 30 June 2016					
	As at 1 January	**Charge for the period**	**Reversal for the period**	**Transfer in/(out)** *Note (i)*	**Write-offs**	**As at 30 June**
Placements with and loans to banks and non-bank financial institutions	8	–	–	–	–	8
Interest receivable	2,134	2,735	(179)	5	(2,016)	2,679
Loans and advances to customers	60,497	24,896	(5,100)	51	(19,872)	60,472
Available-for-sale financial assets	160	–	(1)	(38)	–	121
Held-to-maturity investments	41	–	–	(41)	–	–
Investment classified as receivables	885	1,348	–	–	–	2,233
Other assets	1,999	248	(14)	103	(287)	2,049
Total	65,724	29,227	(5,294)	80	(22,175)	67,562

	Year ended 31 December 2015					
	As at 1 January	Charge for the year	Reversal for the year	Transfer in/(out) *Note (i)*	Write-offs	As at 31 December
Placements with and loans to banks and non-bank financial institutions	8	–	–	–	–	8
Interest receivable	1,390	3,398	(457)	26	(2,223)	2,134
Loans and advances to customers	51,576	37,421	(2,301)	40	(26,239)	60,497
Available-for-sale financial assets	97	63	(6)	6	–	160
Held-to-maturity investments	41	–	(4)	4	–	41
Investment classified as receivables	156	729	–	–	–	885
Other assets	882	1,379	(90)	6	(178)	1,999
Total	54,150	42,990	(2,858)	82	(28,640)	65,724

Note:

(i) Transfer in/(out) includes the effect of exchange rate and disposals during the period. Besides allowance for impairment losses above, the Group also charged impairment losses for off-balance sheet items. Details are disclosed in (Note 9).

14 Profit appropriations and retained earnings

(a) On 26 May 2016, the Board of Directors proposed a cash dividend of RMB2.12 per 10 shares in respect of the year ended 31 December 2015. Subject to the approval of the equity holders at the Annual General Meeting, approximately RMB10,374 million is payable to those on the register of equity holders as at the relevant record date. Dividend payable of approximately RMB10,374 million is recognized as dividend payable in other liabilities and was distributed to shareholders of record on 25 July 2016.

(b) As at 30 June 2016, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB50 million (31 December 2015: RMB50 million). Such statutory surplus reserves cannot be distributed.

15 Commitments and contingent liabilities

(a) *Credit commitments*

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

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

The contractual amounts of credit commitments by category 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 2016	31 December 2015
Contractual amount		
Loan commitments		
– with an original maturity of within one year	**166,050**	130,985
– with an original maturity of one year or above	**51,877**	69,948
Subtotal	**217,927**	200,933
Guarantees	**143,256**	133,567
Letters of credit	**89,860**	92,164
Bank acceptances	**573,634**	631,431
Credit card commitments	**188,150**	149,138
Total	**1,212,827**	1,207,233

(b) *Credit commitments analysed by credit risk weighted amount*

	30 June 2016	31 December 2015
Credit risk weighted amount of credit commitments	**339,686**	391,878

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.

(c) *Capital commitments*

The Group had the following authorised capital commitments in respect of properties and equipment at the reporting date:

	30 June 2016	31 December 2015
Contracted for	**3,934**	7,119
Authorised but not contracted for	**111**	113

15 Commitments and contingent liabilities (continued)

(d) Operating lease commitments

The Group leases certain properties and equipment under operating leases, which typically run for an initial period of one to five years and may include an option to renew the leases when all terms are renegotiated. As at 30 June 2016, the Group's future minimum lease payments under non-cancellable operating leases were as follows:

	30 June 2016	31 December 2015
Within one year	**2,749**	2,864
After one year but within two years	**2,427**	2,553
After two years but within three years	**2,066**	2,173
After three years but within five years	**3,336**	3,510
After five years	**2,761**	3,699
Total	**13,339**	14,799

(e) Outstanding contingencies including litigation and disputes

The Group has assessed and has made provision 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.

As at 30 June 2016, the Group was involved in certain pending litigation with gross claims of RMB381 million (as at 31 December 2015: RMB394 million). Based on the opinion of internal and external legal counsels, the Group had made a provision of RMB4 million (as at 31 December 2015: RMB2 million) against these litigation.

(f) Bonds redemption obligations

As an underwriting agent of PRC government 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 government bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	30 June 2016	31 December 2015
Bonds redemption obligations	**12,843**	13,371

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) Commitment to share acquisition and disposal

On 26 May 2015, the Group and CTBC Financial Holding Co., Ltd (hereinafter referred to as "CTBC") entered into a private placement agreement. The Group agreed to acquire 602,678,478 ordinary shares representing 3.8% of CTBC's total share capital after this placement, for a cash consideration of NTD 13,090 million. On the same day, CBI entered into an agreement to dispose its 100% shares in CITIC Bank International (China) Limited to CTBC Bank Co., Ltd., a wholly-owned subsidiary of CTBC, for a cash consideration of Hong Kong Dollars equivalent to RMB2,353 million. As at the reporting date, these agreements were still subject to the approval of regulators in the relevant jurisdictions and are conditional on simultaneous completion. On 30 April 2016, the Group and CTBC extended the private placement agreement to 25 May 2017.

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

Others and unallocated

These represent non-banking businesses provided by the Group's subsidiaries (CIFH and CNCB Investment), alone with head office assets, liabilities, income and expenses that are not directly attributable to a segment. This segment also manages the Group's liquidity position.

During the six months ended 2016, the Group reallocated international businesses and investment banking businesses, from treasury business segment to corporate banking segment. The related comparative figures have been restated accordingly.

16 Segment reporting (continued)

(a) Business segments (continued)

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

	30 June 2016				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	**2,438,277**	**886,376**	**1,659,331**	**613,436**	**5,597,420**
Interest in associate	**–**	**–**	**–**	**1,049**	**1,049**
Deferred tax assets					**8,309**
Total asset					**5,606,778**
Segment liabilities	**2,980,533**	**594,270**	**1,144,292**	**555,791**	**5,274,886**
Deferred tax liabilities					**22**
Total liabilities					**5,274,908**
Off-balance sheet credit commitments	**934,816**	**188,150**	**89,861**	**–**	**1,212,827**

16 Segment reporting (continued)

(a) Business segments (continued)

	Six months ended 30 June 2015				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	26,965	11,829	14,846	(3,896)	49,744
Internal net interest income/(expense)	6,557	(4,008)	(9,807)	7,258	–
Net interest income	33,522	7,821	5,039	3,362	49,744
Net fee and commission income	7,569	7,674	2,329	(92)	17,480
Other net income *(Note (i))*	1,550	346	1,656	(819)	2,733
Operating income	42,641	15,841	9,024	2,451	69,957
Operating expenses					
– depreciation and amortisation	(502)	(172)	(339)	(161)	(1,174)
– others	(11,687)	(9,363)	(581)	(485)	(22,063)
Impairment losses	(12,730)	(3,544)	22	(439)	(16,691)
Revaluation gain on investment properties	–	–	–	3	3
Share of gain of associates	–	–	–	141	141
Profit before tax	17,722	2,762	8,126	1,510	30,120
Income tax					(7,151)
Net profit					22,969
Capital expenditure	354	92	242	88	776

	31 December 2015				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	2,267,448	799,410	1,584,881	461,596	5,113,335
Interest in associate				976	976
Deferred tax assets					7,981
Total asset					5,122,292
Segment liabilities	2,728,042	568,089	1,239,707	266,758	4,802,596
Deferred tax liabilities					10
Total liabilities					4,802,606
Off-balance sheet credit commitments	965,931	149,138	92,164	–	1,207,233

Note:

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

16 Segment reporting (continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches and sub-branches located in 31 provinces, autonomous regions and municipalities directly under the central government. 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 segment, 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 branch of the Group is located: Shenyang, Changchun and Harbin;

– "Head Office" refers to the headquarter of the Bank and the Credit Card Center; and

– "Hong Kong" includes all the operations of CNCB Investment, CIFH and its subsidiaries.

16 Segment reporting (continued)

(b) Geographical segments (continued)

Six months ended 30 June 2016

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

30 June 2016

	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	1,154,890	837,672	1,271,358	660,089	580,851	82,202	3,036,911	253,968	(2,280,521)	5,597,420
Interest in associate	–	–	–	–	–	–	–	1,049	–	1,049
Deferred tax assets										8,309
Total assets										5,606,778
Segment liabilities	1,149,037	834,294	1,261,289	659,582	575,878	81,167	2,744,649	227,470	(2,258,480)	5,274,886
Deferred tax liabilities										22
Total liabilities										5,274,908
Off-balance sheet credit commitment	243,938	148,358	214,355	174,685	124,968	20,874	181,176	104,473	–	1,212,827

16 Segment reporting (continued)

(b) Geographical segments (continued)

	Six months ended 30 June 2015									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
External net interest income	9,357	5,327	6,811	6,939	7,171	1,025	11,836	1,278	–	49,744
Internal net interest income/(expense)	600	1,698	3,472	488	(711)	37	(5,710)	126	–	–
Net interest income	9,957	7,025	10,283	7,427	6,460	1,062	6,126	1,404	–	49,744
Net fee and commission income	2,690	1,457	2,618	1,693	1,572	291	6,706	453	–	17,480
Other net income *(Note (i))*	886	342	495	187	242	63	77	441	–	2,733
Operating income	13,533	8,824	13,396	9,307	8,274	1,416	12,909	2,298	–	69,957
Operating expense										
– depreciation and amortisation	(189)	(127)	(208)	(136)	(142)	(46)	(222)	(104)	–	(1,174)
– others	(4,296)	(2,659)	(3,988)	(3,082)	(2,837)	(581)	(3,663)	(1,010)	–	(22,116)
Impairment losses	(5,255)	(4,862)	(3,100)	(923)	(1,595)	(123)	(876)	43	–	(16,691)
Revaluation gain on investment properties	–	–	–	–	–	–	–	3	–	3
Share of gain of associates	–	–	–	–	–	–	–	141	–	141
Profit before tax	3,793	1,176	6,100	5,166	3,700	666	8,148	1,371	–	30,120
Income tax										(7,151)
Net profit										22,969
Capital expenditure	168	41	44	68	160	9	237	49	–	776

	31 December 2015									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Hong Kong	Elimination	Total
Segment assets	1,099,815	752,965	1,114,688	617,426	557,507	93,262	2,622,096	240,435	(1,984,859)	5,113,335
Interest in associate	–	–	–	–	–	–	–	976	–	976
Deferred tax assets										7,981
Total assets										5,122,292
Segment liabilities	1,090,635	751,135	1,099,277	609,986	551,901	92,311	2,354,458	215,502	(1,962,609)	4,802,596
Deferred tax liabilities										10
Total liabilities										4,802,606
Off-balance sheet credit commitment	256,116	164,181	226,170	178,355	126,693	27,043	141,993	86,682	–	1,207,233

Note:

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

DEFINITIONS

For the purpose of this announcement, the terms below assume the implications indicated in the following table, unless otherwise explained:

Articles of Association	Articles of Association of China CITIC Bank Corporation Limited
Bank/ Company/ China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.（西班牙對外銀行）
Board of Directors	Board of Directors of the Bank
Board of Supervisors	Board of Supervisors of the Bank
CBRC	China Banking Regulatory Commission
China AMC	China Asset Management Co., Ltd.
China Securities	China Securities Co., Ltd.
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Construction	CITIC Construction Co., Ltd.
CITIC Corporation Limited	CITIC Corporation Limited
CITIC-CP Asset Management	CITIC-CP Asset Management Company Limited
CITIC Envirotech	CITIC Envirotech Ltd
CITIC Financial Leasing	CITIC Financial Leasing Co., Ltd.
CITIC Group	CITIC Group Corporation
CITIC Limited	CITIC Limited

CITIC Press	CITIC Press Group Limited
CITIC-Prudential Fund Management	CITIC-Prudential Fund Management Company Limited
CITIC-Prudential Life Insurance	CITIC-Prudential Life Insurance Company Ltd.
CITIC Real Estate	CITIC Real Estate Co., Ltd.
CITIC Securities	CITIC Securities Co., Ltd.
CITIC Trust	CITIC Trust Co., Ltd.
CNCB Capital	CNCB (Hong Kong) Capital Limited
CNCB Investment	CNCB (Hong Kong) Investment Limited
CNCBI	CITIC Bank International Limited
CSRC	China Securities Regulatory Commission
Group	China CITIC Bank Corporation Limited and its subsidiaries
HKEX	The Stock Exchange of Hong Kong Limited
Joint-Stock Banks	Including China CITIC Bank, China Merchants Bank, China Minsheng Bank, Industrial Bank, Shanghai Pudong Development Bank, China Everbright Bank, Huaxia Bank, Ping'an Bank, Guangdong Development Bank, China Zheshang Bank, China Bohai Bank and Evergrowing Bank.
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank Limited
MOF	Ministry of Finance of the People's Republic of China
NDRC	National Development and Reform Commission
PricewaterhouseCoopers/PwC	PricewaterhouseCoopers

Reporting Period	The period from 1 January to 30 June 2016
SAT	State Administration of Taxation
SSE	Shanghai Stock Exchange
State Council	State Council of the People's Republic of China
Tianan Property Insurance	Tianan Property Insurance Company Limited of China

By order of the Board of Directors
China CITIC Bank Corporation Limited
Li Qingping
Chairperson

Beijing, the PRC
25 August 2016

As at the date of this announcement, the executive directors of the Bank are Ms. Li Qingping (Chairperson) and Mr. Sun Deshun (President); the non-executive directors are Mr. Chang Zhenming, Mr. Zhu Xiaohuang and Mr. Wan Liming; and the independent non-executive directors are Ms. Wu Xiaoqing, Mr. Wong Luen Cheung Andrew, Mr. He Cao and Ms. Chen Lihua.