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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "**Board of Directors**") of China CITIC Bank Corporation Limited (the "**Bank**") is pleased to announce the annual results of the Bank and its subsidiaries (the "**Group**") for the year ended 31 December 2020. This annual results announcement contains the annual report of the Bank for the year ended 31 December 2020, the contents of which were 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 "**Hong Kong Listing Rules**"). The annual financial information of the Group for the year ended 31 December 2020 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Review Standard. The annual results have also been reviewed by the Audit and Related Party Transactions Control Committee under the Board of Directors. This annual results announcement is published on the websites of the Bank (www.citicbank.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Bank for the year ended 31 December 2020 will be dispatched to shareholders and will also be available at the abovementioned websites in due course.

CLOSURE OF REGISTER OF MEMBERS

After being reviewed and adopted by the Board of Directors, the Profit Distribution Plan for 2020 is proposed to be submitted to the 2020 Annual General Meeting for deliberation. The plan proposes to pay a cash dividend of RMB2.54 per 10 shares (before tax).

If the Bank's proposal for final dividend distribution is approved by the shareholders at the forthcoming 2020 Annual General Meeting, the Bank will engage Bank of China (Hong Kong) Trustees Ltd. as the receiving agent in Hong Kong for payment of the H-shares dividend. The final dividends will be distributed by the receiving agent to the H shareholders of the Bank as shown on the Bank's register of members on Tuesday, 6 July 2021. The Bank's register of members will be closed from Wednesday, 30 June 2021 to Tuesday, 6 July 2021 (both dates inclusive).In order to qualify for receiving the final dividend proposed by the Bank, which is subject to the shareholders' approval at the forthcoming 2020 Annual General Meeting of the Bank, holders of H share of the Bank should ensure that all share transfer documents together with the relevant share certificates must be lodged with the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 29 June 2021. The Bank plans to distribute the 2020 annual dividends to H shareholders on Thursday, 29 July 2021. If there is any change to the expected dividend distribution date, the Bank will publish an announcement regarding such changes.

By order of the Board of Directors
China CITIC Bank Corporation Limited
Fang Heying
Executive Director, President

Beijing, the PRC
25 March 2021

As at the date of this announcement, the executive directors of the Bank are Mr. Fang Heying (President) and Mr. Guo Danghuai; the non-executive directors are Mr. Cao Guoqiang, Ms. Huang Fang and Mr. Wan Liming; and the independent non-executive directors are Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Yan Lap Kei Isaac.

CORPORATE PROFILE

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

The Bank aspires to become a responsible, unique and valuable provider of the best comprehensive financial services with a human touch. To attain this development vision, the Bank fully leverages on the advantages of CITIC Group's comprehensive platform featuring both financial and non-financial businesses, and at the same time holds firm to its business concept of "customer orientation, reform driven, science & technology for growth, asset-light development, compliant operation, strengthen through talents". For corporate customers and institutional customers, the Bank offers integrated financial solutions in corporate banking business, international business, financial markets business, institutional banking business, investment banking business, transaction banking business and custody business. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance and e-banking. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts.

As at the end of 2020, the Bank had 1,405 outlets in 153 large and medium-sized cities in China and 7 affiliates at home and abroad, namely CITIC International Financial Holdings Limited, CNCB (Hong Kong) Investment Co., Ltd., CITIC Financial Leasing Co., Ltd., CITIC Wealth Management Corporation Limited, CITIC aiBank Corporation Limited, JSC Altyn Bank and Zhejiang Lin'an CITIC Rural Bank Limited. CITIC Bank International Limited, a subsidiary of CIFH, recorded 34 outlets and 2 business centers in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and the Chinese mainland. CNCB (Hong Kong) Investment Co., Ltd. had 3 subsidiaries in Hong Kong SAR and the Chinese mainland. CITIC Wealth Management Corporation Limited is the wholly-owned wealth management subsidiary of the Bank. CITIC aiBank Corporation Limited, a joint venture co-sponsored by the Bank and Baidu, is the first independent legal entity practicing direct banking in China. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan.

The Bank has persevered in serving the real economy, engaging in stable healthy business operation and keeping abreast with the times. Thriving through over 30 years' growth and expansion, the Bank has become a financial conglomerate with strong comprehensive competitiveness and powerful brand influence, registering more than RMB7 trillion total assets and nearly 60,000 employees. In 2020, *The Banker* magazine of the United Kingdom rated the Bank the 21st on its list of the "Top 500 Global Bank Brands" and the 24th on its list of the "Top 1,000 World Banks" in terms of tier-one capital.

IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank guarantee that the information contained in the 2020 Annual Report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for its truthfulness, accuracy and completeness.

The meeting of the Board of Directors of the Bank adopted the full text and summary of the Bank's 2020 Annual Report on 25 March 2021. Nine of the nine eligible directors attended the meeting, with 8 of them attending the meeting on site, and director Wan Liming entrusting director Huang Fang to attend and vote on his behalf as proxy due to conflicting schedule. The supervisors and senior management members of the Bank attended the meeting as non-voting delegates.

The 2020 annual financial reports that the Bank prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were audited respectively by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the auditing standards of the Chinese mainland and Hong Kong SAR respectively, with both firms producing an auditor's report with a standard unqualified audit opinion.

Mr. Fang Heying as executive director, President and Chief Financial Officer of the Bank, Mr. Guo Danghuai as executive director and the Vice President in charge of finance and accounting works of the Bank and Mr. Xue Fengqing as the head of the Finance and Accounting Department of the Bank hereby declare and guarantee the truthfulness, accuracy and completeness of the financial report contained in the Bank's 2020 Annual Report.

Profit Distribution Plan: Chapter 4 "Significant Events – Profit and Dividend Distribution of Ordinary Shares" of this report discloses the Bank's Profit Distribution Plan for 2020 as reviewed and adopted by the Board of Directors and to be submitted to the 2020 Annual General Meeting for deliberation. The plan proposes to pay a cash dividend of RMB2.54 per 10 shares (before tax). No scheme for transfer of capital reserve to share capital will be applied for the current year.

Cautionary note on forward-looking statements: Forward-looking statements such as future plans and development strategies contained in this report do not constitute substantive commitments of the Bank to its investors. Investors and relevant persons are kindly reminded to maintain adequate risk awareness of such statements and understand the differences between plans, forecasts and commitments.

Material risk reminder: During the reporting period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The Bank has detailed in this report the major risks that it was and may be exposed to in its operation and management and its countermeasures thereof. For relevant information thereof, please refer to related parts in Chapter 3 "Management Discussion and Analysis" of this report.

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

CONTENTS

DEFINITIONS

the reporting period	From 1 January 2020 to 31 December 2020
the Bank/the Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
the Group	China CITIC Bank Corporation Limited and its subsidiaries
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Xinhu Zhongbao	Xinhu Zhongbao Co., Ltd.
CITIC Wealth Management	CITIC Wealth Management Corporation Limited
CNCB Investment	CNCB (Hong Kong) Investment Co., Ltd. (formerly known as China Investment and Finance Limited)
former CBRC	former China Banking Regulatory Commission
China Tobacco	China National Tobacco Corporation
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CITIC aiBank	CITIC aiBank Corporation Limited
CITIC Limited	CITIC Limited (formerly known as CITIC Pacific Limited prior to renaming in August 2014)
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Group	CITIC Group Corporation Limited (formerly known as CITIC Group Corporation prior to renaming in December 2011)
CITIC Financial Leasing	CITIC Financial Leasing Co., Ltd.
CITIC Pacific	CITIC Pacific Limited
CNCBI	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
CITIC Corporation Limited	CITIC Corporation Limited (formerly known as CITIC Limited prior to renaming in August 2014)

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

PRESIDENT'S LETTER TO SHAREHOLDERS

Dear shareholders,

The year 2020 was an extraordinary year full of challenges. A complicated international situation, coupled with the globally sweeping COVID-19, presented banks' operation and development with numerous uncertainties. However, it is our firm belief that the constant in the world is nothing but change itself. Under the strategic leadership of the Board of Directors, the management strove to identify changes wittily, respond resourcefully and deal with risks and challenges calmly. Spotting early opportunities from crisis and setting the stage amid changes, we attained sound results.

Throughout the year, we realized RMB195.399 billion operating income, a year-on-year increase of 4.00%, with profit before provisioning recording RMB140.846 billion, a year-on-year increase of 5.27% and net profit attributable to shareholders reaching RMB48.98 billion, a year-on-year increase of 2.01%. The Board of Directors suggested the dividend distribution of RMB12.429 billion in 2020, namely RMB2.54 per 10 shares, an increase of 6.28% compared with the previous year and the 3rd consecutive year of rise in dividends, so as to give back to the vast shareholders for the lasting care and support.

As at the end of 2020, our total assets amounted to RMB7.51 trillion, up by 11.27% over the end of last year; deposits hit RMB4.53 trillion, up by 12.12% over the end of last year; and loans totaled RMB4.47 trillion, up by 11.89% over the end of last year. All stayed at the forefront of China's joint-stock banks.

To our great delight, the NPL ratio dropped to 1.64% as at the end of the year, a new low in the past five years, indicating a clear trend of asset quality changes. This achievement was especially tremendous, given the fact that all credit card loans and personal loans overdue for more than 60 days were downgraded as NPLs in the year. As at the end of the year, both the ratio of loans overdue for more than 60 days to NPLs and the ratio of loans overdue for more than 90 days to NPLs hit the lowest level of recent years. At the same time, we set aside more provisions, which throughout the year totaled RMB82.99 billion, increasing 7.4% year on year. The allowance coverage ratio and the ratio of allowance for impairment of loans to total loans stood at 171.68% and 2.82%, both staying at a sound level.

In 2020, placing equal stress on quality, speed and long-term goals, we cemented our business foundation, optimized our structure, advanced transformation and enhanced management. We evolved with time while inheriting and overcame difficulties along the way ahead. Every effort we had made was converted into China CITIC Bank's value and growth.

In 2020, we fulfilled our missions and responsibilities, and shared weal and woe with real economy enterprises.

In 2020, the outbreak of COVID-19 battered at the real economy. Sharing the fate with all the Chinese people, we gave full play to the role of banking in supporting the real economy and pandemic control, and provided more supports to the manufacturing as well as small and micro enterprises and private business that bore the brunt of the pandemic. As at the end of 2020, the Bank's outstanding loans granted to the manufacturing sector stood at RMB326.8 billion, an increase of 27% from the beginning of the year; outstanding inclusive finance loans surged by 44% from the beginning of the year reaching RMB325.1 billion; and loans granted to private enterprises went up by nearly RMB20 billion, accounting for 39% of the total. By opening up green channels for loan review and approval, we went all out to meet the corporate loan demands related to or directly for pandemic control. Throughout the year, we issued anti-epidemic loans totaling RMB195.9 billion and underwrote 38 anti-epidemic bonds, raising funds of RMB26.8 billion. Through these efforts, we contributed CITIC power to this the critical battle against the virus.

Closely following up with major policies and guidelines of the CPC Central Committee and the State Council as well as new trends in economic development, we made overall planning and highly targeted efforts, and channeled credit resources to new infrastructure and new urbanization initiatives as well as major projects and to benefit high-tech and high-growth corporations. Throughout the year, our new loans granted to the industries falling within categories of active support and support accounted for 73% of the total. Specifically, the increase in loans to water conservancy, environment and public utilities management, with a growth rate of near 28%, led other segments; integrated circuit design & manufacturing and communication equipment manufacturing, two typical cases of high-end manufacturing industries saw their on- and off-balance sheet credit extension balance soaring from the beginning of the year by 138% and 86%, respectively. At the same time, we planned in advance to build industry research teams, focusing on key areas such as non-contact economy, 5G and biomedicine and making arrangements for pension finance so as to foster more new drivers for future sustainable development.

By insisting on the key regional development strategies of the state, we accurately implemented differentiated development strategies for different regions. To be specific, we increased credit support for the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. The outstanding loans granted to the above three regions totaled RMB1.1 trillion, and new corporate loans granted to those regions accounted for nearly 60% of the total. Making full use of the radiating role of branches' in core regions we guided the surrounding branches for collaborative and synergistic development. In doing so, we formed a regional development pattern which featured a reasonable structure, prominent priorities and distinctive characteristics, under which, we contributed new energy for the development of national key regions and the financial supply-side structural reform with our strength.

Dedicated to the belief of originating from and giving back to the society, we fully leveraged our financial strength to engage in precision poverty alleviation. As to the distinctive industries of poor areas with market prospects, we actively promoted supply chain finance, so that the featured planting and breeding industries and the agricultural product processing industries could be developed to lift the poverty-stricken households along the upstream and downstream of these industrial chains out of poverty and propel people in poor regions towards self-sufficiency. We vigorously supported the development of the leading enterprises that did well in raising people out of poverty. Our outstanding loans for precision poverty alleviation with financial services stood at RMB29.2 billion, an increase about RMB7 billion over the end of the previous year, which effectively promoted local enterprises towards rapid development. As at the end of 2020, we managed to help 124 poverty-stricken villages nationwide and Xietongmen County in Tibet shake off poverty and pass the official poverty reduction inspection and lifted 35,500 persons from 11,900 households out of poverty completely.

These challenges in 2020 have further convinced us that if we want to go farther steadily, we must return to our founding aspiration and give full play to our due role in empowering the real economy, supporting the formation of innovative systems, and serving virtuous market circulation. We set eyes on meeting needs of the Chinese society. While channeling financial resources to the places where they were in dire need, we continued to improve the adaptability and flexibility of the financial supply centered on credit, and thus got more out of resources and production factors through optimal allocation.

In 2020, we promoted business transformation with intensified efforts, further highlighting our business characteristics and market competitiveness.

We are clearly aware that a modern commercial bank must take a pathway featuring capital light, asset light and cost light development. In recent years, we have continued to promote the transformation of our business structure from "One Body, Two Wings" to "Troika". With retail and financial market sectors as two key points from which light development was promoted, corporate, retail and financial markets, as three major business sectors, saw their proportion in the Bank's net operating income changing from 55.4%, 34.6%, and 7.0% three years ago to 45.8%, 40.8%, and 11.6% in 2020. A more balanced business structure would enable us to better withstand changes in the economic cycle and enhance our ability to attain sustainable development. At the same time, we worked harder to adjust the balance sheet. On the asset side, we stepped up efforts to clean up inefficient and ineffective assets, promoted assets towards active circulation, and moderately increased the proportion of low-risk interbank and investment businesses. As a result, the comprehensive risk weight decreased by 3.95 percentage points compared with the previous year. We strove to build up revenue generation capabilities, and expanded sources of capital-light income from such dimensions as customer, market, synergy and innovation. Throughout the year, our net non-interest income hit RMB44.9 billion, up by RMB3.93 billion compared with the previous year. We attached high importance to cost control and launched "income increase and cost cut" campaign, through which a host of measures such as intensified liability restructuring, enhanced control over operating cost, and higher efficiency of capital utilization were adopted to cut down on liability costs, operating costs, capital costs and other types of costs totaling RMB6.72 billion. As a result, the cost-to-income ratio stood at 26.73%, down by 1.11 percentage points year on year.

Synergy is one of our unique business cards. As the largest financial subsidiary of CITIC Group, we deem synergy as an important way for us to amplify CITIC Group's comprehensive advantages, and a necessary force that underpins our strategic development. The unique advantages CITIC Group have long formed in "Finance + Industry" and the emphasis for international development in its DNA have set the stage for us to provide customers with one-stop integrated financial services at home and abroad. In 2020, we worked together with CITIC Securities, China Securities, CITIC Trust, CITIC Prudential Life and other financial subsidiaries of CITIC Group to furnish customers with joint financing of RMB1,078.2 billion, a year-on-year increase of 68%. This was also the first time for the indicator to cross the RMB1 trillion mark. The products under custody from CITIC Group's subsidiaries reached RMB845.8 billion, a year-on-year increase of 20%, and generated a revenue beyond RMB300 million. The cross-selling of products under the retail business line hit RMB45.1 billion, 2.4 times that of the previous year.

Distinctive development is crucial to our current and future efforts to construct a "technology moat". In recent years, we have continued to consolidate our advantages in developing distinctive businesses, actively cultivated various forms of emerging businesses, and strove to create a batch of "single big products" with CITIC characteristics. We made every effort to develop transaction banking business by launching multiple transaction financing, payment and settlement products. The number of transaction banking customers went beyond 700,000, and the transaction financing volume reached RMB337.7 billion, 3.4 times that of the previous year. In the meantime, we kept sharpening our competitive edges in investment banking, financial markets and international business. In 2020, we underwrote debt financing instruments of more than RMB630 billion, completed forex market making transactions totaling USD1.69 trillion, and conducted cross-border Renminbi receipts and payments amounting to RMB325.2 billion, maintaining the leading position in the market. We continued to strengthen government financial services, thus having formed a full ecological chain that covered "governments + corporate and public institutions + the public". We had 43,100 institutional customers of all sorts, with daily average deposits of nearly RMB1,180 billion. As our retail banking kept releasing its momentum in the transformation process, the number of individual customers and the number of users of the "CITIC U Enjoy+" platform both exceeded 100 million, and the number of credit cards issued went beyond 92 million. Going abroad financial services have long been one of our featured businesses, and visa services are even one of our defining labels. In 2020, we recorded more than 7.63 million accounts of customers using our going abroad financial services, with the assets under management approaching RMB1 trillion. Our private banking saw its brand value becoming increasingly prominent. It had more than 50,000 customers and managed assets worth RMB680.3 billion. The two flagship products, family trust and carte blanche of private banking, surged by 54% and 71% year on year, respectively.

In 2020, we reinforced IT empowerment, and achieved fruitful results in innovation-driven development and digital finance.

Technological innovation is the primary productivity that drives development. Since recent years, we have unswervingly implemented the new development philosophy, continued to seek reform and innovation, increased investment in science and technology, and moved towards the goal of becoming a top technology-driven bank. In 2020, our investment in science and technology was close to RMB7 billion, an increase of 24% over the previous year. The number of scientific and technical personnel quadrupled in two years, accounting for 7.6% of total. Thanks to continuous investment over the long term, we have established a market image of "being brave to innovate and leading in technology", and made important progress in digital transformation, which becomes another shining business card for us in the market.

We are well aware that if product innovation is “water”, then institutional innovation will be the “wellspring”. Only by setting up sound innovation institutions, can we “have inspirations needed by product innovation from the inexhaustible source”. From the establishment of an innovation management committee to the incorporation of a financial product IT innovation laboratory and to the creation of the industry’s first R&D section dedicated to empowering the development of branches last year, we have put in place an integrated IT empowerment system that could cover product R&D, marketing support, technology output, one-stop services, sharing center and other fields. Under the system, IT teams could directly serve business departments and branches, and send a steady flow of technical support to the front-line business personnel. Over the year since the establishment of the branch-targeted R&D section, 100% of front-line requests were responded properly, the average time required by end-to-end delivery was halved to 15 working days, a 50% further improvement compared with the previous year.

Underpinned and driven by the scientific and technological forces, we in 2020 put in place 63 innovative projects under category I, and launched a number of projects enjoying sufficient support, high reputation and good profitability. We led China’s medium and large-sized banks to put into operation the first independently-developed distributed core system (“Lingyun Project”). By doing so, we contributed a “CITIC solution” to the realization of independent control over critical financial infrastructure of China, and upgraded our FinTech empowerment capabilities on all fronts. Meanwhile, we accelerated the R&D and application of new technologies such as AI and blockchain. The AI platform, called “CITIC Brain” generated over 300 “AI + data” precision models, thus providing real-time intelligent services to over 10 million customers. Additionally, we led peer banks in terms of blockchain technology R&D and application and the blockchain forfaiting transaction platform was recognized by the regulatory authorities and upgraded to a national industrial platform.

With business development boosted by technology, our digital finance strategy is advancing at full speed, to empower operation and management in every respect. With digital marketing efforts intensified, we attracted another 12,800 customers and deposits of RMB53.9 billion with the help of chain-based and product-based customer acquisition models. We developed a retail operation system that contributed to an increase in assets by nearly RMB200 billion, and intelligent recommendations of wealth management AI led to online sales of over RMB230 billion. We intensified efforts in delivering digital services. Through online processing, mobile approval and intelligent customer identification, we reduced time required for corporate account opening by about 30%. We accelerated the formation of ecological scenarios. More than 5,500 business scenarios were created along with hundreds of partners such as UnionPay, DiDi, and JD.com to serve 5.2 million users and 390 million fund transactions were carried out in total.

In 2020, we strengthened risk management, making business development and risk control even more coordinated and unified.

Development can only be attained on the base of sound risk control. Aiming at building a risk management system in which risks could be put under control and development could be boosted, we took development as the most important task and tried to solve problems with a development-oriented approach. At the same time, we made sure that development must be achieved with risk factors filtered, risk control coordinated, and efficient compliance risk management, thus laying a solid foundation for sustainable development.

We continued to improve comprehensive risk management standards, put in place a responsibility management mechanism where duties, powers and interests could match and customer operation and risk management are integrated, and established the principal responsible person mechanism for operation and the full-time approver mechanism. We kept strengthening the transmission and implementation of credit policies. To be specific, we integrated credit policies with marketing guides, inspection and approval standards, performance appraisal norms, and policies on resources allocation. And we established an authorization system with upper limits, standards, responsibilities and supervision measures. Following the four principles of "taking into account quality, customer, location and person", we delegated authority to branches on a more differentiated basis. While stimulating the vitality of operation at the primary level, we also strengthen authorization review to form a closed management loop, upholding the bottom line for risk control.

We continued to optimize the allocation of general-category assets, by concentrating credit resources on the fields that were great in asset quality and strongly countercyclical. In doing so, we were intended to thicken the "safe cushion" for development. As at the end of 2020, our outstanding credit lines granted to such key industries as water, environment, rental and business services, production and supply of electric power, gas and water, and transportation accounted for nearly 45% of the total. Of which, those going to corporate customers rated at "A" or above took a share close to 70%. The proportion of retail loans to total credit went up to nearly 43%. All of these figures justified further improved asset quality.

We moved faster in digital transformation of risk management, intensified efforts to build the digital risk control system, and facilitated the application of intelligent risk control fruits in the whole credit process and online business. In 2020, we supported the development of 10-plus online products and established over 20 multi-dimensional risk portraying models for corporate, inclusive finance and individual customers. We integrated big data to set up a proactive risk forewarning system, which could carry out risk prediction and screening on customers in key areas based on forewarning signals to conduct risk prevention and control in a much more forward-looking and accurate way. To boost our digital risk control capabilities, we independently developed real-time, intelligent anti-fraud and anti-money laundering (AML) systems, through which the accuracy of real-time transaction monitoring and interception operations was as high as 90%, and the offline risk control and screening function managed to intercept over 17,000 risk events.

The year 2021 marks the launch of China's 14th Five-Year Plan as well as the starting year for China CITIC Bank to implement its 2021-2023 plan. Standing at a new starting point, we will feel the beat of China's initiative to promote high-quality development, get well adapted to the new stage of development, implement the new development philosophy, and fit well into the new development pattern. Taking high-tech development as the engine, high-quality growth as the goal, and high-value creation as the main task, we will, through the leading role of Party building, coordinate efforts to attain integrated, light, intensive development, and strive to become a responsible, unique and valuable provider of the best comprehensive financial services with a human touch.

In the next three years, we will work harder to develop core businesses, and endow our businesses with more distinctive characteristics. We will continue to promote capital-light development, and form a business pattern with a more coordinated structure and more characteristic competitive edges. Laser-focused on the established strategies, we will increase resource input in core customers, core products and core regions, so as to expand competitive advantages and amplify value contribution constantly. Leveraging the advantage of full financial licenses of CITIC Group, we will make wealth management business grow stronger, and strive to become customers' first choice of wealth management bank.

In the next three years, we will give full play to the driving role of innovation, and allow our superior digital technologies to shine through. We will shore up the building of an innovative development system, strengthen the technology-driven development, forge a full-process, commercial-grade agile operation system, and build the China CITIC Bank cloud platform, in a bid to enhance the driving force of technological innovation on all fronts. With the continuously intensified input in scientific and technological development and accelerated digital transformation, we will build ourselves into a top technology-driven bank that can drive more innovations and bring about greater changes through the joint efforts made in both technology and business development.

In the next three years, we will firmly hold the bottom line for risk management, and put in place a more robust compliance and internal control system. Adhering to the concept that "risk control creates value", we will do better in risk prediction and forewarning. Through "precise credit supply", we will make overall planning for "promoting the real economy" and "guarding against various risks", optimize the credit structure, resolutely maintain our comparative advantage in traditional fields, and vigorously march into emerging sectors. With respect to "efficient risk prevention", we will strengthen the application of digital risk control technologies, move faster to build intelligent forewarning and a full risk view, and enhance the pertinence and effectiveness of risk management. As to "impactful management means", we will exercise a more rigid control over key areas and enhance the initiative of risk management, so as to support high-quality, sustainable development.

In the next three years, we will go further in synergistic integration, and make overall collaboration more effective. Following the principle of "One CITIC, One Customer" and relying on the unique competitive advantages of CITIC Group in putting equal importance on both financial and non-financial businesses, we will reinforce all-around comprehensive collaboration and fully unlock the potential of synergistic development. We will roll out innovative collaborative models and improve collaborative mechanisms to form an sharing ecosystem that provides strong support for our ambition to become a comprehensive financial service provider and further establish "CITIC Synergy+" as a top-notch brand.

As all shareholders know, Chairman of CITIC Group Mr. Zhu Hexian has recently been nominated and elected as Chairman of China CITIC Bank by our Board of Directors. Mr. Zhu has worked in the financial sector for more than 20 years, and accumulated abundant theoretical knowledge and practical experience. As we firmly believe, China CITIC Bank, under the leadership of Chairman Zhu and with the all-round support of CITIC Group, will forge ahead towards a glorious future. Delivering an even better performance is the best way for us to serve our country, replay our shareholders, and answer the call of the times! The future of China CITIC Bank is worth looking forward to!

Fang Heying
Executive Director, President
25 March 2021

CHAPTER 1 CORPORATE INTRODUCTION

1.1 Corporate Information

Registered Name in Chinese	中信銀行股份有限公司 (abbreviated as "中信銀行")
Registered Name in English	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative	Li Qingping[1]
Authorized Representative	Fang Heying, Zhang Qing
Secretary to the Board of Directors	Zhang Qing
Joint Company Secretaries	Zhang Qing, Kam Mei Ha Wendy (FCS, FCIS)
Securities Representative of the Company	Wang Junwei
Registered Address	6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Postal Code of the Registered Address	100020
Office Address	6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Office Postal Code	100020
Official Website	www.citicbank.com
Telephone Number/Fax Number for Investors	+86-10-66638188/+86-10-65559255
Email Address for Investors	ir@citicbank.com
Customer Service and Complaint Telephone Number	95558
Principal Place of Business in Hong Kong	Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong

[1] According to the relevant provisions of the Bank's *Articles of Association*, the chairperson of the Bank shall be the legal representative of the Bank. Due to work arrangement, Ms. Li Qingping has resigned from the positions of the chairperson of the Board of Directors, the executive director, and the chairperson and member of the Strategic Development Committee of the Board of the Bank on March 15 2021. And she authorized executive director and President of the Bank, Mr. Fang Heying to perform the power and authority of legal representative of the Bank under *the PRC Company Law*, relevant laws and regulations as well as the Bank's *Articles of Association*. The authorization commences from the date of resignation of Ms. Li Qingping and expires on the date when the new chairperson of the Bank takes office.

Selected Media for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times
Websites for Information Disclosure	Website designated by the CSRC to publish A-share annual report: www.sse.com.cn Website designated by the SEHK to publish H-share annual report: www.hkexnews.hk
Place Where Annual Reports are Kept	Office of the Board of Directors of CITIC Bank, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Legal Adviser as to PRC Laws	East & Concord Partners
Legal Adviser as to Hong Kong Laws	Clifford Chance LLP
Domestic Auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, No.2 Corporate Avenue, No. 202 Hubin Road, Huangpu District, Shanghai (Postal code: 200021)
Domestic Signing CPAs	Zhu Yu and Li Yan
Overseas Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Overseas Signing CPA	Leung Wai Kin
Sponsor 1 for Continuous Supervision and Guidance	CITIC Securities Co., Ltd.
Office Address	23/F, CITIC Securities Mansion, No. 48 Liangmaqiaolu, Chaoyang District, Beijing
Signing Sponsor Representatives	Ma Xiaolong and Cheng Yue
Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion of the convertible bonds)
Sponsor 2 for Continuous Supervision and Guidance	China International Capital Corporation Limited (CICC)
Office Address	27-28/F, China World Office 2, No. 1 Jianguomen Waidajie, Beijing
Signing Sponsor Representatives	Xu Jia and Shi Fang

Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion of the convertible bonds)
A-share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch 3/F, China Insurance Building, No. 166 East Lujiazui Road, Pudong New Area, Shanghai
H-share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Listing Venue, Stock Name and Stock Code

A-share:	Ordinary shares	Shanghai Stock Exchange	CNCB	601998
	Preference shares	Shanghai Stock Exchange	CITIC Excellent 1	360025
	Convertible corporate bonds	Shanghai Stock Exchange	CITIC Convertible Bonds	113021
H-share:	Ordinary shares	The Stock Exchange of Hong Kong Limited	CITIC Bank	0998

Constituent Stock of Major Indexes	SSE A Share Index, SSE Composite Index, Shanghai Shenzhen CSI 300 Index, CSI 100 Index, CSI 800 Index, Hang Seng China H-Financials Index
Credit Ratings	Standard & Poor's: (1) Long-term issuer credit rating: BBB+; (2) Short-term rating: A-2; (3) Long-term rating outlook: Stable. Moody's: (1) Deposit rating: Baa2/P-2; (2) Baseline credit assessment: ba2; (3) Outlook: Stable. Fitch Ratings: (1) Default rating: BBB; (2) Support rating: 2; (3) Support rating floor: BBB; (4) Viability rating: b+; (5) Outlook: Stable.

1.2 Contact Persons and Contact Details

	Secretary to the Board of Directors	Securities Representative of the Company
Name	Zhang Qing	Wang Junwei
Address	Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing	Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Telephone	+86-10-66638188	+86-10-66638188
Fax	+86-10-65559255	+86-10-65559255
Email Address	ir@citicbank.com	ir@citicbank.com

1.3 Business Overview of the Company

1.3.1 Main Business of the Company

The Bank aspires to become a responsible, unique and valuable provider of the best comprehensive financial services with a human touch. To attain this development vision, the Bank fully leverages on the comprehensive platform advantages of CITIC Group's comprehensive platform featuring both financial and non-financial businesses, and at the same time holds firm to its business concept of "customer orientation, reform driven, science & technology and talent for growth, asset-light development and, compliant operation, strengthen through talents". For corporate customers and institutional customers, the Bank offers integrated financial solutions in corporate banking business, international business, financial markets business, institutional banking business, investment banking business, transaction banking business and custody business. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance and e-banking. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts. For details about industries the Bank involved in and its business during the reporting period, please refer to Chapter 3 "Management Discussion and Analysis" of this report.

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

The Group's main assets include loans and advances to customers, deposits and placements with, and loans to banks and non-bank institutions, financial assets held under resale agreements, financial investments, cash and deposits and placements with central banks. As at the end of the reporting period, these aforementioned assets took up 97.2% of the Group's total assets, down by 0.1 percentage point over the end of the previous year. Please refer to Chapter 3 "Management Discussion and Analysis – Analysis of the Financial Statements" of this report for information on changes in the Group's main assets.

1.3.3 Core Competitiveness Analysis

Science-based and highly efficient corporate governance. The Bank has always adhered to market-oriented operation and constantly improved its corporate governance and business operation systems and mechanisms. The result was the formation of an organizational structure characterized by efficient management and professional division of duties. With reference to the theory and practice of modern bank development, the Bank set up a scientific corporate governance framework comprised of the Board of Directors, the Board of Supervisors, the general meeting of shareholders, and the senior management. According to the principle of separating the front, middle and back offices, the Bank established a matrix management model with the Head Office departments as the lines and the branches and sub-branches as the arrays. The general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management functioned according to rules and performed duties effectively.

Significant edges in synergy. Giving full play to CITIC Group's unique advantages in "Finance + Real Economy", the Bank created a new synergy model, set up the brand image of "CITIC Synergy+" and released the potential and value of CITIC Synergy. Following the principle of "One CITIC, One Customer", the Bank mainly collaborated with financial participants and integrated industries into finance by upgrading its core business platform, and built a synergistic ecosystem to better serve enterprises. Leveraging integrated financial service resources with CITIC Group's full range of financial licenses, the Bank joined hands with the Group's financial subsidiaries, such as CITIC Securities, China Securities, CITIC Trust, China Asset Management (ChinaAMC), Citic-prudential Fund Management Company Ltd. and CITIC-Prudential Life Insurance Company Ltd., to showcase the four concept of wealth, health. Love and companion and provide financial service with a human touch for personal customers through the upgradation of "CITIC Wealth of Happiness" brand.

Vigorous explorations and innovations. As China's first commercial bank participating in financing at both domestic and international financial markets, the Bank is renowned at home and abroad for brushing numerous track records in the modern Chinese financial history. It has the genes of innovation and drives its development through innovation as well. The Bank has carried forward the CITIC style of exploration and innovation. It further boosted innovation in products and services, and gained unique competitive advantages in business such as investment banking, cross-border business, institutional banking, transaction banking, auto finance, going broad finance, credit card, forex market making and custody of mutual funds.

Effective risk prevention and control. Aimed at building a risk management system in which risks can be put under control and development can be boosted, the Bank continuously improved its systems and mechanisms for risk management. It made its comprehensive risk management increasingly professional, and set up an accountability mechanism where responsibilities, powers and interests match, and customer management and risk management are integrated. It also established the principal responsible person mechanism for operation and the full-time approver mechanism. Moreover, the Bank moved faster in digital transformation of risk management, accumulated and integrated data, optimized model systems, facilitated the application of intelligent risk control achievements in the whole credit process and online business, and made risk prevention and control more targeted and forward-looking.

All-around empowerment by financial technology. Adhering to enabling advancement through technology and driving development with innovation, the Bank empowered the development of all its businesses and strove to be a top technology-driven bank. It continued to increase its investment in technology, make its products and services more competitive, drive the transformation of business and operation models and create a data-driven business development model. It became the first medium- and large-sized bank in China to put into operation the independently developed distributed core system, improving its comprehensive capabilities of empowering development through financial technology on all fronts. New technologies such as artificial intelligence and blockchain were innovatively applied in all business fields to drive the development of the Bank.

Characteristic and vivid brand culture. By recreating the cultural elements over the past more than three decades, the Bank fostered a distinctive corporate culture. It aspires to become a responsible, unique and valuable provider of the best comprehensive financial services with a human touch. Moreover, it adheres to the core values of customer orientation, integrity, innovation, collaboration and excellence, and assumes missions to create value for customers, seek happiness for employees, make profit for shareholders and perform responsibility for the society. With the provision of a full range of financial products and high-quality customer services, the Bank enjoyed a high reputation and extensive influence at both domestic and overseas markets. In 2020, *The Banker* magazine of the United Kingdom rated the Bank 21st on its list of the "Top 500 Global Bank Brands", and 24th on its list of the "Top 1,000 World Banks" in terms of tier-one capital.

Professional and brilliant talent team. Holding "people first", the Bank deepened the human resource reform, and established a value-based and employee-centric talent management mechanism and a modern market-oriented human resource management system to serve the bank-wide strategic transformation. Through a reasonable competition-based manager appointment, the Bank expanded the channels of talent evaluation and selection, improved the assessment mechanism, continued to improve the performance evaluation system and reinforced incentive constraints, built promotion channels for professionals and technicians so as to vigorously fostered core and young talents. By doing so, the Bank has established a high-quality talent team.

1.3.4 Honors and Awards

In January 2020, the Bank was granted the "Core Dealer in Interbank Local Currency Market", "Excellent Money Market Dealer in Interbank Local Currency Market", "Excellent Derivatives Market Dealer in Interbank Local Currency Market", "Excellent Bonds Market Dealer in Interbank Local Currency Market", "Excellent Issuer of Interbank Certificates of Deposit" and "Opening-up Contribution Award" by National Interbank Funding Center; the "2019 Excellent Settlement Institution for Government Bond Market-making" by China Central Depository & Clearing Co., Ltd.; and the "Gold Industry Service Award" by Shanghai Futures Exchange.

In February 2020, the Bank ranked 21st among the "Top 500 Global Bank Brands" published by *The Banker* magazine of the United Kingdom.

In March 2020, the Bank was granted the "Best Product Development Awards" in the "China Private Banking Awards" by *Asiamoney*; and the "Discretionary and Segregated Portfolio Management Award" by *Asian Private Banker*.

In May 2020, the Bank was granted the "Best Performance Award for Domestic Private Bank" by Hurun Report; and the "Excellence Award for Proprietary Clearing of Interest Rate Swap" by Shanghai Clearing House.

In July 2020, the Bank ranked 24th on *The Banker* magazine of the United Kingdom's list of the "Top 1,000 World Banks" in terms of tier-one capital. Besides, the Bank was recognized the "Best Spot Market Making Institution" and "Most Popular Spot Market Making Institution" by China Foreign Exchange Trade System, granted the "Tiger Roar Award – Brand of the Year" by the organizing committee of Tiger Roar Award, and honored the "Best Standing Committee Member of the Second Interest Rate Working Committee" by the China Banking Association.

In August 2020, the Bank was awarded the "Gamma Award for Pension Financial Service Bank" by *Securities Times*; and assessed as "Class A in the 2019-2020 Information Disclosure Assessment" by Shanghai Stock Exchange.

In September 2020, the Bank was granted the "Gamma Award for Credit Card" by *Securities Times*.

In October 2020, the Bank was recognized as the "Excellent Blockchain Financial Service Bank" by *China Investment Network*; and the "2020 Commercial Bank with the Most Investment Value" by Investor China; and granted the "Excellence Award for Pension Financial Service in Mega Health Industry" by *The Economic Observer*.

In November 2020, the Bank was awarded the "Best Foreign Exchange Trading Bank in China" by *FX Markets*; the "Inclusive Finance Business Bank" by *21st Century Business Herald*; the "Best Financial Technology Innovation Institution" by CBN; the "Inclusive Finance Practising Bank with Excellent Competitiveness" by *China Business Journal*; and the "Innovative Auto Finance Service Enterprise" by China Automobile Dealers Association. Besides, the Bank was granted the "Special Contribution Award for UnionPay Card Risk Prevention and Control" by China UnionPay.

In December 2020, the Bank was awarded the "2020 Bank for Ensuring Stability on Six Fronts and Maintaining Security in Six Areas" by *Financial News*; the "2020 Leading Enterprise in Bank Innovation" by *The Economic Observer*; the "Best Supply Chain Finance Bank" and "Best International Business Bank" by *Trade Finance* magazine; and the "Outstanding Financial Services for Small and Micro Enterprises" by JRJ.com. The Bank was also granted the "Best Mobile Banking Operation Award" and "Most Popular Mobile Banking Award" by China Financial Certification Authority; the "Innovation Award of Big Data Technology Communication Award" by China Society for Science and Technology Journalism; and the "Social Responsibility Pioneer Bank" by Hexun.com. The Bank's core credit card system based on the cloud architecture platform won the "First Prize of Best Technological Innovation Award" in the China Banking FinTech Application Achievement Competition, and its "Achievement Partner" brand of corporate banking was honored as the "Excellent Brand Renewal Case of the Year" by *21st Century Business Herald*.

CHAPTER 2 FINANCIAL HIGHLIGHTS

2.1 Operating Performance

Unit: RMB million

Item	2020	2019	Growth rate (%)	2018
Operating income	**195,399**	187,881	4.00	165,766
Profit before provisioning	**140,846**	133,800	5.27	112,559
Profit before tax	**57,857**	56,545	2.32	54,326
Net profit attributable to the equity holders of the Bank	**48,980**	48,015	2.01	44,513
Net cash flows from/(used in) operating activities	**156,863**	116,969	34.11	102,316
Per share				
Basic earnings per share *(RMB)*	**0.94**	0.95	(1.05)	0.88
Diluted earnings per share *(RMB)*	**0.86**	0.89	(3.37)	0.88
Net cash flows from/(used in) operating activities per share *(RMB)*	**3.21**	2.39	34.31	2.09

Unit: RMB million

Item	2020 1st Quarter	2020 2nd Quarter	2020 3rd Quarter	2020 4th Quarter
Operating income	51,570	50,630	47,307	45,892
Net profit attributable to the equity holders of the Bank	14,453	11,088	11,377	12,062
Net cash flows from/(used in) operating activities	(72,923)	139,776	(16,499)	106,509

2.2 Profitability Indicators

Item	2020	2019 [7]	Increase/ (decrease) in percentage point	2018 [7]
Return on average assets (ROAA) [1]	**0.69%**	0.76%	(0.07)	0.77%
Return on average equity (ROAE) [2]	**10.08%**	11.06%	(0.98)	11.36%
Cost-to-income ratio (excluding tax and surcharges) [3]	**26.73%**	27.84%	(1.11)	30.71%
Credit cost [4]	**1.64%**	1.79%	(0.15)	1.40%
Net interest spread [5]	**2.18%**	2.36%	(0.18)	2.22%
Net interest margin [6]	**2.26%**	2.45%	(0.19)	2.31%

Notes: (1) Return on average assets (ROAA) = net profit/the average of the balances of total assets at the beginning and end of the period.

(2) Return on average equity (ROAE) = net profit attributable to the ordinary shareholders of the Bank/the average of total beginning and ending equity attributable to the ordinary shareholders of the Bank.

(3) Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.

(4) Credit cost = current-year accruals of allowance for impairment losses on loans and advances to customers/average balance of loans and advances to customers.

(5) Net interest spread = average yield on total interest-earning assets – average cost rate of total interest-bearing liabilities.

(6) Net interest margin = net interest income/average balance of total interest-earning assets.

(7) According to the *Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Strengthening the 2020 Annual Report Related Work of Enterprises* jointly issued by the MOF (Ministry of Finance), the State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the CSRC, the Group reclassified the installment income of credit card-based consumption from fee income to interest income as of 2020, and financial indicators related to interest income and non-interest income during the comparable periods were restated.

2.3 Scale Indicators

Unit: RMB million

Item	31 December 2020	31 December 2019	Growth rate (%)	31 December 2018
Total assets	**7,511,161**	6,750,433	11.27	6,066,714
Total loans and advances to customers (1)	**4,473,307**	3,997,987	11.89	3,608,412
– Corporate loans	**2,170,400**	1,955,519	10.99	1,881,125
– Discounted bills	**411,007**	311,654	31.88	242,797
– Personal loans	**1,891,900**	1,730,814	9.31	1,484,490
Total liabilities	**6,951,123**	6,217,909	11.79	5,613,628
Total deposits from customers (1)	**4,528,399**	4,038,820	12.12	3,616,423
– Corporate demand deposits (2)	**1,915,266**	1,674,923	14.35	1,521,684
– Corporate time and call deposits	**1,674,846**	1,485,727	12.73	1,382,230
– Personal demand deposits	**327,110**	275,526	18.72	262,960
– Personal time and call deposits	**611,177**	602,644	1.42	449,549
Deposits from banks and non-bank financial institutions	**1,163,641**	951,122	22.34	782,264
Placements from banks and non-bank financial institutions	**57,756**	92,539	(37.59)	115,358
Total equity attributable to the equity holders of the Bank	**544,573**	517,311	5.27	436,661
Total equity attributable to the ordinary shareholders of the Bank	**469,625**	442,363	6.16	401,706
Net asset per share attributable to the ordinary shareholders of the Bank *(RMB)*	**9.60**	9.04	6.19	8.21

Notes: (1) As per the *Notice on Amending and Issuing the Formats of Financial Statements for Financial Enterprises for 2018* (Finance and Accounting [2018] No.36) issued by the Ministry of Finance, the interest of a financial instrument accrued according to the effective interest method should be included in the book balance of the corresponding financial instrument and reflected in relevant items of the balance sheet. The Group has prepared the financial statements according to requirements in the above notice since 2018. For the convenience of analysis, "total loans and advances to customers" and "total deposits from customers" do not include relevant interest.

(2) Corporate demand deposits included demand deposits from corporate customers and outward remittance and remittance payables of corporate customers.

2.4 Asset Quality Indicator

Item	31 December 2020	31 December 2019	Increase/ (decrease) in percentage point	31 December 2018
NPL ratio (1)	**1.64%**	1.65%	(0.01)	1.77%
Allowance coverage ratio (2)	**171.68%**	175.25%	(3.57)	157.98%
Allowance for loan impairment losses to total loans (3)	**2.82%**	2.90%	(0.08)	2.80%

Note: (1) NPL ratio = balance of NPLs/total loans and advances to customers.

(2) Allowance coverage ratio = balance of allowance for impairment losses on loans and advances to customers (excluding allowance for impairment losses on accrued interest)/balance of NPLs.

(3) The ratio of allowance for loan impairment losses to total loans = balance of allowance for impairment losses on loans and advances to customers (excluding allowance for impairment losses on accrued interest)/total loans and advances to customers.

2.5 Other Main Regulatory Indicators

Item (1)	Regulatory value	31 December 2020	31 December 2019	Increase/ (decrease) in percentage point	31 December 2018
Capital adequacy profile					
Core tier-one capital adequacy ratio	≥7.50%	**8.74%**	8.69%	0.05	8.62%
Tier-one capital adequacy ratio	≥8.50%	**10.18%**	10.20%	(0.02)	9.43%
Capital adequacy ratio	≥10.50%	**13.01%**	12.44%	0.57	12.47%
Leverage profile					
Leverage ratio	≥4%	**6.40%**	6.71%	(0.31)	6.37%
Liquidity risk profile					
Liquidity coverage ratio (2)	≥100%	**135.14%**	149.27%	(14.13)	114.33%
Liquidity ratio					
Including: Local and foreign currencies	≥25%	**57.97%**	63.21%	(5.24)	50.60%
Renminbi	≥25%	**58.04%**	63.88%	(5.84)	50.80%
Foreign currencies	≥25%	**71.56%**	60.51%	11.05	59.85%

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

(2) As per the requirements of the *Measures on Liquidity Risk Management of Commercial Banks* (CBIRC Decree [2018] No. 3), the liquidity coverage ratio of commercial banks should reach 100% by the end of 2018.

2.6 Differences between IFRS and PRC Accounting Standards

There is no difference between the 2020 year-end net assets and the net profit of the Group for the year of 2020 calculated according to the PRC Accounting Standards and those calculated as per the International Financial Reporting Standards (IFRS).

2.7 Five-Year Financial Summary

Unit: RMB million

Item	**2020**	2019 (restated)	2018 (restated)	2017	2016
Operating performance					
Operating income	**195,399**	187,881	165,766	157,231	154,159
Profit before tax	**57,857**	56,545	54,326	52,276	54,608
Net profit attributable to the equity holders of the Bank	**48,980**	48,015	44,513	42,566	41,629
Net cash flow from/(used in) operating activities	**156,863**	116,969	102,316	54,074	218,811
Per share					
Basic earnings per share *(RMB)*	**0.94**	0.95	0.88	0.84	0.85
Diluted earnings per share *(RMB)*	**0.86**	0.89	0.88	0.84	0.85
Net cash flow from/(used in) operating activities per share *(RMB)*	**3.21**	2.39	2.09	1.11	4.47
Scale indicators					
Total assets	**7,511,161**	6,750,433	6,066,714	5,677,691	5,931,050
Total loans and advances to customers	**4,473,307**	3,997,987	3,608,412	3,196,887	2,877,927
Total liabilities	**6,951,123**	6,217,909	5,613,628	5,265,258	5,546,554
Total deposits from customers	**4,528,399**	4,038,820	3,616,423	3,407,636	3,639,290
Total equity attributable to the equity holders of the Bank	**544,573**	517,311	436,661	399,638	379,224
Net asset per share attributable to the ordinary shareholders of the Bank *(RMB)*	**9.60**	9.04	8.21	7.45	7.04

Unit: RMB million

Item	2020	2019 (restated)	2018 (restated)	2017	2016
Profitability indicators					
Return on average assets (ROAA)	**0.69%**	0.76%	0.77%	0.74%	0.76%
Return on average equity (ROAE)	**10.08%**	11.06%	11.36%	11.63%	12.58%
Cost-to-income ratio (excluding tax and surcharges)	**26.73%**	27.84%	30.71%	30.05%	27.75%
Credit cost	**1.64%**	1.79%	1.40%	1.64%	1.67%
Net interest spread (note)	**2.18%**	2.36%	2.22%	1.87%	1.89%
Net interest margin (note)	**2.26%**	2.45%	2.31%	2.03%	2.00%
Asset quality indicators					
NPL ratio	**1.64%**	1.65%	1.77%	1.68%	1.69%
Allowance coverage ratio	**171.68%**	175.25%	157.98%	169.44%	155.50%
The ratio of allowance for loan impairment losses to total loans	**2.82%**	2.90%	2.80%	2.84%	2.62%
Capital adequacy ratios					
Core tier-one capital adequacy ratio	**8.74%**	8.69%	8.62%	8.49%	8.64%
Tier-one capital adequacy ratio	**10.18%**	10.20%	9.43%	9.34%	9.65%
Capital adequacy ratio	**13.01%**	12.44%	12.47%	11.65%	11.98%

Note: According to the *Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Strengthening the 2020 Annual Report Related Work of Enterprises* jointly issued by the MOF, the State-owned Assets Supervision and Administration Commission, the CBIRC and the CSRC, the Group reclassified the installment income of credit card-based consumption from fee income to interest income as of 2020, and the net interest spread and net interest margin of 2019 and 2018 were restated.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Overview of the Bank's Operating Results

During the reporting period, in the face of the severe and complex economic and financial situations, especially the systemic pressure brought by Coronavirus Disease 2019 ("COVID-19" hereinafter), the Group resolutely implemented the decisions and plans of the country as well as regulatory requirements, and proactively prevented and resolved business risks, tapped into the potential of intra-Group collaboration, and pushed ahead with business transformation and efficiency improvement. Through these efforts, the Group made stable progress in all businesses, and achieved sound operating results.

Operating income increased stably. During the reporting period, the Group realized RMB195.399 billion operating income, an increase of 4.00% over last year. Specifically, net interest income stood at RMB150.515 billion, up by 2.44% over last year, while net non-interest income stood at RMB44.884 billion, up by 9.59% over last year. Profit before provisioning recorded RMB140.846 billion, an increase of 5.27% over the previous year. To enhance risk resilience, the Group set aside more provisions, and realized RMB48.980 billion of net profit attributable to the shareholders of the Bank, up by 2.01% over last year.

Asset quality was effectively controlled. As at the end of the reporting period, the Group's balance of non-performing loans (NPLs) recorded RMB73.452 billion, an increase of RMB7.335 billion or 11.09% over the end of the previous year, corresponding to an NPL ratio of 1.64%, a decline of 0.01 percentage point from the end of the previous year. The ratio of loans overdue for 60 days and more to NPLs was 80.46%, a decrease of 3.90 percentage points from the end of the previous year. The Group's allowance coverage ratio and the ratio of allowance for impairment of loans to total loans stood at 171.68% and 2.82%, a decrease of 3.57 percentage points and 0.08 percentage point over the end of the previous year, respectively.

Business scale grew rationally. As at the end of the reporting period, the Group recorded total assets of RMB7,511.161 billion, an increase of 11.27% over the end of the previous year; its total loans and advances to customers (excluding accrued interest) stood at RMB4,473.307 billion, a growth of 11.89% over the end of the previous year; and its total deposits from customers (excluding accrued interest) recorded RMB4,528.399 billion, marking a 12.12% increase from the end of last year.

3.2 Analysis of the Financial Statements

3.2.1 Income Statement Analysis

During the reporting period, the Group realized RMB48.980 billion net profit attributable to the equity holders of the Bank, up by 2.01% from last year. According to the *Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Strengthening the 2020 Annual Report Related Work of Enterprises* jointly issued by the MOF, the State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the CSRC, the Group reclassified the installment income of credit card-based consumption from fee income to interest income as of 2020, and financial indicators related to interest income and non-interest income during the comparable periods were restated. The table below sets out the changes in the main items of the Group's income statement during the reporting period after such adjustment.

Unit: RMB million

Item	**2020**	2019	Increase/ (decrease)	Growth rate *(%)*
Operating income				
– Net interest income	**150,515**	146,925	3,590	2.44
– Net non-interest income	**44,884**	40,956	3,928	9.59
Operating expenses	**(54,255)**	(54,168)	(87)	0.16
Credit and other asset impairment losses	**(82,989)**	(77,255)	(5,734)	7.42
Profit before provisioning	**140,846**	133,800	7,046	5.27
Profit before tax	**57,857**	56,545	1,312	2.32
Income tax	**(8,325)**	(7,551)	(774)	10.25
Profit for the year	**49,532**	48,994	538	1.10
Including: Net profit attributable to the equity holders of the Bank	**48,980**	48,015	965	2.01

3.2.1.1 Operating Income

During the reporting period, the Group realized operating income of RMB195.399 billion, up by 4.00% over last year, of which net interest income accounted for 77.0%, down by 1.2 percentage points from the previous year; net non-interest income accounted for 23.0%, up by 1.2 percentage points over the prior year.

Unit: %

Item	**2020**	2019
Net interest income	**77.0**	78.2
Net non-interest income	**23.0**	21.8
Total	**100.0**	100.0

3.2.1.2 Net Interest Income

During the reporting period, the Group realized RMB150.515 billion of net interest income, an increase of RMB3.590 billion or 2.44% over the previous year. The increase of net interest income mainly came as the result of the growth in interest-earning assets.

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

Unit: RMB million

Item	**2020** Average balance	**2020** Interest	**2020** Average yield/cost rate *(%)*	2019 Average balance	2019 Interest	2019 Average yield/cost rate *(%)*
Interest-earning assets						
Loans and advances to customers	**4,215,316**	**223,915**	**5.31**	3,834,467	214,545	5.60
Financial investments [(1)]	**1,631,325**	**59,860**	**3.67**	1,433,945	58,838	4.10
Deposits with central banks	**401,593**	**6,048**	**1.51**	383,828	5,949	1.55
Deposits and placements with, and loans to banks and non-bank financial institutions	**371,441**	**7,401**	**1.99**	311,352	8,067	2.59
Financial assets held under resale agreements	**48,127**	**782**	**1.62**	35,400	753	2.13
Subtotal	**6,667,802**	**298,006**	**4.47**	5,998,992	288,152	4.80
Interest-bearing liabilities						
Deposits from customers	**4,325,470**	**90,778**	**2.10**	3,856,859	80,272	2.08
Deposits and placements from banks and non-bank financial institutions	**1,123,781**	**26,586**	**2.37**	1,015,258	28,445	2.80
Debt securities issued	**691,116**	**21,606**	**3.13**	583,813	22,207	3.80
Borrowings from central banks	**178,473**	**5,796**	**3.25**	243,402	8,118	3.34
Financial assets sold under repurchase agreements	**110,094**	**2,239**	**2.03**	70,106	1,679	2.39
Others	**11,164**	**486**	**4.35**	11,213	506	4.51
Subtotal	**6,440,098**	**147,491**	**2.29**	5,780,651	141,227	2.44
Net interest income		**150,515**			146,925	
Net interest spread [(2)]			**2.18**			2.36
Net interest margin [(3)]			**2.26**			2.45

Notes: (1) Financial investments included financial investments measured at amortized cost and financial investments measured at fair value through other comprehensive income.

(2) Net interest spread = average yield of total interest-earning assets – average cost rate of total interest-bearing liabilities.

(3) Net interest margin = net interest income/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	2020 compared with 2019 Scale factor	Interest rate factor	Total
Assets			
Loans and advances to customers	**21,328**	**(11,958)**	**9,370**
Financial investments	**8,093**	**(7,071)**	**1,022**
Deposits with central banks	**275**	**(176)**	**99**
Deposits and placements with, and loans to banks and non-bank financial institutions	**1,556**	**(2,222)**	**(666)**
Financial assets held under resale agreements	**271**	**(242)**	**29**
Changes in interest income	**31,523**	**(21,669)**	**9,854**
Liabilities			
Deposits from customers	**9,747**	**759**	**10,506**
Deposits and placements from banks and non-bank financial institutions	**3,039**	**(4,898)**	**(1,859)**
Debt certificates issued	**4,078**	**(4,679)**	**(601)**
Borrowings from central banks	**(2,169)**	**(153)**	**(2,322)**
Financial assets sold under repurchase agreements	**956**	**(396)**	**560**
Others	**(2)**	**(18)**	**(20)**
Changes in interest expense	**15,649**	**(9,385)**	**6,264**
Changes in net interest income	**15,874**	**(12,284)**	**3,590**

Net Interest Margin and Net Interest Spread

During the reporting period, the Group's net interest margin and net interest spread registered 2.26% and 2.18% respectively, representing a decrease of 0.19 percentage point and 0.18 percentage point over the previous year. The Group's yield of total interest-earning assets was 4.47%, down by 0.33 percentage point over last year; the cost rate of interest-bearing liabilities was 2.29%, down by 0.15 percentage point over last year.

3.2.1.3 Interest Income

During the reporting period, the Group realized an interest income of RMB298.006 billion, an increase of RMB9.854 billion or 3.42% over last year, mainly due to the growth in the size of interest-earning assets which offset the impact of the decrease in the average yield of interest-earning assets. Interest income from loans and advances to customers was the main component of interest income.

Interest Income from Loans and Advances to Customers

During the reporting period, the Group recorded RMB223.915 billion interest income from loans and advances to customers, a growth of RMB9.370 billion or 4.37% over the previous year, primarily because the average balance of loans and advances to customers increased by RMB380.849 billion which offset the impact of a decline of 0.29 percentage point in the average yield. During the reporting period, the Group actively implemented the national policies and orientation and increased its loan extension to COVID-19 control, inclusive finance, manufacturing and other key areas. As a result of its active efforts in leaving profits for real economy, its loan yield was on a downward trend.

Classification by Maturity Structure

Unit: RMB million

	2020			2019		
Item	**Average balance**	**Interest income**	**Average yield *(%)***	Average balance	Interest income	Average yield *(%)*
Short-term loans	**1,449,742**	**79,609**	**5.49**	1,280,379	75,316	5.88
Medium to long-term loans	**2,765,574**	**144,306**	**5.22**	2,554,088	139,229	5.45
Total	**4,215,316**	**223,915**	**5.31**	3,834,467	214,545	5.60

Classification by Business

Unit: RMB million

	2020			2019		
Item	**Average balance**	**Interest income**	**Average yield *(%)***	Average balance	Interest income	Average yield *(%)*
Corporate loans	**2,089,909**	**101,063**	**4.84**	1,945,350	101,050	5.19
Personal loans	**1,771,929**	**113,092**	**6.38**	1,624,870	104,401	6.43
Discounted loans	**353,478**	**9,760**	**2.76**	264,247	9,094	3.44
Total	**4,215,316**	**223,915**	**5.31**	3,834,467	214,545	5.60

Interest Income from Financial Investments

During the reporting period, the Group's interest income from financial investments amounted to RMB59.860 billion, an increase of RMB1.022 billion or 1.74% over last year, mainly attributable to an increase of RMB197.380 billion in the average balance of financial investments which offset a fall of 0.43 percentage point in the average yield.

Interest Income from Deposits with Central Banks

During the reporting period, the Group's interest income from deposits with central banks stood at RMB6.048 billion, an increase of RMB99 million or 1.66% over the previous year, mainly due to an increase of RMB17.765 billion in average scale, the continuous growth in interest income as while as a decrease of 0.04 percentage point in the average yield of deposits with Central Banks, a result from the cut of excess deposit reserve interest rate by central bank.

Interest Income from Deposits and Placements with, and Loans to Banks and Non-bank Financial Institutions

During the reporting period, the Group's interest income from deposits and placements with, and loans to banks and non-bank financial institutions was RMB7.401 billion, a decrease of RMB666 million or 8.26% over the prior year, mainly due to a decrease of 0.60 percentage point in the average yield of deposits and placements with, and loans to banks and non-bank financial institutions as a result of downward interest rate trend, which offset the impact of an increase of RMB60.089 billion in the average balance.

Interest Income from Financial Assets Held under Resale Agreements

During the reporting period, the Group recorded RMB782 million interest income from financial assets held under resale agreements, an increase of RMB29 million or 3.85% over last year, mainly attributable to an increase of RMB12.727 billion in the average balance of financial assets held under resale agreements which offset the impact of a decrease of 0.51 percentage point in the average yield.

3.2.1.4 Interest expense

During the reporting period, the Group's interest expense was RMB147.491 billion, an increase of RMB6.264 billion or 4.44% over the previous year. Interest expense increased primarily because of the growth in the size of interest-bearing liabilities which offset the impact of a decrease of the cost rate of interest-bearing liabilities.

Interest Expense on Deposits from Customers

During the reporting period, the Group's interest expense on deposits from customers was RMB90.778 billion, an increase of RMB10.506 billion or 13.09% over last year, mainly due to RMB468.611 billion increase in the average balance of customer deposits and the 0.02 percentage point increase in the average cost rate.

Unit: RMB million

	2020			2019		
Item	**Average balance**	**Interest expense**	**Average cost rate *(%)***	Average balance	Interest expense	Average cost rate *(%)*
Corporate deposits						
Time and call deposits	**1,723,742**	**50,003**	**2.90**	1,494,220	45,357	3.04
Demand deposits	**1,713,746**	**20,159**	**1.18**	1,565,110	16,637	1.06
Subtotal	**3,437,488**	**70,162**	**2.04**	3,059,330	61,994	2.03
Personal deposits						
Time and call deposits	**609,349**	**19,849**	**3.26**	537,023	17,481	3.26
Demand deposits	**278,633**	**767**	**0.28**	260,506	797	0.31
Subtotal	**887,982**	**20,616**	**2.32**	797,529	18,278	2.29
Total	**4,325,470**	**90,778**	**2.10**	3,856,859	80,272	2.08

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 RMB26.586 billion, a decrease of RMB1.859 billion or 6.54% over the prior year, mainly due to a decrease of 0.43 percentage point in the average cost rate of deposits and placements from banks and non-bank financial institutions as a result of the downward interest rate movement which offset the increase of RMB108.523 billion in the average balance.

Interest Expense on Debt Certificates Issued

During the reporting period, the Group's interest expense on debt certificates issued stood at RMB21.606 billion, a decrease of RMB601 million or 2.71% over the previous year, primarily due to a fall of 0.67 percentage point in the average cost rate of debt certificates issued, which offset the increase of RMB107.303 billion in the average balance.

Interest Expense on Borrowings from Central Banks

During the reporting period, the Group's interest expense on borrowings from central banks reached RMB5.796 billion, a decrease of RMB2.322 billion or 28.60% over last year, mainly due to a drop of RMB64.929 billion in the average balance of borrowings from central banks.

Interest Expense on Financial Assets Sold under Repurchase Agreements

During the reporting period, the Group's interest expense on financial assets sold under repurchase agreements was RMB2.239 billion, an increase of RMB560 million or 33.35% over last year, primarily due to an increase of RMB39.988 billion in the average balance of financial assets sold under repurchase agreements, which offset the decrease of 0.36 percentage point in the average cost rate.

Other Interest Expense

During the reporting period, the Group's other interest expense stood at RMB486 million, a decrease of RMB20 million compared with last year, primarily due to a decrease in the average cost rate of lease liabilities.

3.2.1.5 Net Non-interest Income

During the reporting period, the Group realized RMB44.884 billion of net non-interest income, an increase of RMB3.928 billion or 9.59% over the previous year.

Unit: RMB million

Item	**2020**	2019	Increase/ (decrease)	Growth *(%)*
Net fee and commission income	**28,836**	26,730	2,106	7.88
Net trading gain	**3,354**	5,229	(1,875)	(35.86)
Net gain from investment securities	**11,935**	8,629	3,306	38.31
Net hedging loss	**(1)**	(2)	1	(50.00)
Other net operating income	**760**	370	390	105.41
Total	**44,884**	40,956	3,928	9.59

3.2.1.6 Net Fee and Commission Income

During the reporting period, net fee and commission income of the Group reached RMB28.836 billion, an increase of RMB2.106 billion or 7.88% over last year, and accounted for 14.76% of the operating income, an increase of 0.53 percentage point over last year. Among these, bank card fees decreased by RMB432 million or 2.85% over last year, mainly due to the decrease in credit card fees as a result of COVID-19; agency fees and commissions increased by RMB182 million or 2.48% over last year, mainly due to the growth in fee income from agency sale of trust and fund; guarantee and consulting fees went down by RMB96 million or 1.96% over last year, mainly because of the decrease in guarantee and commitment fee income; commission for custodian and other fiduciary business went up by RMB1.615 billion or 42.11% over last year, as a result of the increase in wealth management business fees and fund custody business fees; guarantee and consulting fees.

Unit: RMB million

Item	2020	2019	Increase/ (decrease)	Growth *(%)*
Bank card fees	**14,714**	15,146	(432)	(2.85)
Agency fees and commissions	**7,527**	7,345	182	2.48
Guarantee and consulting fees	**4,802**	4,898	(96)	(1.96)
Commissions for custodian and other fiduciary business	**5,450**	3,835	1,615	42.11
Settlement and clearing fees	**1,172**	1,322	(150)	(11.35)
Other fees and commissions	**92**	84	8	9.52
Subtotal of fees and commissions	**33,757**	32,630	1,127	3.45
Fee and commission expense	**(4,921)**	(5,900)	979	(16.59)
Net fee and commission income	**28,836**	26,730	2,106	7.88

3.2.1.7 Net Trading Gain and Net Gain from Investment Securities

During the reporting period, the Group's net trading gain and net gain from investment securities registered a combined amount of RMB15.289 billion, an increase of RMB1.431 billion over last year, mainly because the Group grasped market opportunities and actively changed its investment strategies, leading to increase in profits from investments.

3.2.1.8 Operating Expenses

During the reporting period, the Group incurred RMB54.255 billion operating expenses, an increase of RMB87 million or 0.16% over last year. During the reporting period, the Group's cost-to-income ratio (excluding tax and surcharges) stood at 26.73%, down by 1.11 percentage points over last year.

Unit: RMB million

Item	2020	2019	Increase/ (decrease)	Growth *(%)*
Staff costs	**29,679**	29,636	43	0.15
Property and equipment expenses and amortization	**9,780**	9,238	542	5.87
Other general operating and administrative expenses	**12,772**	13,440	(668)	(4.97)
Subtotal	**52,231**	52,314	(83)	(0.16)
Tax and surcharges	**2,024**	1,854	170	9.17
Total	**54,255**	54,168	87	0.16
Cost-to-income ratio	**27.77%**	28.83%	Down 1.06 percentage points	
Cost-to-income ratio (excluding tax and surcharges)	**26.73%**	27.84%	Down 1.11 percentage points	

3.2.1.9 Credit and Other Asset Impairment Losses

During the reporting period, the Group's accrued credit impairment losses and other asset impairment losses totaled RMB82.989 billion, an increase of RMB5.734 billion or 7.42% over the previous year. Specifically, allowance for impairment losses on loans and advanced to customers was RMB69.285 billion, representing an increase of RMB492 million or 0.72% over last year; impairment losses for financial investment was 8.493 billion, up by 4.226 billion or 99.04% over last year as the Group accrued impairment losses according to the risk of the wealth management assets back to its balance sheet. Please refer to the section of "Loan Quality Analysis" in this chapter for analysis of the Group's allowance for impairment losses on loans and advances to customers.

Unit: RMB million

Item	**2020**	2019	Increase/ (decrease)	Growth *(%)*
Loans and advances to customers	**69,285**	68,793	492	0.72
Interest receivables	**3,305**	2,103	1,202	57.16
Financial investments	**8,493**	4,267	4,226	99.04
Interbank business (Note)	**18**	26	(8)	(30.77)
Other receivables	**270**	390	(120)	(30.77)
Off-balance-sheet items	**1,106**	1,100	6	0.55
Repossessed assets	**512**	576	(64)	(11.11)
Total	**82,989**	77,255	5,734	7.42

Notes: Including the impairment losses on deposits and placements with, and loans to banks and non-bank financial institutions, and financial assets held under resale agreements.

3.2.1.10 Income Tax Expense

During the reporting period, the Group's income tax expense was RMB8.325 billion, representing an increase of RMB774 million or 10.25% over last year. Effective tax rate of the Group during the reporting period stood at 14.39%, up by 1.04 percentage points over last year.

Unit: RMB million

Item	**2020**	2019	Increase/ (decrease)	Growth *(%)*
Profit before tax	**57,857**	56,545	1,312	2.32
Income tax expense	**8,325**	7,551	774	10.25
Effective tax rate	**14.39%**	13.35%	Up 1.04 percentage points	

3.2.2 Balance Sheet Analysis

3.2.2.1 Assets

As at the end of the reporting period, the Group recorded total assets of RMB7,511.161 billion, an increase of 11.27% from the end of the previous year, mainly because the Group increased its loans and advances to customers and financial investments.

Unit: RMB million

	31 December 2020		31 December 2019	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**4,473,307**	**59.6**	3,997,987	59.2
Accrued interest of loans and advances to customers	**12,592**	**0.2**	10,104	0.2
Less: Allowance for impairment losses on loans and advances to customers (1)	**(125,703)**	**(1.7)**	(115,489)	(1.7)
Net loans and advances to customers	**4,360,196**	**58.1**	3,892,602	57.7
Total financial investments	**2,089,736**	**27.8**	1,863,351	27.6
Accrued interest of financial investments	**16,766**	**0.2**	17,021	0.3
Less: Allowance for impairment losses on financial investments (2)	**(13,770)**	**(0.2)**	(6,776)	(0.1)
Net financial investments	**2,092,732**	**27.8**	1,873,596	27.8
Investment in associates and joint ventures	**5,674**	**0.1**	3,672	0.1
Cash and deposits with central banks	**435,169**	**5.8**	463,158	6.9
Deposits and placements with, and loans to banks and non-bank financial institutions	**301,772**	**4.0**	325,844	4.8
Financial assets held under resale agreements	**111,110**	**1.5**	9,954	0.1
Others (3)	**204,508**	**2.7**	181,607	2.6
Total	**7,511,161**	**100.0**	6,750,433	100.0

Notes: (1) Including allowances for impairment losses on loans and advances to customers measured at amortized cost and allowances for impairment losses on accrued interest of loans and advances to customers measured at amortized cost.

(2) Including allowances for impairment losses on financial investments measured at amortized cost and impairment losses on accrued interest of financial investments measured at amortized cost.

(3) Including precious metals, derivative financial assets, investment properties, properties and equipment, intangible assets, goodwill, use right assets, deferred income tax assets and other assets, etc.

Loans and Advances to Customers

As at the end of the reporting period, the Group recorded RMB4,473.307 billion total loans and advances to customers (excluding accrued interest), up by 11.89% over the end of the previous year. Net loans and advances to customers accounted for 58.1% of total assets, up by 0.4 percentage point over the end of the previous year. The Group's balance of loans and advances to customer measured at amortized cost took up 90.6% of total loans and advances to customers. The table below sets out the classification of the Group's loans and advances to customers by measurement attribute.

Unit: RMB million

Item	**31 December 2020** Balance	**31 December 2020** Proportion (%)	31 December 2019 Balance	31 December 2019 Proportion (%)
Loans and advances to customer measured at amortized cost	**4,054,780**	**90.6**	3,682,283	92.1
Loans and advances to customer measured at fair value through other comprehensive income	**411,403**	**9.2**	308,789	7.7
Loans and advances to customer measured at fair value through profit or loss	**7,124**	**0.2**	6,915	0.2
Total loans and advances to customers	**4,473,307**	**100.0**	3,997,987	100.0

Please refer to the section of "Loan Quality Analysis" in this chapter for analysis of the Group's loans and advances to customers.

Financial Investments

As at the end of the reporting period, the Group recorded RMB2,089.736 billion total financial investments (excluding accrued interest), up by RMB226.385 billion or 12.15% over the end of the previous year, mainly because of the increase in investments in bonds and funds.

Classification of the Group's financial investments by product is set out in the table below.

Unit: RMB million

Item	31 December 2020 Balance	31 December 2020 Proportion (%)	31 December 2019 Balance	31 December 2019 Proportion (%)
Investments in debt securities	**1,436,715**	**68.8**	1,234,308	66.2
Investment funds	**286,800**	**13.7**	218,491	11.7
Trust management plans	**190,517**	**9.1**	160,265	8.6
Directional asset management plan	**104,336**	**5.0**	186,217	10.0
Certificates of deposit and interbank certificates of deposit	**54,304**	**2.6**	51,658	2.8
Investment in equity instruments	**12,665**	**0.6**	11,460	0.6
Investment in wealth management products and through structured entities	**4,399**	**0.2**	952	0.1
Total financial investments	**2,089,736**	**100.0**	1,863,351	100.0

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

Unit: RMB million

Item	31 December 2020 Balance	31 December 2020 Proportion (%)	31 December 2019 Balance	31 December 2019 Proportion (%)
Financial investments measured at fair value through profit or loss	**405,632**	**19.4**	317,546	17.0
Financial investments measured at amortized cost	**962,990**	**46.1**	921,109	49.4
Financial investments measured at fair value through other comprehensive income	**717,554**	**34.3**	621,660	33.4
Financial investments designated to be measured at fair value through other comprehensive income	**3,560**	**0.2**	3,036	0.2
Total financial investments	**2,089,736**	**100.0**	1,863,351	100.0

Investment in Debt Securities

As at the end of the reporting period, the Group registered RMB1,436.715 billion investments in debt securities, an increase of RMB202.407 billion or 16.40% over the end of the previous year, primarily because the increased investments in government bonds, local government bonds and policy bank bonds.

Classification of Debt Securities Investment by Issuers

Unit: RMB million

Item	31 December 2020 Balance	31 December 2020 Proportion (%)	31 December 2019 Balance	31 December 2019 Proportion (%)
Banks and non-bank financial institutions	**373,933**	**26.0**	345,664	28.0
Government	**840,445**	**58.5**	674,782	54.7
Policy banks	**118,201**	**8.2**	97,561	7.9
Business entities	**102,142**	**7.1**	115,961	9.4
Public entities	**1,994**	**0.2**	340	–
Total	**1,436,715**	**100.0**	1,234,308	100.0

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of top ten investments in financial debt securities held by the Group as at 31 December 2020.

Unit: RMB million

Name of debt securities	Book value	Maturity date (DD/MM/YY)	Coupon rate (%)	Accrued impairment allowance
2014 Commercial Bank Debt Securities	3,800	20/08/2029	5.98%	–
2018 Commercial Bank Debt Securities	3,500	20/12/2021	3.79%	0.54
2020 Commercial Bank Debt Securities	3,000	01/05/2023	2.08%	0.47
2020 Commercial Bank Debt Securities	2,840	07/08/2023	3.18%	0.44
2020 Financial Institution Debt Securities	2,500	17/03/2025	2.75%	0.86
2019 Policy Bank Debt Securities	2,004	17/05/2022	3.18%	–
2020 Commercial Bank Debt Securities	2,000	26/05/2023	2.30%	0.31
2019 Commercial Bank Debt Securities	2,000	11/07/2022	3.45%	0.31
2019 Financial Institution Debt Securities	2,000	05/11/2024	3.25%	0.31
2020 Financial Institution Debt Securities	2,000	13/03/2025	2.80%	0.69
Total	25,644			3.93

Note: There was no material change in the financial position of the above securities' issuers during the reporting period, and the allowance for impairment losses was accrued according to expected loss model as required by the accounting standards on financial instruments.

Investments in Associates and Joint Ventures

As at the end of the reporting period, the Group recorded RMB5.674 billion investments in associates and joint ventures, an increase of 54.52% over the end of the previous year due to the capital increase in CITIC aiBank. As at the end of the reporting period, the Group's balance of allowance for impairment losses on investment in associates and joint ventures was zero. For relevant details, please refer to Note 24 "Investment in Associates and Joint Ventures" to the financial report.

Unit: RMB million

Item	**As at 31 December 2020**	As at 31 December 2019
Investments in joint ventures	**5,044**	2,914
Investments in associates	**630**	758
Allowance for impairment losses	**–**	–
Net investments in associates and joint ventures	**5,674**	3,672

Derivatives

The table below sets out major categories and amount of derivatives held by the Group as at the end of the reporting period. For relevant details, please refer to Note 20 "Derivative Financial Assets/ Liabilities" to the financial report.

Unit: RMB million

	31 December 2020			31 December 2019		
	Nominal	**Fair value**		Nominal	Fair value	
Item	**principal**	**Assets**	**Liabilities**	principal	Assets	Liabilities
Interest rate derivatives	**3,058,057**	**9,395**	**9,138**	2,886,296	5,203	5,176
Currency derivatives	**1,977,918**	**30,363**	**30,588**	1,513,070	11,700	10,928
Other derivatives	**19,245**	**306**	**83**	12,715	214	732
Total	**5,055,220**	**40,064**	**39,809**	4,412,081	17,117	16,836

Repossessed Assets

As at the end of the reporting period, the Group recorded repossessed assets of RMB2.690 billion, and charged RMB1.323 billion allowances for impairment losses on repossessed assets. The book value stood at RMB1.367 billion.

Unit: RMB million

Item	**31 December 2020**	31 December 2019
Original value of repossessed assets	**2,690**	3,494
– Land, premises and buildings	**2,688**	3,491
– Others	**2**	3
Allowances for impairment losses on repossessed assets	**(1,323)**	(1,168)
– Land, premises and buildings	**(1,323)**	(1,168)
Total book value of repossessed assets	**1,367**	2,326

Changes in Impairment Allowances

Unit: RMB million

Item	31 December 2019	Accruals/ reversals during the current period	Write-offs/ transfer out during the current period	Others (1)	**31 December 2020**
Loans and advances to customers (2)	115,870	69,285	(69,129)	10,074	**126,100**
Financial investments (3)	8,389	8,493	(453)	(41)	**16,388**
Interbank business (4)	270	18	–	(5)	**283**
Other assets (5)	4,048	3,575	(3,450)	807	**4,980**
Off-balance-sheet items	5,646	1,106	–	(27)	**6,725**
Subtotal of allowances for credit impairment	134,223	82,477	(73,032)	10,808	**154,476**
Repossessed assets	1,168	512	(361)	4	**1,323**
Subtotal of allowances for other asset impairments	**1,168**	**512**	**(361)**	**4**	**1,323**
Total	**135,391**	**82,989**	**(73,393)**	**10,812**	**155,799**

Notes: (1) Including recovery of write-offs and impacts of exchange rate changes.

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

(3) Including allowances for impairment losses on financial investments measured at amortized cost and impairment losses on financial investments measured at fair value through other comprehensive income.

(4) Including allowance for impairment losses of deposits and placements with, and loans to banks and non-bank financial institutions and financial assets held under resale agreements.

(5) Including allowance for impairment losses on other receivables and accrued interest of all financial assets.

3.2.2.2 Liabilities

As at the end of the reporting period, the Group recorded total liabilities of RMB6,951.123 billion, up by 11.79% from the end of the previous year, primarily due to the increase in deposits from customers, deposits and placements from banks and non-bank financial institutions and debt certificates issued.

Unit: RMB million

Item	**31 December 2020**		31 December 2019	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Borrowings from central banks	**224,391**	**3.2**	240,298	3.9
Deposits from customers	**4,572,286**	**65.8**	4,073,258	65.5
Deposits and placements from banks and non-bank financial institutions	**1,221,397**	**17.6**	1,043,661	16.8
Financial assets sold under repurchase agreements	**75,271**	**1.1**	111,838	1.8
Debt certificates issued	**732,958**	**10.5**	650,274	10.4
Others (Note)	**124,820**	**1.8**	98,580	1.6
Total	**6,951,123**	**100.0**	6,217,909	100.0

Notes: Including financial liabilities measured at fair value through profits and losses, derivative financial liabilities, staff remunerations payable, tax and fee payables, estimated liabilities, lease liabilities, deferred income tax liabilities and other liabilities.

Deposits from Customers

As at the end of the reporting period, the Group's total deposits from customers (excluding accrued interest) were RMB4,528.399 billion, representing an increase of RMB489.579 billion or 12.12% over the end of the previous year; and deposits from customers accounted for 65.8% of total liabilities, an increase of 0.3 percentage point from the end of the previous year. The Group's balance of corporate deposits was RMB3,590.112 billion, representing an increase of RMB429.462 billion or 13.59% over the end of the previous year; and balance of personal deposits stood at RMB938.287 billion, representing an increase of RMB60.117 billion or 6.85% over the end of the previous year.

Unit: RMB million

Item	31 December 2020 Balance	31 December 2020 Proportion (%)	31 December 2019 Balance	31 December 2019 Proportion (%)
Corporate deposits				
Demand deposits	**1,915,266**	**41.9**	1,674,923	41.1
Time and call deposits	**1,674,846**	**36.6**	1,485,727	36.5
Subtotal	**3,590,112**	**78.5**	3,160,650	77.6
Personal deposits				
Demand deposits	**327,110**	**7.1**	275,526	6.8
Time and call deposits	**611,177**	**13.4**	602,644	14.8
Subtotal	**938,287**	**20.5**	878,170	21.6
Total deposits from customers	**4,528,399**	**99.0**	4,038,820	99.2
Accrued interest	**43,887**	**1.0**	34,438	0.8
Total	**4,572,286**	**100.0**	4,073,258	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

Item	31 December 2020 Balance	31 December 2020 Proportion (%)	31 December 2019 Balance	31 December 2019 Proportion (%)
Renminbi	**4,140,522**	**90.6**	3,700,005	90.8
Foreign currencies	**431,764**	**9.4**	373,253	9.2
Total deposits from customers	**4,572,286**	**100.0**	4,073,258	100.0

Breakdown of Deposits by Geographical Region

Unit: RMB million

Item	31 December 2020 Balance	31 December 2020 Proportion (%)	31 December 2019 Balance	31 December 2019 Proportion (%)
Head Office	**2,964**	**0.1**	13,540	0.3
Bohai Rim	**1,173,136**	**25.7**	1,012,398	24.9
Yangtze River Delta	**1,235,959**	**27.0**	1,064,584	26.1
Pearl River Delta and West Strait	**761,122**	**16.6**	709,706	17.4
Central China	**577,262**	**12.6**	534,637	13.1
Western China	**460,123**	**10.1**	405,283	10.0
Northeastern China	**98,981**	**2.2**	85,017	2.1
Overseas	**262,739**	**5.7**	248,093	6.1
Total	**4,572,286**	**100.0**	4,073,258	100.0

3.2.3 Shareholders' Equity

As at the end of the reporting period, the Group's shareholders' equity was RMB560.038 billion, an increase of 5.17% over the end of the previous year. The table below sets out the changes in shareholders' equity in the Group during the reporting period.

Unit: RMB million

	2020							
Item	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve and general reserve	Retained earnings	Non-controlling interest	Total
31 December 2019	48,935	78,083	58,977	7,361	120,544	203,411	15,213	532,524
i. Profit for the period						48,980	552	49,532
ii. Other comprehensive income				(7,252)			88	(7,164)
iii. Capital contributed or reduced by shareholders			239					239
iv. Profit allocation					14,061	(28,766)	(388)	(15,093)
31 December 2020	48,935	78,083	59,216	109	134,605	223,625	15,465	560,038

3.2.4 Loan Quality Analysis

During the reporting period, the Group's NPLs climbed in certain period due to the impact of the pandemic, but the overall loan quality was controllable and the allowance coverage ratio stayed sound. As at the end of the reporting period, the Group registered RMB4,473.307 billion total loans, up by RMB475.320 billion over the end of the previous year; an NPL ratio of 1.64%, down by 0.01 percentage point over the end of the previous year; an allowance coverage ratio of 171.68%, down by 3.57 percentage points from the end of the previous year; and a ratio of allowance for loan impairment losses to total loans of 2.82%, down by 0.08 percentage point from the end of the previous year.

Concentration of Loans by Product

As at the end of the reporting period, the Group's balance of corporate loans (excluding discounted bills) recorded RMB2,170.400 billion, an increase of RMB214.881 billion or 10.99% over the end of the previous year; and its balance of personal loans reached RMB1,891.900 billion, an increase of RMB161.086 billion or 9.31% over the end of the previous year. The balance of discounted bills increased by RMB99.353 billion or 31.88% over the end of last year to RMB411.007 billion. The Group's balances of corporate non-performing loans (excluding discounted bills) and personal non-performing loans increased by RMB1.634 billion and RMB5.701 billion over the end of the previous year, respectively, corresponding to a 0.18 percentage point decline and a 0.22 percentage point increase in their respective NPL ratios over the end of the previous year.

Unit: RMB million

	31 December 2020				31 December 2019			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Corporate loans	**2,170,400**	**48.52**	**52,557**	**2.42**	1,955,519	48.91	50,923	2.60
Personal loans	**1,891,900**	**42.29**	**20,895**	**1.10**	1,730,814	43.29	15,194	0.88
Discounted bills	**411,007**	**9.19**	**0.00**	**0.00**	311,654	7.80	0.00	0.00
Total loans	**4,473,307**	**100.00**	**73,452**	**1.64**	3,997,987	100.00	66,117	1.65

Breakdown of Loans by Type of Guarantee

During the reporting period, the Group's loan guarantee structure remained stable. As at the end of the reporting period, the balance of the Group's loans secured by collateral and pledge loans was RMB2,431.181 billion, an increase of RMB210.440 billion over the end of the previous year, accounting for 54.34% of the Group's total loans, down by 1.20 percentage points from the end of the previous year; the balance of unsecured and guaranteed loans was RMB1,631.119 billion, an increase of RMB165.527 billion over the end of the previous year, accounting for 36.47% of the Group's total loans, down by 0.19 percentage point from the end of the previous year.

Unit: RMB million

Type of Guarantee	**31 December 2020** Balance	Proportion (%)	31 December 2019 Balance	Proportion (%)
Unsecured loans	**1,118,670**	**25.01**	976,047	24.41
Guaranteed loans	**512,449**	**11.46**	489,545	12.25
Loans secured by collateral	**1,979,989**	**44.25**	1,822,815	45.59
Pledge loans	**451,192**	**10.09**	397,926	9.95
Subtotal	**4,062,300**	**90.81**	3,686,333	92.20
Discounted bills	**411,007**	**9.19**	311,654	7.80
Total loans	**4,473,307**	**100.00**	3,997,987	100.00

Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group's total loans stood at RMB4,473.307 billion, an increase of RMB475.320 billion or 11.89% over the prior year-end. Specifically, the balances of loans to the Bohai Rim, the Yangtze River Delta and the Pearl River Delta and West Strait ranked the top three, recording RMB1,269.385 billion, RMB1,089.758 billion and RMB681.024 billion, and accounting for 28.38%, 24.37% and 15.22% of the Group's total, respectively. In terms of growth rate, the Yangtze River Delta and the Western region recorded the highest growth, reaching 18.34% and 14.94%, respectively. The Group's NPLs were mainly concentrated in the Bohai Rim, the Yangtze River Delta and the Western region, with the combined NPL balance reaching RMB52.653 billion, accounting for 71.68% of the total. In terms of incremental NPLs, the Bohai Rim registered the largest amount of RMB9.882 billion and its NPL ratio rose by 0.71 percentage point; followed by the Yangtze River Delta, which recorded RMB2.380 billion incremental NPLs and a 0.09 percentage point rise in its NPL ratio.

Main reasons for the change in the regional distribution of NPLs are as follows: First, the Bohai Rim, the Yangtze River Delta and other regions were greatly affected by the macroeconomic slowdown, inadequate market demand, continuous strengthening of resource and environmental constraints etc. Coupled with the pandemic, some enterprises in these regions suffered from declined profitability and loan default. Second, due to the risk exposures of certain large customers in the Bohai Rim and the Yangtze River Delta, non-performing loans increased significantly.

Unit: RMB million

	31 December 2020				31 December 2019			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Bohai Rim	**1,269,385**	**28.38**	**33,283**	**2.62**	1,224,035	30.61	23,401	1.91
Yangtze River Delta	**1,089,758**	**24.37**	**10,091**	**0.93**	920,846	23.03	7,711	0.84
Pearl River Delta and West Strait	**681,024**	**15.22**	**6,264**	**0.92**	598,313	14.97	12,499	2.09
Western China	**544,949**	**12.18**	**9,279**	**1.70**	474,109	11.86	9,206	1.94
Central China	**612,438**	**13.69**	**9,031**	**1.47**	534,366	13.37	7,192	1.35
Northeastern China	**89,167**	**1.99**	**2,520**	**2.83**	77,694	1.94	4,125	5.31
Overseas	**186,586**	**4.17**	**2,984**	**1.60**	168,624	4.22	1,983	1.18
Total loans	**4,473,307**	**100.00**	**73,452**	**1.64**	3,997,987	100.00	66,117	1.65

Note: Bohai Rim includes the headquarters.

Concentration of Corporate Loans by Sector

As at the end of the reporting period, rental and business services, and water, environment and public utilities management were the top two sector borrowers of the Group's outstanding corporate loans. Their loan balances recorded RMB413.523 billion and RMB339.006 billion, respectively, altogether accounting for 34.67% of the Group's total corporate loans, up by 2.88 percentage points from the end of the previous year. The balance of loans granted to the real estate sector posted RMB287.608 billion, accounting for 13.25% and down by 1.53 percentage points from the end of the previous year; loans granted to the manufacturing sector stood at RMB326.803 billion, accounting for 15.06% and up by 1.88 percentage points from the end of the previous year. In terms of growth rate, loans to the four sectors, namely, production and supply of electric power, gas and water, manufacturing, water, environment and public utilities management, and rental and business services grew relatively faster, up by 29.89%, 26.83%, 26.05% and 17.23% over the end of the previous year respectively, all higher than the average growth rate of corporate loans.

As at the end of the reporting period, the Group's NPLs were mainly concentrated in two sectors, i.e., wholesale and retail sector and manufacturing sector, with their NPL balances collectively taking up 42.42% of the total corporate NPLs, but the asset quality continued to improve. The balance of NPLs in the two sectors decreased by RMB627 million and RMB4.625 billion over the end of the previous year, respectively, corresponding to a 0.92 percentage point decline and a 2.71 percentage points decline in their respective NPL ratios compared with the end of the previous year.

As at the end of the reporting period, the Group's balances of NPLs in the sectors of real estate, construction, and transportation, storage and postal service increased by RMB6.207 billion, RMB3.368 billion and RMB81 million over the previous year-end, and the NPL ratios went up by 2.16 percentage points, 3.24 percentage points and 0.18 percentage point respectively. The balance of NPLs in the sector of rental and business service decreased by RMB1.730 billion from the prior year-end, and the NPL ratio declined by 0.58 percentage point.

Main reasons for the rise of NPL ratio in the sectors of real estate, construction, and transportation, storage and postal service are as follows: First, due to the impact of real estate control policies, real estate and construction enterprises suffered from tight capital chain and increased risk exposures. Second, affected by the pandemic, transportation, storage and postal service was seriously affected.

Unit: RMB million

	31 December 2020				31 December 2019			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Manufacturing	**326,803**	**15.06**	**11,062**	**3.38**	257,675	13.18	15,687	6.09
Real estate	**287,608**	**13.25**	**9,633**	**3.35**	288,975	14.78	3,426	1.19
Wholesale and retail	**156,957**	**7.23**	**11,234**	**7.16**	146,883	7.51	11,861	8.08
Transportation, storage and postal service	**134,379**	**6.19**	**1,448**	**1.08**	152,127	7.78	1,367	0.90
Water, environment and public utilities management	**339,006**	**15.62**	**874**	**0.26**	268,942	13.75	799	0.30
Construction	**99,894**	**4.60**	**5,830**	**5.84**	94,701	4.84	2,462	2.60
Rental and business service	**413,523**	**19.05**	**2,214**	**0.54**	352,732	18.04	3,944	1.12
Production and supply of electric power, gas and water	**86,006**	**3.96**	**658**	**0.77**	66,215	3.39	945	1.43
Public and social organizations	**10,701**	**0.49**	**248**	**2.32**	12,743	0.65	5	0.04
Others	**315,523**	**14.55**	**9,356**	**2.97**	314,526	16.08	10,427	3.32
Total corporate loans	**2,170,400**	**100.00**	**52,557**	**2.42**	1,955,519	100.00	50,923	2.60

Concentration of Borrowers of Corporate Loans

The Group focused on concentration risk control over its corporate loan borrowers. During the reporting period, the Group complied with the applicable regulatory requirements on concentration of borrowers. Since a single borrower was defined by the Group as a specific legal entity, one borrower could be the related party of another borrower.

Major regulatory indicator	**Regulatory Standard**	**31 December 2020**	31 December 2019	31 December 2018
Percentage of loans to the largest single customer (%)(1)	**≤10**	**4.31**	2.27	2.44
Percentage of loans to the top 10 customers (%)(2)	**≤50**	**15.74**	13.12	14.49

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

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

Unit: RMB million

	Sector	31 December 2020 Balance	Percentage in total loans *(%)*	Percentage in regulatory capital *(%)*
Borrower A	Finance	**30,212**	**0.68**	**4.31**
Borrower B	Rental and business services	**13,543**	**0.30**	**1.93**
Borrower C	Transportation, storage and postal services	**9,668**	**0.22**	**1.38**
Borrower D	Public management, social security and social organizations	**9,484**	**0.21**	**1.35**
Borrower E	Real estate	**8,804**	**0.20**	**1.25**
Borrower F	Real estate	**8,656**	**0.19**	**1.23**
Borrower G	Real estate	**8,500**	**0.19**	**1.21**
Borrower H	Real estate	**8,000**	**0.18**	**1.14**
Borrower I	Real estate	**6,819**	**0.15**	**0.97**
Borrower J	Real estate	**6,800**	**0.15**	**0.97**
Total loans		**110,486**	**2.47**	**15.74**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB110.486 billion, taking up 2.47% of its total loans and 15.74% of its net capital.

Loan Risk 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 former CBRC. The guidelines requires Chinese commercial banks to classify their credit assets into five tiers, namely, pass, special mention, substandard, doubtful and loss, of which the last three classes are regarded as non-performing loans.

During the reporting period, the Bank continued to reinforce the centralized management of loan risk classification and kept enhancing the system for classified management of credit asset risks. While adhering to the core criteria of “safety of loan recovery”, the Bank handled different tiers of loans with different risk management measures, taking into full consideration various factors that may impact the quality of credit assets.

The Bank’s process for classification of loan risks includes the following steps: operating institutions conduct post-lending inspections in the first place, after which business management departments of branches provide preliminary opinions, followed by preliminary classification by credit management departments of the branches; thereafter the branch risk directors review and approve the preliminary classification; and the Head Office gives the final approval. With regard to loans with material changes in risk profiles, the Bank adjusts their classification in a dynamic manner.

Unit: RMB million

	31 December 2020		31 December 2019	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Performing loans	**4,399,855**	**98.36**	3,931,870	98.35
Pass	**4,309,842**	**96.35**	3,843,061	96.13
Special mention	**90,013**	**2.01**	88,809	2.22
Non-performing loans	**73,452**	**1.64**	66,117	1.65
Substandard	**43,704**	**0.98**	31,132	0.78
Doubtful	**26,206**	**0.58**	30,080	0.75
Loss	**3,542**	**0.08**	4,905	0.12
Total loans	**4,473,307**	**100.00**	3,997,987	100.00

Note: Performing loans include pass loans and special mention loans, while 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 RMB466.781 billion over the end of the previous year, and accounted for 96.35% of its total loans, representing an increase of 0.22 percentage point over the end of the previous year; and the balance of special mention loans increased by RMB1.204 billion, accounting for 2.01% of its total loans, down by 0.21 percentage point over the end of the previous year. The balance of the Group's NPLs recognized in accordance with the regulatory risk classification criteria stood at RMB73.452 billion, representing an increase of RMB7.335 billion over the end of the previous year; and its NPL ratio recorded 1.64%, down by 0.01 percentage point over the end of the previous year.

During the reporting period, the Group's NPL balance went up while NPL ratio went down. During the reporting period, the macroeconomic situation at home and abroad was still severe, and some corporate customers suffered from operation stagnation, with repayment capacity weakened and even fund chain broken due to COVID-19. In addition, the Group fully exposed the risks by downgrading some loans overdue for more than 60 days to NPLs and downgrading large-value loan to risky customers to NPLs. As a result, its NPL balance increased. However, at the beginning of 2020, the Group had already made sufficient anticipation and preparation in response to the changing trends of loan quality. Through its pertinent measures for risk prevention and resolution and intensified efforts in NPL disposal, the changes in NPLs were within the Group's expectation and under its control, and NPL ratio decreased.

Migration of Loans

The table below sets out the migration of the Bank's loans across the five tiers during the reporting period.

	31 December 2020	31 December 2019	31 December 2018
Migration ratio of pass loans *(%)*	**3.52**	1.80	2.53
Migration ratio of special mention loans *(%)*	**48.12**	23.03	48.27
Migration ratio of substandard loans *(%)*	**76.82**	23.97	73.53
Migration ratio of doubtful loans *(%)*	**70.34**	8.77	41.91
Ratio of migration from performing loans to NPLs *(%)*	**2.56**	1.83	1.63

As at the end of the reporting period, the Bank's ratio of loan migration from performing loans to NPLs was 2.56%, an increase of 0.73 percentage point over the end of the previous year. The reason behind this change is that the Bank fully exposed risks and proactively downgraded some of the loans overdue for 60 days or more and loans of potential risky clients to NPLs.

Loans Overdue

Unit: RMB million

	31 December 2020		31 December 2019	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Loans repayable on demand	**4,382,347**	**97.97**	3,893,978	97.40
Loans overdue[(1)]				
1-90 days	**38,285**	**0.86**	53,866	1.35
91-180 days	**12,693**	**0.28**	13,976	0.35
181 days or more	**39,982**	**0.89**	36,167	0.90
Subtotal	**90,960**	**2.03**	104,009	2.60
Total loans	**4,473,307**	**100.00**	3,997,987	100.00
Loans overdue for 91 days or more	**52,675**	**1.17**	50,143	1.25
Restructured loans[(2)]	**22,030**	**0.49**	22,792	0.57

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

(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

During the reporting period, the Group's overdue loans slightly decreased due to intensified efforts in risk control and resolution. As at the end of the reporting period, the Group's balance of overdue loans recorded RMB90.960 billion, a decrease of RMB13.049 billion over the end of the previous year, and the proportion of overdue loans in total loans went down by 0.57 percentage point over the end of the previous year. Of these overdue loans, 0.86% were short-term and/or temporary loans with a maturity of less than 3 months. The proportion of loans overdue for 91 days and more was 1.17%, a decrease of 0.08 percentage point from the end of last year.

The Group managed and controlled loan restructuring in a stringent and prudent manner. As at the end of the reporting period, the Group's restructured loans stood at RMB22.030 billion loans, a decrease of RMB762 million in amount and a decrease of 0.08 percentage point in proportion from the end of the previous year.

Analysis of Allowance for Loan Impairment

The Group set aside adequate allowance for loan impairment losses based on expected loss model as required by the new accounting standards on financial instruments in the light of customer default rate, default loss rate and many other quantitative parameters as well as macro perspective adjustments.

Unit: RMB million

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Impact of beginning conversions based on new accounting standards	**Not Applicable**	Not Applicable	7,002
Beginning balance	**115,870**	101,154	97,905
Accruals during the period [1]	**69,285**	68,793	47,753
Write-offs and transfer-out	**(69,129)**	(60,686)	(46,938)
Recovery of loans and advances written off in previous years	**10,020**	5,042	2,441
Others [2]	**54**	1,567	(7)
Ending balance	**126,100**	115,870	101,154

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

(2) Including foreign exchange rate changes and others.

As at the end of the reporting period, the Group's balance of allowance for loan impairment losses registered RMB126.100 billion, up by RMB10.230 billion over the end of the previous year. The Group's ratio of balance of allowance for loan impairment losses to NPL balance (i.e., allowance coverage ratio) and ratio of balance of allowance for loan impairment losses to total loans (i.e., allowance for loan impairment losses to total loans) stood at 171.68% and 2.82%, down by 3.57 percentage points and 0.08 percentage point over the end of the previous year, respectively.

During the reporting period, the Group accrued RMB69.285 billion as allowance for loan impairment losses, an increase of RMB492 million year on year. The reasons underlying the change in allowance accruals were: The Bank adopted a stricter standard for NPL identification, and downgraded some loans overdue for 60 days or more to NPLs; it also stepped up efforts in its non-performing assets disposal and write-off, increasing its accruals for allowance for loan impairment losses.

3.2.5 Major Off-Balance Sheet Items

As at the end of the reporting period, the Bank's major off-balance sheet items included credit commitments, capital commitments and pledged assets. The detailed items and balances are set out in the table below.

Unit: RMB million

Item	**31 December 2020**	31 December 2019
Credit commitments		
– Bank acceptance bills	**559,073**	426,226
– Letters of guarantee	**119,741**	147,154
– Letters of credit	**125,197**	103,981
– Irrevocable loan commitments	**49,632**	52,211
– Credit card commitments	**623,478**	545,503
Subtotal	**1,477,121**	1,275,075
Capital commitments	**1,547**	3,457
Pledged assets	**399,902**	444,387
Total	**1,878,570**	1,722,919

3.2.6 Cash Flow Statement Analysis

Net Cash Inflows from Operating Activities

The Group's net cash inflows from operating activities registered RMB156.863 billion, an increase of RMB39.894 billion over last year, primarily because the cash inflows due to the increase in deposits from customers and growth in interbank transactions offset the cash outflows due to the increase in loans and advances to customers and decrease in borrowings from central banks, and gave rise to net cash inflows higher than the previous year.

Net Cash Outflows Used in Investing Activities

The Group's net cash outflows used in investing activities recorded RMB218.249 billion, a decrease of RMB34.815 billion from last year, mainly because proceeds from redemption of investments increased over last year.

Net Cash Inflows Generated from Financing Activities

The Group's net cash inflows generated from financing activities registered RMB45.972 billion, a decrease of RMB54.607 billion over last year, primarily because the Bank issued undated capital bonds last year and no such bonds were issued in the reporting period.

Unit: RMB million

Item	2020	Year-on-year increase *(%)*	Main reason
Net Cash Inflows from Operating Activities	**156,863**	34.1	
Including: Cash inflows due to increase in deposits from customers	**504,563**	20.8	Increase in various deposits
Net cash inflows due to increase in interbank business *(Note)*	**71,487**	42.0	Increase in interbank transactions
Cash outflows due to increase in loans and advances to customers	**(551,929)**	25.4	Increase in various loans
Cash outflows due to decrease in borrowings from central banks	**(13,808)**	(69.2)	Repayment of borrowings from central banks decreased
Net Cash Outflows Used in Investing Activities	**(218,249)**	(13.8)	
Including: Proceeds from redemption of investments	**2,570,954**	32.5	Increase in sale and redemption of financial investments
Payments on acquisition of investments	**(2,783,341)**	27.1	Increase in financial investments
Net Cash Inflows Generated from Financing Activities	**45,972**	(54.3)	
Including: Proceeds from issuance of debt certificates	**807,022**	37.7	Increase in issuance of interbank deposit certificates
Proceeds of issuance of other equity instruments	**–**	(100.0)	Issuance of undated capital bonds in 2019
Principal repayment for issued debt certificates	**(720,194)**	47.9	Increase in repayment of matured interbank deposit certificates

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

3.2.7 Capital Adequacy Ratio Analysis

The Group has established a comprehensive capital management system covering capital planning, capital allocation, capital examination, capital monitoring and capital analysis and management. During the reporting period, in line with changes in both internal and external situations, the Group continued to uphold the "capital light, asset light and cost light" development strategy. Following the concept of "capital constrains assets", the Bank established a linkage mechanism between capital planning and business arrangements, made reasonable plans for asset growth, actively promoted asset turnover and thus continuously improved its asset structure. At the same time, guided by the concepts of "light development" and "value creation", the Group adopted the dual-line management model, i.e., "limit management of regulatory capital" and "examination of economic capital" to strike a balance between economic capital and regulatory capital, and further improved the capital allocation and capital examination. During the reporting period, the Group completed the issuance of RMB40 billion of tier-2 capital bonds which further enhanced the risk resilience of capital and ensured the relative stability of capital adequacy ratios.

As at the end of the reporting period, as required by the *Provisional Measures for Capital Management of Commercial Banks* promulgated by the former CBRC in June 2012, the Group recorded the following capital adequacy profile: a capital adequacy ratio of 13.01%, an increase of 0.57 percentage point from the end of the previous year; a 10.18% tier-one capital adequacy ratio, 0.02 percentage point lower than the end of the previous year; and an 8.74% core tier-one capital adequacy ratio, up by 0.05 percentage point from the end of the previous year, all meeting regulatory requirements.

In 2021, the Group will continue to carry out comprehensive capital management with the focus on capital under the guidance of "light development" and "value creation", and realize the balanced development of business growth, value return and capital consumption by strengthening capital management measures, so as to improve capital application efficiency at all fronts.

Capital adequacy ratios

Unit: RMB million

Item	**31 December 2020**	31 December 2019	Increase (%)/ Change	31 December 2018
Net core tier-one capital	**471,251**	444,203	27,048	403,354
Net additional tier-one capital	**77,710**	77,555	155	37,768
Net tier-one capital	**548,961**	521,758	27,203	441,122
Net tier-two capital	**152,768**	114,139	38,629	142,271
Net capital	**701,729**	635,897	65,832	583,393
Of which:				
Minimum requirement on core tier-one capital	**269,662**	255,679	13,983	233,886
Minimum requirement on tier-one capital	**323,595**	306,815	16,780	280,663
Minimum requirement on capital	**431,460**	409,087	22,373	374,217
Requirement on reserve capital	**134,831**	127,840	6,991	116,943
Requirement on countercyclical capital	**–**	–	–	–
Requirement on additional capital	**–**	–	–	–
Risk-weighted assets	**5,393,248**	5,113,585	279,663	4,677,713
Core tier-one capital adequacy ratio	**8.74%**	8.69%	Up 0.05 percentage point	8.62%
Tier-one capital adequacy ratio	**10.18%**	10.20%	Down 0.02 percentage point	9.43%
Capital adequacy ratio	**13.01%**	12.44%	Up 0.57 percentage point	12.47%

Leverage ratio

Unit: RMB million

	31 December 2020	31 December 2019	Increase (%)/ Change	31 December 2018
Leverage ratio	**6.40%**	6.71%	Down 0.31 percentage point	6.37%
Net tier-one capital	**548,961**	521,758	27,203	441,122
Adjusted balance of on-and off-balance sheet assets	**8,582,636**	7,780,321	802,315	6,928,004

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

3.2.8 Major Accounting Estimates and Assumptions

The preparation of the 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 for the reporting period. The accounting estimates and assumptions made by the Group were based on its historical experience and other factors such as reasonable expectations of future events. The key assumptions involved in such estimates and the judgment on uncertainties were reviewed on an on-going basis. Such accounting estimates and assumptions made by the Group were all appropriately recognized during the current period of the concerned changes and will be recognized as such during the subsequent periods of any impacts resulting from such changes.

The basis for preparing the Group's financial statements was influenced by estimates and judgments in the following main aspects: expected credit loss measurement model, classification of financial assets, fair value measurement of financial instruments, the end of recognition of financial assets, the control of structured entities, income tax and deferred income tax.

3.2.9 Major Financial Statement Items with More than 30% Changes

Unit: RMB million

Item	End of 2020/2020	Increase/ Decrease over previous year-end/previous year *(%)*	Main reason
Derivative financial assets	**40,064**	134.1	Increase in revaluation of currency derivatives
Financial assets held under resale agreements	**111,110**	1,016.2	Increase in securities held under resale agreements
Investments in associates and joint ventures	**5,674**	54.5	Capital increase in CITIC aiBank
Properties and equipment	**33,868**	51.4	Acquisition of CITIC Tower
Deferred income tax assets	**41,913**	30.6	Increase in deductible temporary differences due to the provision of loan impairment losses
Placements from banks and non-bank financial institutions	**57,756**	(37.6)	Decrease in placements from non-bank financial institutions
Financial liabilities measured at fair value through profit or loss	**8,654**	921.7	Short selling of bonds and increase in structured products
Derivative financial liabilities	**39,809**	136.5	Increase in revaluation of currency derivatives
Financial assets under repurchase agreements	**75,271**	(32.7)	Decrease in bonds under repurchase agreements
Other comprehensive income	**109**	(98.5)	Changes in financial assets measured at fair value through comprehensive profit and loss and decrease in foreign operation translation differences
Net trading gain	**3,354**	(35.9)	Decrease in net gains from trading of bonds and derivatives
Net gain from investment securities	**11,935**	38.3	Increase of net gain from financial assets measured at fair value through other comprehensive income

3.2.10 Segment Report

3.2.10.1 Business Segments

Major business segments of the Group include corporate banking, retail banking and financial markets business. The table below lists the operating results of the Group for the reporting period by business segment.

Unit: RMB million

Business Segment	**2020** Segment operating income	Proportion (%)	Segment Profit before tax	Proportion (%)	2019 Segment operating income	Proportion (%)	Segment Profit before tax	Proportion (%)
Corporate banking	**89,473**	**45.8**	**20,689**	**35.7**	93,790	49.9	22,764	40.3
Retail banking	**79,644**	**40.8**	**19,422**	**33.6**	71,284	37.9	19,632	34.7
Financial markets business	**22,713**	**11.6**	**18,002**	**31.1**	19,476	10.4	14,941	26.4
Others and unallocated	**3,569**	**1.8**	**(256)**	**(0.4)**	3,331	1.8	(792)	(1.4)
Total	**195,399**	**100.0**	**57,857**	**100.0**	187,881	100.0	56,545	100.0

Unit: RMB million

Business Segment	**2020** Segment assets	Proportion *(%)*	2019 Segment assets	Proportion *(%)*
Corporate banking	**2,580,730**	**34.5**	2,305,553	34.3
Retail banking	**1,966,280**	**26.3**	1,799,187	26.8
Financial markets business	**2,058,163**	**27.6**	1,763,758	26.3
Others and unallocated	**864,075**	**11.6**	849,840	12.6
Total	**7,469,248**	**100.0**	6,718,338	100.0

Note: Total assets do not include deferred income tax assets.

3.2.10.2 Geographical Segments

The Group operates mainly in the Chinese mainland, with branches and sub-branches covering 31 provinces, autonomous regions and municipalities. London Branch officially commenced operation in 2019. Subsidiaries CIFH and CNCB Investment were registered in Hong Kong, while Lin'an CITIC Rural Bank, CITIC Financial Leasing and CITIC Wealth Management were registered in China. The table below lists the operating results of the Group for the reporting period by geographical segment.

Unit: RMB million

	2020				2019			
	Segment total assets[1]		**Segment profit before tax**		Segment total assets		Segment profit before tax	
Geographical Segments	**Balance**	**Proportion (%)**	**Balance**	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Head Office	**3,142,433**	**42.1**	**33,507**	**57.9**	2,733,418	40.7	37,148	65.7
Yangtze River Delta	**1,599,863**	**21.4**	**12,610**	**21.8**	1,400,247	20.8	10,891	19.3
Pearl River Delta and West Strait	**886,996**	**11.9**	**4,538**	**7.8**	810,404	12.1	3,226	5.7
Bohai Rim	**1,756,340**	**23.5**	**4,777**	**8.3**	1,440,563	21.4	2,980	5.3
Central China	**715,464**	**9.6**	**5,214**	**9.0**	656,139	9.8	4,337	7.7
Western China	**621,509**	**8.3**	**(4,779)**	**(8.3)**	585,993	8.7	(2,804)	(5.0)
Northeastern China	**131,475**	**1.8**	**317**	**0.6**	106,531	1.6	(2,539)	(4.5)
Overseas	**354,390**	**4.7**	**1,673**	**2.9**	338,452	5.0	3,306	5.8
Offset	**(1,739,222)**	**(23.3)**	**–**	**–**	(1,353,409)	(20.1)	–	–
Total	**7,469,248**	**100.0**	**57,857**	**100.0**	6,718,338	100.0	56,545	100.0

Note: Total assets do not include deferred income tax assets.

3.3 Strategic Planning

3.3.1 Outlook

In 2020, in the face of a grave and complex international climate, and the formidable tasks of domestic reform, development and stability, especially severe impact of a sudden COVID-19 epidemic, China maintained strategic resolve, correctly judged the situation, carefully planned, acted decisively and responded with tremendous tenacity to become the world's only major economy to achieve growth. The economy of China got back on track while uncertainty was mounting on COVID-19 and external environment. Growth, inflation and interest rates were still low in advanced economies and central banks slashing rates further elevated the exposure to higher financial fragility.

In 2020, decisive progress in the three critical battles against poverty, and major headway in innovation in science and technology have been made in China. In addition, the country also made significant breakthroughs in reform and opening-up and effectively safeguarded people's wellbeing. In 2020, the country's gross domestic product (GDP) of the year grew by 2.30%, value added of industry above designated size rose 2.80%, the consumer price index (CPI) posted a 2.50% growth, and the producer price index for industrial products dropped 1.80% year-on-year. In addition, the surveyed urban unemployment rate dropped to 5.60%, below the government's annual target of about 6%. Financial regulators implemented the decisions and plans of the CPC Central Committee and the State Council, made overall plan in routine virus control mechanisms and economic and social development, and did a good job in ensuring stability on six key fronts[2], maintaining security in six key areas[3] and wrapping up the 13th Five-Year Plan. The country kept its prudent monetary policy more flexible and targeted and at a reasonable and appropriate level, and responded to the high uncertainty in three determinate directions of moderate aggregate policy, obvious reduction in financing costs and support for the real economy, to create a favorable monetary and financial environment for keeping market entities afloat and maintaining stable employment, and provide strong support for the virus control and steady economic rebound. Guided by various policies, the Chinese financial sector saw the positive changes starting to occur to its structure, as the size of currency, credit and social financing expanded within a reasonable range. As at the end of 2020, the balance of broad money (M2), the balance of Renminbi loans and the stock of aggregate financing to the real economy (AFRE) stood at RMB218.68 trillion, RMB172.75 trillion and RMB284.83 trillion, growing by 10.10%, 12.80% and 13.30% over the end of the previous year, respectively.

As China's economy is now transitioning to high-quality development, and it is speeding up efforts to foster a new development pattern featuring a strong domestic market and the positive interplay between domestic circulation and international circulation, China has an edge and precondition for further development. Nevertheless, as complexity, instability and uncertainty are mounting on the international landscape, the domestic economy also faces several challenges. The country faces rising pressure amid structural, institutional and cyclical problems and imbalances and inadequacies in development. The banking sector is facing both expanding opportunities and rising challenges.

On the one hand, the banking sector is facing rising challenges. Some countries face resurgence in COVID-19 cases, public sector and the real economy see rising debts, and fiscal sustainability faces serious challenges. Capital market valuation is lack of support from fundamentals of the economy and the extremely loose monetary policy may lead to spillover effect. In the meantime, the mounting protectionism and unilateralism, the growing geopolitical tensions, and intensifying trade frictions among several countries will deal a non-economic blow to the global industry chain and supply chain, posing daunting instability and uncertainty to economic recovery. Therefore, China will still be under great pressure to guard against inbound cases and forestall international economic and financial risks. Supply-side structural reform in the financial sector will be steadily advanced, and financial institutions will continue to improve the quality and efficiency in serving the real economy. The formation mechanism of loan prime rate (LPR) will be improved, reform of key areas will be constantly enhanced and the operation of financial institutions will be further standardized. In the context of forestalling and defusing financial risks, the Chinese regulators will maintain "stringent regulation and severe penalty", and reduce existing illegal practices on the market. Accordingly, financial institutions will continuously stick to the basics of financial services in their operation, intensify risk management and internal control, and pursue high-quality and sustainable development.

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2 The six key fronts refer to employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations.

3 The six key areas refer to job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments.

On the other hand, the banking sector is facing expanding opportunities. As 2021 is the start year of the 14th Five-Year Plan period, it is expected to ensure the continuity, consistency and sustainability of macro policies. China will continue to implement a proactive fiscal policy and prudent monetary policy, maintain necessary policy support for economy recovery to promote major economic indicators within an appropriate range. At the same time, closely seeking supply-side structural reform, it will pay attention to demand-side management, unclog bottleneck and strengthen weak areas, so as to attain a more desirable and dynamic equilibrium where demand drive the supply and supply creates demand. China will promote the coordinated development of the Beijing-Tianjin-Hebei region, the integrated development of the Yangtze River economic belt, and the development of the Guangdong-Hong Kong-Macao Greater Bay Area to build new driving forces that lead high-quality development, thus create a world-class innovation platform and foster new sources of growth. This will provide a broad space for structural adjustment, transformation and development of commercial banks.

3.3.2 Implementation of the Development Plan

The year 2020 marks the concluding year for the Bank's 2018-2020 development plan. Amid the severe test of the COVID-19 pandemic and the economic and financial situation at home and abroad, the Board of Directors highly valued strategic planning, and remained strategically determined and confident about development. It vigorously boosted business transformation and efficiency improvement, proactively prevented and mitigated major risks, and thus achieved significant effect in building an enterprise offering the best comprehensive financial services, laying a solid foundation for the next stage of development completing the overall goal of the plan. In detail, the plan implementation have the following characteristic results:

The governance basis was further consolidated. To develop a sound corporate governance structure, the Bank served as a forerunner among joint-stock banks to specify Party building in its *Articles of Association*. In this way, leadership of the Party was integrated into corporate governance, corporate governance actors could enjoy more adequate information sharing and exchanges, the governance model featuring value creation was improved and the governance culture was more inclusive. Moreover, the Bank reformed human resource management through better allocation of human resources, remuneration and training sessions. It established an open, fair and just mechanism for talent selection and employment, built outstanding leading groups at all levels and provided more diversified channels for growth. Besides, it explored a differentiated remuneration system, incorporated talent team building into its organizational system and cumulatively fostered over 5,000 elites through the "Double Hundred and Double Thousand"[4] project.

[4] A human resources project with the aim of building four teams, i.e., operational and managerial talents, internationalized talents, professional talents and youth backbones, to implement the 2018-2020 Development Plan of the Bank.

Business transformation was more fruitful. The Bank made solid efforts to boost integrated customer management for the corporate banking business, and made breakthroughs in key areas such as the "joint management model" for strategic customers, institutional banking business, auto finance, transaction banking and inclusive finance. Through these efforts, the Bank continued to lead the market in terms of bond underwriting, forex purchase and sale, international balance of payments and cross-border Renminbi. Besides, the Bank was significantly better at creating value in retail banking business. Specifically, the operation system was upgraded, and digital capabilities were improved. As a result, customers exceeded a hundred million, retail assets under management amounted to more than RMB2 trillion and the percentage of net operating income increased from 35.36% at the end of 2017 to 41.73%. Furthermore, the Bank had stronger capabilities of market-oriented operation of the financial market business, recording operating income of RMB21.466 billion, fee-based business income of RMB12.635 billion.

The brand image was more vivid. With continuous improvement of the organizational structure, the Bank made fresh progress in collaborative development, and established a five-in-one[5] collaborative working system, making achievements in collaboration within the Group, collaboration between the Bank and its subsidiaries and coordination between domestic and overseas institutions. The Bank made breakthroughs in international development. For example, London Branch was officially established, application for setting up Hong Kong Branch was underway and upgrading of Sydney Representative Office was advanced steadily. Moreover, JSC Altyn Bank maintained good asset quality among commercial banks in Kazakhstan. Additionally, the Bank made more contributions by fulfilling its social responsibilities. Specifically, it created the model combining Party building with poverty alleviation, practically deepened targeted poverty relief and donated RMB130 million to education and medical care of designated poverty-stricken areas. Besides, it dispatched 144 managers for poverty alleviation, helped 1 poverty-stricken county and 124 villages to pass the inspection and acceptance of poverty alleviation and assisted 35,500 impoverished people from 11,900 households in getting rid of poverty.

Innovation brought in more vitality. Specifically, the Bank continued to improve the innovation system and mechanism, established a multi-layered innovation architecture and cumulatively approved 63 innovative projects of Category I. Besides, the Bank further consolidated its technology basis with its inputs growth rate at 24.43% annually. "Lingyun" Project was put into production, and the new-generation cloud architecture system was launched for the credit card business. These two projects were the first to implement autonomous and controllable core systems among medium and large banks in China. Moreover, the Bank's blockchain forfaiting transaction platform became the first national platform in the industry. In addition, the Bank moved faster to gain a presence and boost its digital transformation, and acted as a forerunner to launch its 5G all-IP open service platform[6]. Therefore, the intelligent outbound call system was more efficient, and the Bank succeeded in building a basic framework for an open bank.

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5 "Five-in-one" refers to building a sound mechanism, a framework, a cohesive team, a system and a brand.

6 The 5G all-IP open service platform refers to a new working and management model featuring integrated systems, interconnected data and complementary personnel. Specifically, the Bank connected heterogeneous systems such as the representative working platform and the mobile marketing tools, and improved the grid-based, platform-specific and intelligent capabilities of interacting with users. Besides, it designated an entrance to integrate the functions of modules such as customer service, verification via phone calls and collection, and thus provided customers with services in all links. Through integration and adaptation, the Bank broke down the barrier of the traditional call media, and strengthened human-computer coordinated working. It also established teams consisting of members proficient in a variety of businesses so that services were available anywhere and anytime with the support of remote working. From the perspective of in-depth operation, through effective integration of business, systems and personnel, the Bank explored public scenarios for credit card usage, common scenarios of customers of similar attributes and unique personalized scenarios. Based on the system covering all products, users and channels of the Credit Card Center, the Bank established an operation ecosystem including diversified, differentiated and personalized products.

Lines of risk defense were more reliable. The Bank further deepened the reform of the risk management system, incorporated customer departments into the credit procedures, managed new customers based on the white list and existing customers based on four types and established the principal responsible person mechanism for operation, principal responsible person mechanism for management and full-time approver mechanism. Besides, it continued to strengthen internal control and compliance management by establishing a team of part-time compliance officers, introduced the 5C[7] standardized management platform, intensified accountability and preliminarily built an anti-money laundering management system covering all employees, products and processes. Additionally, the Bank continuously improved the quality and efficiency of audit supervision. "One department and eight centers"[8] played a vital role in audits, facilitating the Bank in achieving the goal of full coverage of domestic and overseas institutions within three years. By combining on-site and off-site audits, the Bank succeeded in revealing risk hazards on all fronts.

Resource allocation was more efficient. The Bank kept enhancing capital management. With the principle of capital constraints, it rationally planned assets and liabilities, continued to optimize the business structure, laid equal stress on on-balance-sheet and off-balance-sheet resources and attached equal importance to operation of existing capital and working capital. Therefore, the comprehensive risk weight decreased significantly, and capital-light transformation began to deliver results. The Bank put into operation the centralized operation center and finance sharing project, and launched the performance management system and the new-generation fund transfer pricing (FTP) system, achieving growing management efficiency. It also implemented the Objectives and Key Results (OKR) evaluation among departments of the Head Office. Additionally, the Bank achieved significant effect in increasing income and cutting expenditure. By reducing the fund cost, operating cost and capital cost, it saved RMB6.72 billion.

3.3.3 Development Plan for 2021-2023

At the beginning of 2021, the Bank issued the development plan for the coming three years, proposing to boost development led by Party building, strengthen coordinated and integrated development and enhance capital-light intensive development with frontier technologies as the engine, high-quality development as the theme and high value creation as the main task.

7 5C refers to culture, control, compliance, check and correct.

8 They refer to the Audit Department of the Bank, as well as the audit centers in Beijing, Shanghai, Shenzhen, Chengdu, Xi'an, Kunming, Wuhan and Shenyang.

The Bank further defined the vision of becoming a responsible, unique and valuable provider of the best comprehensive financial services with a human touch. To press ahead with the development plan, the Bank put forward the implementation path for "one reform, two transformations and three tasks". Specifically, "one reform" indicates reforming the management systems and mechanisms in an in-depth manner on dimensions such as the operation mechanisms, authorization mechanisms, risk control systems, human resources and performance appraisal of the Head Office and branches as well as the development of the Bank's subsidiaries. In particular, the Bank shall support competition among branches and their differentiated development, aiming to establish a management mechanism that can better stimulate vitality of teams. "Two transformations" refer to digital transformation and capital-light transformation. In terms of digital transformation, the Bank shall work faster to build itself into a preferred bank of digital retail ecology, a bank offering ecological solutions and intelligent services in the industry and a leading bank of big data-driven investment and transactions. Moreover, it shall build three middle offices of intelligent risk control, efficient data services and leading technical services respectively at a faster pace, and establish four back offices featuring agile organization, digital talents, digital culture and resource allocation respectively. As for capital-light transformation, the Bank shall vigorously boost the development of capital-light businesses such as asset management, wealth management, private banking, transaction banking, investment banking and financial market business. By doing so, it will constantly create methods for capital saving, and replace the development model with high capital consumption. "Three tasks" refer to asset quality control, customer expansion and in-depth management, and development in key regions. The Bank shall make concerted efforts to consolidate its foundation, shake off burdens, sharpen its competitiveness and propel sustainable development. At the same time, the Bank also defined its development objectives – to significantly improve asset quality, strengthen the customer basis, increase the business scale, optimize the income structure, improve profitability and open a new chapter for the capabilities of operation and management and market competitiveness within three to five years.

On top of the well-defined vision, objectives and path, the Bank proposed eight important initiatives, namely leadership of Party building, original mandate, innovation-driven development, edges in core aspects, coordination and integration, cost cut and efficiency improvement, safe CITIC, and reform-empowered development. To be more specific, leadership of Party building refers to in-depth integration of Party building and business. By emphasizing the original mandate, the Bank aims to implement the national and regulatory requirements while serving the cause of the Party and country as well as the real economy. That is, it will fulfill its responsibilities as a state-owned bank. In terms of innovation-driven development, while consolidating the development of the innovation system, the Bank will focus on digital transformation and financial technology application, and work faster to create an atmosphere where all employees are encouraged and good at creativity. As for edges in core aspects, the Bank aims to expand its competitive edges in core customers, products and regions to form an operation pattern characterized by a more coordinated business structure and more advantageous features. With respect to collaboration and integration, the Bank will uphold the philosophy of "altruism and win-win cooperation", create new coordination models, set up the brand image of "CITIC Synergy+" and build a coordinated ecosystem featuring coexistence and sharing. As for cost cut and efficiency improvement, the Bank will work on capital-light transformation, market value management and intensive operation. To achieve the goal of safe CITIC, the Bank will practice the philosophy of compliant operation and prudent development in all tasks. To enable its development with reform, it will deepen the reform of systems and mechanisms, and further promote high-quality and sustainable business development.

In 2021, the Bank will adhere to its target of prudent development, serve the real economy as always, remain true to its orientation for a valuable bank and deepen development transformation. The asset growth in the whole year is projected to be around 9%. The Bank expects to witness stable growth of operating results and steady improvement of asset quality, and make a good beginning for its 2021-2023 development plan. Any forward-looking description of the plan and development strategy involved in the above projection shall not constitute the Bank's substantial commitment to its investors. Investors and personnel concerned shall stay adequately mindful of risks, and understand the difference between plans, projection and commitments.

3.4 Key Issues in the Capital Market

3.4.1 Business Synergy

Aiming to be enabled by customers, risks and technology, the Bank innovated synergy model, set up the brand image of "CITIC Synergy+" and released the potential and value of CITIC Synergy. Supported by systems, the Bank moved ahead with collaborative business management. To be specific, it gathered the knockout products and collaborative resources of CITIC Group's subsidiaries, and established standard procedures and management model for online collaboration to improve user experience and build a collaborative management system featuring high productivity, high efficiency and great empowerment. Focused on the capital market, the Bank vigorously supported business. In terms of enterprises, it joined hands with CITIC Securities and China Securities to further market products for listed and to-be-listed enterprises and formulate integrated service plans. As for individuals, it partnered with the Group's financial subsidiaries to develop collaborative products as it valued in-depth maintenance of high-net-worth customer segment and aimed to improve the CITIC impact in the wealth management market. With initial success in the branding of "CITIC Synergy+", the Bank improved collaborative competitiveness and impact. Together with CITIC Group's subsidiaries concerned, it improved the plan for promoting the brand of "CITIC Synergy", integrated resources of CITIC Group and built brands of "mega integrated financing" and "mega asset management" from customer demands for investment and financing to accelerate the capital-light transformation.

During the reporting period, relying on CITIC Group's collaborative development strategy, collaborative works entered a new stage of high-quality development, brand synergy kept growing and the collaborative potential of corporate banking business was greatly released.

In terms of Group-wide collaboration, the Bank implemented 992 collaborative projects with CITIC Securities, China Securities, CITIC Trust, CITIC Prudential Life Insurance, CITIC Financial Leasing, CITIC aiBank, CNCBI and CNCB Investment. As at the end of the reporting period, the Bank cumulatively provided corporate customers with joint financing of RMB1,078.207 billion, and offered custody services for CITIC Group and other financial subsidiaries with a total amount of RMB845.772 billion.

As for regional collaboration, the Bank firmly implemented national strategies for regional development, and vigorously boosted major projects in the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. During the reporting period, CITIC consortium[9] invested RMB1.756 billion in mixed-ownership reform of XCMG Machinery, continuously empowering the real economy. The Bank cooperated with the government of HZZK High-tech Industrial Development Zone in many aspects such as the design, investment and financing, construction and operation of infrastructure and industrial parks, and served the government of the zone and state-owned enterprises in the zone through the "industry-finance collaboration + intelligent financing" model.

With respect to collaboration with other financial participants, the Bank signed a strategic cooperation agreement with CITIC Securities, specifying the benefit sharing mechanism in 20 areas including investment banking, wealth management, financing, cross-border business and think tanks. It also signed an MOU with China Securities, defining the cooperation orientations and the profit sharing mechanism for key business. Around industry research and risk prevention and control, the Bank established a collaborative expert team and forestalled risks. Moreover, it seized opportunities in the capital market to hold 19 sessions of CITIC Synergy Think Tank – Capital Market Forum jointly with two securities brokers. Besides, it established a personnel exchange mechanism among financial subsidiaries of CITIC Group to achieve two-way business empowerment.

9 CITIC consortium includes multiple financial and industrial entities such as China CITIC Bank, CITIC Pacific Special Steel Group Co., Ltd., Goldstone, CNCB (Hong Kong) Investment Limited, CITIC Prudential Life Insurance and China Capital Management Co., Ltd.

Regarding industry-finance collaboration, centering on 143 strategic customers at the Head Office level, the Bank established an "N+1+N"[10] collaborative team with financial subsidiaries of the Group to give fully play to the edges in the "CITIC United Fleet" and improve the capabilities of integrated financial services. During the reporting period, the Bank provided a comprehensive financing limit of RMB26.630 billion for cross-border financing of Zhongyuan Yuzi Investment Holding Group. It collaborated with industrial subsidiaries of CITIC Group to deepen project cooperation with customers in environmental protection, medical care and cross-border e-commerce. It also assisted in founding Jinjiang Stated-owned Capital Investment and Operation Co., Ltd., the third state-owned local enterprise in Fujian Province, and customized diversified integrated financial services covering bonds, credit and equities for Jinjiang municipal government.

During the reporting period, by virtue of CITIC Group's edges in integrated financial services, the Bank allocated and integrated resources, and carried out 76 cooperative projects with 15 subsidiaries of the Group featuring customer sharing, joint product innovation, joint channel building, joint marketing and joint brand building of retail banking business, making breakthroughs in both quantity and quality.

Specifically, as for customer sharing, with the "CITIC U Enjoy+" platform as a bridge, the Bank helped build a collaborative ecological platform of CITIC Group so as to boost innovative development with synergy and integration. Moreover, it partnered with McDonald's, CITIC Prudential Life Insurance and CITIC Press Group in issuing co-branded cards and introducing customers to each other, and joined hands with CITIC Securities and China Securities to facilitate third-party escrow services.

Regarding innovation in the service system and model, the Bank established an integrated model for business procedures of "investment research + investment advisory + marketing", and set up a comprehensive operation model featuring "joint product innovation + customer transformation". Furthermore, it explored the service model for joint operation and linkage in terms of "investment banking + private banking" and "corporate banking + private banking".

In respect of joint channel building, the Bank continually intensified online service integration. For example, it launched online business halls of CITIC Securities and China Securities on its mobile banking APP, and launched CITIC Academy with CITIC Press Group.

As regards joint brand building, the Bank upgraded and launched the "CITIC Wealth of Happiness" brand through concerted efforts with the Group's financial subsidiaries such as CITIC Securities, China Securities, CITIC Trust, China Asset Management (ChinaAMC), Citic-prudential Fund Management Company Ltd. and CITIC-Prudential Life Insurance Company Ltd. as well as institutions in the industrial segment such as CITIC Press. As at the end of the reporting period, registered users of "CITIC U Enjoy+" exceeded 115 million cumulatively, among whom 7,249 high-end customers were shared with China Securities, CITIC Securities and CITIC Trust. Customers of third-party escrow services exceeded 2.383 million, up by 14.08% over the prior year-end. Agency products sales of financial subsidiaries of CITIC Group exceeded RMB45 billion cumulatively.

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10 N+1+N refers to the "lead branch and assisting branches of group customers" + the "Strategic Customer Department of the Head Office" + "product departments and middle- and back-office departments of the Head Office as well as financial subsidiaries of the Group".

3.4.2 Financial Technology

During the reporting period, the Bank accomplished key tasks of its 13th Five-year Plan for Technological Development, and fully improved technological empowerment. As at the end of the reporting period, it had 4,190 technicians (excluding those of subsidiaries), a year-on-year increase of 31.68%, and the technicians accounted for 7.60% of the total. During the reporting period, technological inputs of the Group amounted to RMB6.926 billion, a year-on-year increase of 24.43%, and accounted for 3.56% of operating income. The Bank's institutional reform in financial technology fields began to deliver results. Focused on value creation, the Bank designed models featuring in-depth integration of technologies and business, and launched knockout products such as Intelligent Rubik's Cube[11], Credit e-Chain and management tools of asset-liability portfolios, so as to fully respond to front-line demands and accelerate the end-to-end delivery cycles by another 50% over the previous year.

During the reporting period, acting as a forerunner among medium and large-sized banks in China to launch the first independently developed distributed core system (Lingyun Project), the Bank was better at technologies, real-time big data service and analysis, agile R&D and intelligent operation and maintenance, and comprehensively improved its abilities to organize and implement complicated major projects and enable its business empowerment through financial technology. Besides, the Bank put into production the first phase of the bank-wide data lake, and completed the basic data platform of the bank-wide data lake and the new-generation data warehouse, improving the overall processing performance by more than 50%. Moreover, it completed the transformation into a full-cloud architecture, putting 96.71% of its basic IT infrastructure on the cloud and be able to deliver products and services within T+1 days by virtue of its infrastructure resources. Furthermore, the Bank became a pioneer in the industry to develop an integrated operation and maintenance system, with 90.9% of its overall operation and maintenance completed automatically, and its data centers took the lead among peers in terms of maturity assessment.

During the reporting period, with CITIC Brain, an artificial intelligence platform independently developed by the Bank, as main engine, the Bank built an AI model center and an AI efficiency center, and applied 307 "AI + data" precision models, intelligently serving tens of millions of customers in real-time. To be specific, intelligent recommendations of wealth management AI led to sales of RMB232.650 billion. With the equity chain application of strategic customers employed, assets under management grew by more than RMB52.2 billion. Robotic process automation (PRA) has been applied in nearly 800 scenarios, reaching 80% in the usage rate in branches and increasing the operation efficiency by over 20% on average. Additionally, the Bank remained a leader in terms of R&D and application of blockchain technology as its blockchain platform passed five reliability tests of the China Academy of Information and Communications Technology (CAICT) in one go, and its blockchain forfaiting transaction platform was recognized by the PBOC and upgraded to a national industrial platform.

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[11] Positioned as the middle office of digital financial operation of the Bank, the Intelligent Rubik's Cube platform is equipped with collaborative channels for reaching out to customers, flexible allocation of channel interfaces, intelligent match of product types, unified scheduling of contents and privileges, sensitive capture of opportunities for reaching out to customers, visualized allocation of operation strategies and control groups (group A and group B) of operation effect. Through comprehensive management and fine match of customers, products, privileges, channels and business opportunities, the platform supports digital operation of the retail banking segment of the Head Office and 37 branches.

3.4.3 Digital Transformation

During the reporting period, the Bank formulated a master plan for digital transformation and a comprehensive and systematic implementation plan to boost whole-process and systematic reform from technical application to model innovation, process rebuilding and organizational reshaping and facilitate improvement of digital governance system and data governance capabilities. It vigorously made researches in frontier technology to lead the banking development and the trends in business reform. With a focus on the fields with imbalanced and inadequate digital transformation, the Bank pushed ahead with capability improvement and organizational reform following the chain of "customer demands – response of the front office – empowerment by the middle office – back office as a driver". Oriented for customers and value, the Bank facilitated collaborative upgrading of front, middle and back offices. With the perpetual driving force of financial technology strength, the Bank made its products and services more competitive, and boosted the transformation of business and operation models so as to build a data-driven business development model.

In terms of the front office, the business line of retail banking kept deepening its digital transformation, adhered to technological innovation and intelligent development and strengthened support from financial technologies such as 5G, AI and big data to better develop a data-driven customer management and service system. The Bank promoted digital transformation of outlets by helping outlets gain a digital presence offline so as to build an emerging business pattern featuring "ecosystem + social networking". It also worked faster to build its corporate WeChat platform to improve its service capability on WeChat, and released the independently developed Wealth Workshop, aiming to manage its customers via WeChat. Besides, the Bank had a larger group of remote banking representatives by piloting a customer management system through remote representatives. In this process, it established voice interaction scenarios driven by AI technology to make intelligent outbound calls. The Bank improved its AI marketing platform and M+ relationship manager tool[12], and built a management platform covering all retail banking business featuring unified login, interconnected data, integrated functions and consistent interfaces. The Bank integrated big data technology into business such as credit card customer management, wealth management, fee-based business income and risks control, and built a 5G all-IP open service platform innovatively. Moreover, it built and improved the "AI+" intelligent platform with independent intellectual property rights (IIPR), on which services such as intelligent outbound calls, voice recognition and audio navigation were available. On top of that platform, the Bank vigorously applied business scenarios. And the Bank continued to facilitate the in-depth application in business. For example, AI Robot has been used in more than 200 business scenarios including credit card approval, collection and marketing.

[12] It is a working platform for retail wealth managers to manage and maintain customers, carry out marketing activities and conduct statistics of business results.

Concerning corporate banking business, around solutions to the industrial ecosystem, the Bank perfected its data-driven intelligent services, and improved its capabilities of rapidly improving customer experience so as to empower customer business and banking operation. Concerning data-driven development, through introducing external big data, the Bank developed four categories of precision marketing models, namely customer expansion, activation of dormant customers, improvement of existing customers and product recommendation. During the reporting period, tapping into chain-based and product-based customer acquisition models, the Bank attracted another 12,800 customers and deposits of RMB53.871 billion. Also, by the improving business with 108,100 existing customers, deposits grew by RMB76.274 billion. In terms of intelligent services, the Bank used an event marketing model to trigger marketing moves based on customer behaviors. AI outbound calls made it available to contact customers with expired certificates and invalid industrial and commercial registration and without regular reconciliation so that the Bank was able to serve customers more efficiently. As to improvement of customer experience, the Bank streamlined the accounting opening procedures. Through online processing, mobile approval and intelligent customer identification, it reduced time required for corporate account opening by about 30%. At the same time, relationship managers had much less workload during account opening as they did not need to fill in forms or submit the forms for approval manually.

Digital transformation in the financial market segment began to deliver results. During the reporting period, the Bank launched modules of the peer customer relationship management system, the first phase of the peer business information management platform and the financial market system group optimization project successively. Bill business was processed digitally in the whole process from discounting to interbank discounting and rediscounting. Through partnership in scenario-embedded products with multiple platforms such as ESGCC, JD Digital Technology and CSCC, the Bank shaped the landscape of bill business. Scenarios of forex purchase and sale were embedded into customer systems inside and outside the Bank, covering mobile banking, transaction +, peer +, the new-generation international settlement system and CITIC Smart Forex, boosting the scenario-based development of agency business. Additionally, the Bank made positive progress in data governance in the financial market segment. With comprehensive and extensive dimensions covered and further improvement of data quality, the Bank greatly enhanced its capabilities of data management.

In terms of middle and back offices, support from three middle offices was strengthened. The Bank developed the middle office with intelligent risk control, built a unified asset risk view and a multi-dimensional customer risk portrait, and created portfolio risk models and resource allocation management tools, providing information support for credit approval, early risk warning and post-lending management. To gain highly grained data governance capabilities with strong governance, the Bank developed an efficient data middle office, and built a basic data service platform with strong functions. Moreover, it improved the middle office of technical services. While upgrading technical architecture and applying new technologies on a large scale, the Bank built a leading technical architecture, and empowered its development with high-level application of new technologies. Furthermore, driving force of the four back offices was strengthened. From agile organization, digital talent, digital culture and resource allocation, the Bank established an efficient, collaborative and flat organization where the Head Office strongly empowered branches and sub-branches.

3.4.4 Wealth Management

With a strategic focus on wealth management and aiming to become customers' first choice of wealth management bank as an expert at settlement, investment, financing, services and activities, the Bank improved its professional capabilities and value contribution, and promoted the high-quality development of wealth management business.

In terms of wealth management of personal customers, the Bank fully leveraged collaborative resources of integrated financial services with a full range of licenses of CITIC Group to comprehensively improve the product supply and resource allocation professionalism and consolidate the advantage in comprehensive financial services by building the unified wealth management brand "CITIC Wealth of Happiness". Integrating investment research capabilities, expert teams, advantageous products and other resources of the Group's subsidiaries, the Bank established three-tier systems for analysis of general-category assets, strategy allocation and product allocation. Through "CITIC U Enjoy+", a unified account platform of the Group, the Bank vigorously provided unified service and privilege system to CITIC Wealth customers. Thanks to the Group's advantages in the industrial segment, the Bank gained a presence in the industrial ecosystem, and built high-quality scenarios and access. By reshaping the wealth management customer journey, based on its digital capability, the Bank improved its capabilities of customer insight, life-cycle management of products, and investment research and asset allocation.The Bank connected scenarios via data, and developed insight into customer demands through accurate, dynamic customer portraits. It developed an open product platform for the market, strengthened life-cycle management of products and systematically enhanced professional capabilities of responding to the transformation of the wealth management business towards NAVs. Moreover, it launched selected fund brands, and took the initiative to select leading institutions for customizing exclusive hot-selling products. The Bank established a system for investment research and advisory, and provided asset allocation services, connecting customer insight with product management. Launching wealth review on mobile banking, the Bank reviewed customers' wealth allocation dynamically, served as a personalized wealth advisor through digital technologies. As for the high end customer service, the Bank strengthened characteristic advantages in family trust and discretionary trust of private banking, and comprehensively upgraded the value-added service system of private banking. It added privilege packages of high-net-worth customers, optimized five privilege services, promoted diamond assistant service, developed a healthcare and education service platform and released over 20 service products. As at the end of the reporting period, existing family trust amounted to RMB36.330 billion, up by 54.23% over the prior year-end. Existing discretionary trust stood at RMB43.378 billion, an increase of 71.12% over the prior year-end. Value-added services of private banking were used by more than 20,000 person times. The coverage of diamond butler service reached 82.13% and that of diamond assistant service was 28.32%.

As for the corporate customer wealth management, the Bank proactively practiced the strategy for capital-light business development, strengthened comprehensive customer management and fully promoted transformation of net-worth wealth management products. It also officially launched corporate agency fund business, recording rapid growth of corporate wealth management and agency funds sold. As at the end of the reporting period, net-worth wealth management products amounted to RMB81.506 billion, accounting for 65.93% of corporate wealth management, setting a new high. In the future, the Bank will intensify systematic development of products, teams, systems and brands, leverage the collaborative advantages of CITIC Group, and build a diversified corporate wealth management product system covering structured deposits, agency wealth management, funds, trust and asset management plans to meet comprehensive financial demands of corporate customers and vigorously develop corporate wealth management business.

3.4.5 Asset Quality

The macroeconomic growth in China slowed down in recent years, coupled with the negative impact of COVID-19, multi-source debt risk exposures and China-US trade friction, the banking industry was under pressure in maintaining asset quality. To respond to such macro risk situation, the Bank has been improving its risk prevention and control system, and taking multiple measures to make risk prevention and mitigation more effective in recent years.

In terms of the improvement of the risk prevention and control system, first, the Bank consolidated the three lines of defense by promoting the first line of defense to fulfill its duties to control risks in the pre-lending and post-lending phases, strengthening the vertical management of the risk line, and deepening the supervision of audit and discipline enforcement. Second, the Bank improved its accountability system. It established a system featuring the "principal responsible person mechanism for operation + principal responsible person mechanism for approval + accountability identification of non-performing assets" so that responsibilities were well defined and identified, and relevant personnel could be held accountable. The Bank held personnel at two higher levels accountable, and held personnel responsible for non-performing assets accountable before write-off. And lifelong accountability was held. Additionally, the Bank improved policies on ensuring no one who has fulfilled their duties will be held liable to encourage officials to assume their responsibilities. Third, the Bank improved policies and the authorization system. It strengthened the transmission and implementation of credit policies, and boosted the integration of credit policies into marketing guidelines, standards for review and approval, and policies on assessment and resource allocation. Moreover, it established an authorization system characterized by ceilings, standards, responsibilities and supervision. Taking into account nature of matters, customers, regions and personnel, the Bank delegated authority to branches in a differentiated manner. While stimulating the operation vitality of outlets, it formed a management closed loop by intensifying authorization review to defend the Bank against risks.

With respect to risk prevention and mitigation, first, the Bank contained the increase in non-performing assets. It further improved the approval system by issuing 40 standards for review and approval to ensure the implementation of the bank-wide risk appetite. It also launched the full-time approver mechanism to make approval more independent and professional. Besides, through strict credit access, the Bank carried out access management of new credit customers based on the white list. Strengthening post-lending inspection, it established a risk monitoring mechanism for key large-amount customers, and dynamically followed up on the operation status of customers to identify and mitigate risks as early as possible. Second, the Bank vigorously disposed of non-performing assets. It developed a platform for disposing of non-performing assets, and took reasonable disposal strategies based on the characteristics of such assets, striving to minimize losses and maximize benefits. The Bank highly valued the management after write-off of non-performing assets, and kept improving its capabilities of recovering assets written off. While stabilizing asset quality, it actively made up for profit, and sought benefits from non-performing assets.

As at the end of the reporting period, the Group's asset quality indicators were good on the whole. Total loans amounted to RMB4,473.307 billion, up by RMB475.320 billion over the prior year-end. NPL ratio stood at 1.64%, down by 0.01 percentage point over the prior year-end. Specifically, overdue loans recorded RMB90.960 billion, a decrease of RMB13.049 billion, down by 0.57 percentage point over the prior year-end. Among them, loans overdue for more than 90 days accounted for 1.17%, a decrease of 0.08 percentage point over the prior year-end. Meanwhile, to further improve the risk mitigation capabilities, during the reporting period, the Group increased provisions by setting aside allowance for loan impairment losses of RMB69.285 billion, a year-on-year increase of RMB492 million. As at the end of the reporting period, the Bank's ratio of balance of allowance for loan impairment losses to NPL balance (i.e. allowance coverage ratio) and ratio of balance of allowance for loan impairment losses to total loans (i.e. allowance for loan impairment losses to total loans) stood at 171.68% and 2.82% respectively, indicating adequate allowance for loan impairment losses.

3.4.6 Net Interest Margin

In 2020, the Group registered net interest margin (NIM) of 2.26%, down by 19 BPs over the previous year, mainly due to the following three reasons: First, since 2020, to cope with the impact of COVID-19, the state has issued a series of easing policies at the macro level, and guided the reduction of financing costs. To respond to the orientation of national policies, the Group made interest concessions to the real economy, leading to a downtrend in the loan interest rates. Second, subject to the pandemic, household consumption shrank, credit card loans with relatively higher yield ratios were extended slowly and high-yield assets accounted for a smaller percentage. Third, during the period of downward interest rates, the Group took into account both security and benefits, took the initiative to adjust the strategy for allocating general-category assets and increased the percentage of interbank and investment business.

The Group highly valued the NIM management. To deal with the downward pressure of NIM, it gave top priority to liability cost control, and optimized the liability structure according to the principle of "striking a balance between quantity and price". In the second half of 2020, the percentage of high-cost deposits among self-operated deposits kept going down. The cost rate of deposits declined after a rise month after month, and entered a trajectory of decrease, playing a positive role in relieving the pressure of NIM. Based on the macroeconomic and financial situations and market competition, it is expected that there will still be downward pressure of NIM in 2021.

The Group will further deepen operation transformation, and take multiple measures to improve its performance in NIM. Specifically, it will mainly work on the following three aspects: First, it will set goals of NIM management, and have a better change range in NIM compared with that of its peers. Second, it will reasonably distribute the structure of assets and liabilities in terms of quantity and price. On the premise of meeting policy requirements, it will strike a balance among profitability, liquidity and security, and strengthen the management of deposits and loans in terms of quantity-price balance. With the precondition that the asset risk is under control, the Group will create new channels for high-yield assets, optimize the risk control model and improve its capabilities of risk pricing. On the liability end, it will control the cost rate of deposits and upgrade the deposit structure. Meanwhile, it will intensify the analysis of macro economy and interest rate trends, and take the initiative to reasonably arrange for the term and scale of active liabilities, endeavoring to minimize liability costs. Third, taking root in customer management, the Group will accumulate low-cost settlement deposits. In terms of corporate banking, it will accelerate development of the system for managing medium and small-sized customers, vigorously develop transaction banking as always, and play a better role in customer acquisition, activation and loyalty. As for retail banking, it will speed up the digital transformation, strive to integrate and transform customers, improve the capabilities of managing long-tail customers, develop a system for ecological scenarios of personal loans and drive deposit accumulation through strong wealth management business.

3.5 Business Overview

3.5.1 Corporate Banking

During the reporting period, the Bank followed the general principle of pursuing progress while ensuring stability in terms of corporate banking, acted upon the philosophy of customer-centric services and boosted transformation and sustainable development of corporate banking. As at the end of the reporting period, the Bank registered period-end balance of corporate deposits of RMB3,443.981 billion, up by RMB402.651 billion over the prior year-end, continuing to lead joint-stock banks. Its daily average balance of corporate deposits stood at RMB3,298.679 billion, an increase of RMB356.375 billion over the prior year-end. Specifically, the Bank's balance of structured deposits accounted for 5.11% of the total, a relatively low level among joint-stock banks. During the reporting period, the cost rate of its corporate deposits was 2.09%, remaining lower than the average of peers, which showed that the Bank managed and controlled its cost of corporate deposits effectively.

In active response to the state's development strategies, the Bank implemented the state's policies on supporting manufacturing, the real economy and private sectors, and fully facilitated maintaining security in six areas and ensuring stability on six fronts[13]. As at the end of the reporting period, the Bank's balance of corporate loans was RMB1,974.999 billion[14], an increase of RMB200.354 billion over the prior year-end. During the reporting period, the Bank further intensified internal assessment and incentives, extended credit to its target fields and kept reducing enterprises' financing costs and benefiting a broader customer base. As the Bank channeled credit resources into new infrastructure and new urbanization initiatives and major transportation and water conservancy projects as well as high-end manufacturing, newly granted credits to the sectors falling within categories of active support and support accounted for 73.21% of the total, and the closing balance increased by 1.50 percentage points over the prior year-end. Specifically, most of the new credits were granted to water, environment and public utilities management, with an increase of 27.70%, indicating remarkable improvement of the Bank's total assets. To cope with the impact of the pandemic, the Bank extended anti-pandemic loans of nearly RMB200 billion in total to enthusiastically support enterprises concerned, which was widely praised at the market.

During the reporting period, the Bank registered net operating income of RMB84.404 billion in terms of corporate banking, accounting for 45.46% of the Bank's net operating income. Specifically, the Bank recorded net non-interest income from corporate banking of RMB12.859 billion, accounting for 31.03% of the Bank's net non-interest income.

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13 The six areas refer to job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments. The six fronts refer to employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations.

14 Including foreign currency loans converted to RMB and excluding discounted bills.

3.5.1.1 Customer Management

To vigorously carry out the state's overall plan for supporting the real economy, the Bank adhered to the customer-centric philosophy, and fully supported the development of the real economy. To adapt to corporate banking transformation, it pushed ahead with corporate customer management with the focus on system development, uplift in quantity and quality improvement. First, the Bank leveraged its traditional advantages, strengthened cooperation with its core customers and pursued chain marketing toward customers by extending marketing to the equity chain, fund chain and transaction chain to expand its core customers. Second, it enhanced cooperation within and between segments, and optimized products and promoted marketing to further improve product coverage and customer loyalty. Third, it intensified scenario-based customer acquisition in batches centering on major business scenarios such as parks, education, medical care, catering, emerging industries and supermarkets. Fourth, by giving full play to CITIC Group's unique advantages in "finance + industry", the Bank further collaborated within CITIC Group to expand customers. Fifth, it enhanced digital transformation, improved technical support, launched an online closed-loop marketing system, streamlined account opening procedures and improved service quality. As at the end of the reporting period, the Bank recorded 825,300 accounts of corporate customers. This number included 189,400 accounts of base corporate customers[15], and 107,300 accounts of valid customers[16].

Strategic Customers

The Bank strengthened the leading role of the Head Office and branches in managing strategic customers, and established a joint management model for strategic customers with "leading marketing, sharing risks, improving organization, and linking performance" as the core. Through integrating front, middle and back offices, and coordinating the Head Office and branches, the Bank provided customized support to 143 Head Office-level strategic customers, more than 1,400 strategic customers and their industrial chains at the branch level. Leveraging the collaboration advantages of CITIC Group, the Bank customized differentiated comprehensive financial solutions, launched new supply chain financial products, streamlined business process and allocated differentiated resources for each of the strategic customers. It also established strategic cooperation with China Aerospace Science and Technology Corporation, Wuliangye Group Co., Ltd., Contemporary Amperex Technology Co., Limited and other customers, deepened operations in leading customers in key industries such as medicine, internet, communications, electricity, automobiles, construction and Chinese Baijiu, provided high-quality and efficient financial services for small and medium-sized enterprises on the industrial chains of strategic customers.

15 Refers to corporate customers with daily average deposits of RMB100,000 and above. During the reporting period, the Bank adjusted the statistical scope of base corporate customers to meet the needs for corporate customer management. If the comparable scope for the previous year was applied, the base corporate customers would be 207,800.

16 Refers to corporate customers with daily average deposits of RMB500,000 and above. During the reporting period, the Bank adjusted the statistical scope of valid corporate customers to meet the needs for corporate customer management. If the comparable scope for the previous year was applied, the valid corporate customers would be 134,000.

During the reporting period, the Bank's daily average balance of deposits from strategic customers[17] stood at RMB1,181.781 billion, an increase of 21.16% over the previous year; and operating income reached RMB29.068 billion. As at the end of the reporting period, the Bank's balance of loans to strategic customers stood at RMB714.350 billion, an increase of 13.37% over the end of the previous year, showing good overall loan quality.

Institutional Customers

The Bank unleashed its distinctive strengths in institutional business, continuously deepened its customer system, product system, marketing management system and team building system, and focused on building the brand of government financial services. During the reporting period, the Bank further deepened cooperation with institutional customers at all levels. It signed a framework cooperation agreement with the National Healthcare Security Administration and became the first commercial bank to launch the national medical insurance electronic voucher service. It also signed a Head Office-to-headquarters cooperation agreement with the National Financing Guarantee Fund, and secured important qualifications and accounts in a wide spectrum of fields, including public finance, social security, medical insurance and tobacco. While continuing to provide basic fiscal services, the Bank actively invested in local government bonds and provided special bond scheme design services to governmental clients. Focusing on the development mission of serving the government and people's well-being, the Bank developed and launched the "CITIC Epidemic Control"[18] immediately after the COVID-19 outbreak, continuously pushed forward products including online fiscal services, electronic social security card, e welfare, fund management for bankruptcy cases, and expanded the coverage of products, offering comprehensive financial services to institutional customers and the general public these customers serve, which effectively enhanced customer cooperation stickiness.

As at the end of the reporting period, the Bank recorded 43.1 thousand accounts of institutional customers[19] of various types, with daily average deposits of RMB1,179.965 billion, up by 1.92% over the end of the previous year. It had RMB561.285 billion balance of loans for these customers, an increase of 22.74% over the end of the previous year. The Bank's institutional customers had a 0.15% NPL ratio and recorded good asset quality in the overall sense.

Small and Micro Enterprises Customers

By adhering to the development philosophy of being "humane, mission-driven, considerate and benevolent" for inclusive finance, the Bank endeavored to build a "value inclusive" system, and facilitated high quality development of financial services for small and micro enterprises, which was widely praised by all sectors of the society.

17 Deposit balance, operating income and loan balance of strategic customers are counted according to the list of strategic customers adjusted and confirmed by the Bank. To boost data comparability, relevant growth rates are adjusted according to changes in the scope of customers.

18 "CITIC Epidemic Control" is a custom-made epidemic reporting and monitoring platform for enterprises and public institutions. It includes major functions such as epidemic information collection, electronic pass generation, customized access control, questionnaire template maintenance and customization, and information summary, statistics and exporting.

19 Due to its need for management of corporate customers, the Bank reclassified the existing institutional customers and made corresponding regressive calculation of the beginning base figures.

During the reporting period, the Bank continued to improve its systems and mechanisms, and determined that the Strategic Development Committee of the Board of Directors shall take charge of the development planning of inclusive finance. It established a steering group and working group for inclusive finance, set up inclusive finance departments at all tier-1 and tier-2 branches and built direct banking teams and dedicated customer manager teams. Through these efforts, the Bank further improved the development model featuring the integration of inclusive finance "policy, process, product, system, risk and brand" in the Head Office, and the centralized operation and management including "review, approval, disbursement and post-lending" in branches. With boosted innovation in products and services, the Bank provided more convenient online services through FinTech. Specifically, it improved its product system by developing online credit loans including "Logistics e-Loan" and "Customs e-Loan". At the same time, it vigorously promoted first-time loans, medium and long-term loans, manufacturing loans and loan renewal without repayment, and established a "cloud service hall" on electronic channels such as portal websites and online banking. Additionally, the Bank improved its risk management system and policy, and worked faster to streamline its business procedures and iterate its intelligent risk control system. Based on the repayment willingness of customers, it improved the accurate customer profiles and assessment of customers' repayment capacity. It deferred the repayment of principal and interest for enterprises with temporary difficulties following the market-oriented principle, on a sound legal footing and on the premise of substantiality. Besides, the Bank strengthened internal control and compliance management such as loan payment control, fund flow monitoring and anti-money laundering to improve the quality and efficiency of risk management. It also provided more resource support. Implementing the weights in performance assessment as required by regulators, the Bank directly tied the SME financial services and business indicators regarding inclusive finance to the performance assessment of branch heads. What's more, it defined risk tolerance requirements, and implemented the policy on ensuring no one who has fulfilled their due diligence is held liable. Furthermore, it set up special-purpose funds, expenses and subsidies to nurture inclusive finance through favorable policies.

As at the end of the reporting period, the balance of loans to small and micro enterprises[20] was RMB781.133 billion, an increase of RMB171.524 billion over the end of the previous year; the number of customers with outstanding loans was 169,000, an increase of 50,600 from the end of the previous year. The balance of inclusive finance loans meeting the assessment requirement of the CBIRC[21] reached RMB302.494 billion, an increase of RMB98.239 billion over the end of the previous year, about 35.97 percentage points faster than that of other loans; the number of customers with outstanding loans was 163,400, an increase of 50,000 from the end of the previous year. The asset quality of inclusive finance loans remained stable, with an NPL ratio lower than the overall NPL ratio of the Bank. The overall cost of financing from the Bank including loan interest for SMEs dropped steadily. The Bank's balance of inclusive finance loans in line with the assessment requirements of the PBOC on targeted RRR (Reserve Requirement Ratios) cuts[22] was RMB325.088 billion, an increase of RMB99.811 billion from the end of the previous year, accounting for 24.20% of the Bank's new RMB loans, which met the assessment standard of the PBOC that "the deposit reserve ratio shall be lowered by 1.5 percentage points on the basis of the required deposit reserve ratio benchmark".

20 Refer to the loans for small enterprises, micro enterprises, individual businesses, and small and micro business owners.

21 Refer to the loans for small enterprises, micro enterprises, individual businesses, and small and micro business owners with the total single-account credit amount of RMB10 million or below.

22 Refer to the small and micro enterprise loans, business loans for individual businesses and small and micro business owners, production and business loans for farmers, startup guarantee loans, consumer loans for impoverished people with established poverty files and cards, and student loans, with the single-account credit amount of less than RMB10 million.

3.5.1.2 Businesses and Products

Investment Banking Business

Upholding the philosophy of "professionalism in empowerment and innovation for efficiency", the Bank consolidated its advantages in investment banking business, accelerated product innovation and vigorously developed businesses and products such as bond underwriting, syndicated loans, equity financing and M&A financing, maintaining a relatively fast pace of development.

During the reporting period, the Bank fulfilled its social responsibilities in terms of investment banking, actively supported manufacturing and new economy, facilitated the fight against COVID-19 and served the real economy. During the pandemic, the Bank made every effort to support COVID-19 containment through 38 deals of anti-pandemic bond underwriting worth RMB26.790 billion, and concluded the first deal in seven provinces and cities including Beijing, Tianjin and Zhejiang. By virtue of its investment banking highlights and market impact of major projects, the Bank won the "Gamma Award for Investment Banking as Universal Bank" and "Gamma Award for Bond Underwriting" by *Securities Times*, the "Best Underwriter Award for Unsecured Bonds" by Wind Info as well as the "Best Development Award" and the "Best Project Award" by the China Banking Association (CBA). During the reporting period, the Bank achieved income of RMB8.906 billion from its investment banking business, and granted new financing of RMB788.832 billion. It underwrote 986 debt financing instruments totaling RMB630 billion, with both the quantity and amount ranking second in the market[23].

International Business

The Bank fully acted upon national policies in terms of its international business, adhered to its original mandate of serving the real economy and maintained stable business growth. During the reporting period, the Bank took seven measures, and opened green channels for imports and exports of supplies in support of the fight against the pandemic to ensure smooth cross-border settlement services. It signed a contract on strategic cooperation with China Export & Credit Insurance Corporation (Sinosure) to stabilize foreign trade through comprehensive services. Based on the free trade zones of Shanghai, Guangzhou and Haikou, the Bank built an FT[24] account system with nationwide impact, under which its assets witnessed a tremendous increase of 193.98% year on year. Among the Bank's many achievements in digital transformation and innovation, the blockchain forfaiting platform became the largest blockchain trade finance platform in the domestic banking industry and was identified as a benchmark in the industry by the PBOC; its system for centralized foreign exchange collection and settlement for cross-border e-commerce led the segment field; the "Synergistic Settlement Financing", an online loan product for SMEs, jointly launched with CITIC aiBank supported SME financing in an innovative manner.

23 Ranking based on Wind Info data.

24 Namely free trade account, which refers to the local and foreign currency account following uniform rules and opened by financial institutions under the free trade accounting unit according to the needs of customers.

During the reporting period, the Bank's forex purchase and sale recorded USD149.516 billion, a year-on-year increase of 7.86%; its forex receipts and payments for international balance of payments registered USD256.893 billion, a year-on-year increase of 10.49%. Its cross-border Renminbi receipts and payments amounted to RMB325.180 billion, a year-on-year increase of 31.97%. The Bank's indicators continued to be in the forefront of joint-stock banks.

Transaction Banking Business

The Bank took transaction banking business as an important pillar for transforming its corporate banking services, vigorously developed transaction banking business and promoted capital-light development and digital transformation.

In terms of product development, the Bank pushed forward product innovation in an all-round manner. During the reporting period, the Bank launched multiple trade financing products and payment and settlement products to cover all types of corporate customers and major scenarios, and thus effectively met customers' settlement and financing needs. It actively explored the application of payment and settlement in different scenarios and industries, formed five product systems of Treasury Manager, Account Manager, Collection Manager, Payment Manager and Mobile Manager, and launched a series of products such as "Small Change Treasure", "Logistics Treasure" and "Fund Pool" that have been recognized in the industry. In terms of channel building, based on the three-dimensional development model of "new experience, new services and new channels", the Bank released version 3.2 of its transaction banking which relied on corporate electronic channels to deliver more than 30 services including online payment and settlement, investment and financing management, supply chain management, inclusive finance and cross-border finance, realizing full coverage of online corporate banking services. It also launched version 2.0 of corporate mobile banking. The new operating interface enhances user interaction experience, and upgrades basic financial services such as account management, payment and settlement, investment and wealth management, and information services. In terms of service improvement, the Bank focused on improving differentiated services and response capabilities to enhance customer experience. It built a stratified, classified customer service system featuring "five levels and seven stars"[25]. Focusing on customers, the Bank set up a professional and efficient service team, provided personalized and integrated financial service solutions, and continuously expanded the service radius, in a bid to further meet customer needs. It also built an integrated operation system for transaction banking customer experience and response, and established an online information exchange platform. By integrating the work order response process of the mobile operation platform of transaction banking, online banking assessment center, customer service center and service process platform, the Bank responded to customer demands in the first time, and significantly improved customer satisfaction.

[25] "Five levels and seven stars"is a multi-dimension and portrait system for stratified customer review which evaluates the customer's comprehensive contribution through star (7 stars as the top) and evaluates the customer's potential through level (top as level 1).

As at the end of the reporting period, the Bank recorded 713,600 accounts of customers in transaction banking, a growth of 17.56% over the end of the previous year. During the reporting period, the Bank registered trade finance of RMB337.695 billion, an increase of 241.45% year on year; it completed 132,813,000 deals of transaction banking worth RMB107.18 trillion, up by 36.62% and 65.66% year on year respectively. To sum up, the transaction banking business achieved rapid business development.

Auto Finance Business

The auto finance business has remained a market leader since the Bank introduced the business in 2000 as a forerunner in the industry. As at the end of the reporting period, the Bank's auto finance business had 5,051 auto business customer, up by 901 over the prior year-end. The balance of outstanding financing was RMB146.614 billion, up by 39.70% over the prior year-end. During the reporting period, the loans of RMB378.298 billion were extended, a growth of 25.67% year-on-year, with an overdue advance ratio of merely 0.01%, indicating sound asset quality. The Bank's auto finance business won it the honors of "Enterprise for Innovative Auto Financial Services" and "Best Bank for Auto Financial Services" for the seventh consecutive year in the selection of "China Auto Golden Engine Awards" by the China Automobile Dealers Association and *21st Century Business Herald*.

Asset Custody Business

Holding fast to the philosophy of "value-added custody business", the Bank proactively integrated internal and external resources, endeavored to deepen customer management and spared no efforts in the development of the custody business. Specifically, it leveraged the advantages of its custody business platform, and provided asset management agencies and corporate customers with basic custody services and value-added services from the perspective of capital, product management and investment, thereby winning trust from customers. During the reporting period, the Bank vigorously boosted key businesses such as mutual funds, occupational annuities and aging finance. It had 42 new mutual funds under custody with a total amount of RMB76.552 billion, continuing to remain No. 3 in the banking sector and No. 1 among joint-stock banks[26]. The Bank also made fresh achievements in occupational annuities. After winning the qualifications for the custody bank of central and 25 provincial occupational annuities, it was once again selected as the custody bank of occupational annuities in Guangdong Province, Shandong Province and Zhejiang Province. Moreover, the Bank's custody scale of aging finance exceeded RMB200 billion. Specifically, the custody scale of enterprise annuities exceeded RMB100 billion for the first time, amounting to RMB111.5 billion, ranked second among joint-stock banks[27].

During the reporting period, the Bank recorded RMB3.365 billion of income from custody business with a scale of RMB10.33 trillion, exceeding RMB10 trillion for the first time and representing an increase of RMB1,195.226 billion. The custody accounts continued to beef up deposit growth, recording an average daily balance of deposits of RMB413.424 billion, of which the average daily balance of general deposits on the custody accounts was RMB131.090 billion.

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26 Ranking according to the statistics released by the China Banking Association (CBA).
27 Ranking according to the statistics released by the Ministry of Human Resources and Social Security.

3.5.1.3 Risk Management

During the reporting period, the corporate banking business line of the Bank followed the "customer-centric" business philosophy, strove towards the goal of "better structure, distinctive characteristics, consolidated foundation and enhanced earnings" and adhered to the philosophy of high-quality and sustainable development. The Bank allocated assets from the dimensions of customer, region, industry and product, further integrated resources and optimized the asset structure through scale allocation, pricing subsidies, credit support, integrated services and synergy in a targeted manner, enhanced the capability of comprehensive customer management and achieved high-quality development of its corporate credit business.

In terms of customers, the Bank took an active part in supporting strategic customers of both the Head Office and branches, and tapped deep into the growth potential of high-quality customers. It provided stronger credit support for private enterprises and small and medium-sized ones, and continued to boost inclusive finance business to address the problem of "difficulties and high costs of financing" of small and micro enterprises and private enterprises. Meanwhile, the Bank strengthened unified credit management and limit management and control over customers, and deepened the "name list system" management of high-quality customers to improve the overall quality of customers at the source. It also actively implemented the state policies to keep businesses and employment stable. For enterprises in temporary difficulties caused by COVID-19 or other factors, the Bank periodically deferred the repayment of principal and interest, so as to relieve enterprises, especially micro, small and medium-sized ones, from the financing pressure of repayment of principal and interest during the pandemic.

In terms of regions, the Bank implemented the differentiated strategy for regional development. Credit resources were preferentially channeled towards the three strategic development regions, namely, Beijing-Tianjin-Hebei Region, Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area, to build core poles of profits with concentrated resources. It placed focus on branches in Xiongan New Area, the Belt and Road region, free trade zones and other strategically important regions of the state to identify industries with advantages there. Branches in other regions were guided to concentrate their limited resources to pursue high-quality projects with regional influence. In particular, branches in northeast and western China were led to seize excellent projects with local characteristics and consolidate the development strategy of "one policy for one bank" through list-based management, differentiated authorization and many other means of marketing and management. In regions with high credit risk, low-quality and poor-performance customers were reduced and credit risk mitigation was enhanced to increase the proportion of high-quality customers and strengthen risk resilience of assets.

In terms of industries, the Bank effectively strengthened support for strategic emerging industries such as IT, medical care and advanced manufacturing, and promoted the optimization and upgrading of traditional manufacturing industry with the aim of serving the real economy. Seizing opportunities arising from the state's policies, the Bank provided stronger financial support for the capital market including the SSE STAR Market as well as key fields such as new infrastructure and new urbanization initiatives and major transportation and water conservancy projects. On top of these, it explored new infrastructure such as 5G and industrial internet as well as emerging fields like online education and online medical care, so as to further tap the growth potential. Additionally, the Bank channeled financial resources to enterprises fighting against COVID-19 and those in distress in a targeted manner, and vigorously met credit demands in consumption for people's livelihood to support the recovery of domestic demand and the consumption upgrading. Seizing the opportunity of the national efforts to expand domestic demand and stabilize foreign demand after the pandemic, the Bank vigorously bolstered infrastructure and new-type infrastructure construction, development of a new type of urbanization, public health and trade finance. At the same time, it implemented real estate related policies and regulatory requirements, acted upon the principle that houses are for living in, not for speculation, adopted differentiated policies in cities based on local conditions and strictly controlled the scale of real estate financing.

During the reporting period, the Bank's corporate loan asset quality remained overall stable, and NPL ratio went down compared with that in the previous year. As at the end of the reporting period, the Bank's balance of corporate loans (excluding discounted bills) increased by RMB200.354 billion or 11.29% over the end of the previous year; and its NPL ratio was 2.46%, down by 0.29 percentage point over the prior year-end.

3.5.2 Retail Banking

During the reporting period, the Bank actively responded to the outside changes and seized the window opportunity for commercial banks to develop wealth management business. The Bank formulated the *Opinions on the Transformation, Upgrading and High Quality Development of Retail Banking Business of China CITIC Bank* which clearly defined the strategic development goals, direction and path with an ambition to be bigger, stronger and long lasting through digital transformation, and became customers' first choice of wealth management bank as an expert at settlement, investment, financing, services and activities.

During the reporting period, the Bank's retail banking business recorded net operating income of RMB77.473 billion, a growth of 12.54% from the previous year, representing 41.73% of its net operating income. Net non-interest income from retail banking recorded RMB21.187 billion, an increase of 10.78% from the last year, accounting for 51.13% of the Bank's net non-interest income, up by 1.57 percentage points over the previous year. As at the end of the reporting period, retail customers of the Bank recorded daily average AUM balance of RMB2,239.342 billion, up by 13.34% compared with the last year.

3.5.2.1 Customer Management

The Bank continued to enhance its value-oriented customer acquisition and management capabilities, improved retail customer management system and achieved constant growth in the number of retail customers.

In terms of stratified management of customers, the Bank transformed its customer acquisition mode from traditional agency payroll service via outlets into "traditional customer acquisition + scenario-based customer acquisition", and improved the efficiency of batch customer acquisition relying on the Group's advantages in collaboration and digital capabilities. It strategically promoted the basic customer acquisition centering on agency payroll and the number of agency payroll customers grew by 72.55%. And it explored new way of customer acquisition "within three kilometers around outlets", and strengthened development of 7 ecological scenarios of going abroad, travel, housing, health, education, Party building and quality life. In addition, the Bank deepened the stratified management system of customers to realize value addition from ordinary customers, wealthy and VIP customers to private banking customers relying on channel coverage of "offline outlets + online mobile APP" with professional capabilities in stratified services. It also subdivided key ordinary customers into groups to gain access of high-potential customers with digital technology; built a closed loop of rich customer management system, and summarized and promoted business methods that could enhance the value of VIP customers. It provided private banking customers with featured products of family trust and carte blanche asset management to support value-added services as well. As at the end of the reporting period, the Bank recorded 111 million accounts of retail customers, a growth of 8.49% over the end of the previous year; and 969,500 accounts of medium-to-high-end customers[28], representing a growth of 8.94% over the end of the previous year, among which 51,100 accounts were private banking customers, an increase of 22.06% over the end of the previous year;

In terms of grouped management of customers, the Bank provided comprehensive financial and non-financial services relying on ecological scenarios to key customer groups such as going abroad customers, elderly customers and business travel customers, strengthening the brand image of a retail bank "with a human touch". For going abroad customers, the Bank gave top priority to building a going abroad financial service platform upholding the development concept of "creating the featured going abroad financial product, establishing going abroad financial industry standards, and opening up going abroad financial ecological services". It launched online remittance products for overseas students that were not included in the annual quota for foreign exchange purchases, and financial products such as MasterCard foreign currency debit card and UnionPay cross-border cashback debit card; it actively opened a green channel for going abroad financial business during the COVID-19 pandemic to provide convenient banking services for customers. For elderly customers, the Bank upgraded and launched the "Happiness 1 + 6"[29] service system, focusing on four major scenarios of health, entertainment, studying and tourism, developed such popular services as chronic disease management, three-kilometer discount services at supermarkets, special service hotline and courses for the elderly, which were fully recognized by the market and customers. As regard to business travel customers, the Bank created a closed-loop operation of the business travel chain, expanded promotion and important partner activity integration online, and cultivated business travel customers through airport ecosystem offline to cooperate with airlines in membership and make explorations for full-chain services for membership conversion and management based on membership co-management mode. In addition, the Bank improved the scenario-based credit point and right system and card product system for business travel business; it launched the business travel platform, formulated subdivision management strategies for the core, key, pan-business travel, potential customer groups, etc., set the "flight + hotel" business layout, and carried out brand promotion activities. As at the end of the reporting period, the Bank's going abroad customers registered 7.6300 million, and the number of elderly customers[30] was 16.0086 million, an increase of 16.32% over the end of the previous year. The Bank had 9.4 million business travel customers that hold the Bank's credit cards.

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28 Refers to customers each having at least RMB500,000 daily average AUM with the Bank; private banking customers refer to customers each having at least RMB6 million daily average AUM with the Bank.

29 Refers to six "financial+ non-financial" service sectors including "Happiness + Wealth Management", "Happiness + Health", "Happiness + Education", "Happiness + Privileges", "Happiness + Accomplishment" and "Happiness + Tourism".

30 Refers to customers aged 50 or over 50.

3.5.2.2 Businesses and Products

Wealth Management Business

Aiming to meet customer demands and improve customer experience as always, the Bank boosted sales of personal deposit products and growth of personal deposits by pursuing asset allocation concept. It further upgraded liability products, and added new features to the seven-day call deposits by launching "Weekly Privileges", reserved purchase of time deposits and order push. It also improved customer experience in purchasing products via personal mobile banking, personal online banking etc., and provided customers with abundant deposit products. Moreover, the Bank further promoted the application of deposit products in different scenarios, and launched products such as "CITIC e Manager", "Brokerage Manager" and "Escrow Profit" for customers of payment and settlement, second-hand housing transaction and third-party escrow services, respectively, aiming to obtain deposits for settlement purposes in multiple scenarios. As at the end of the reporting period, the balance of the Bank's personal deposits recorded RMB822.016 billion, up by RMB72.994 billion or 9.75% over the end of the previous year.

The Bank strengthened customer relationships and expanded its wealth management business in response to market changes and in line with customer needs. In terms of wealth management, the Bank implemented the *New Regulations on Asset Management* and achieved obvious results in the transformation towards net asset value (NAV) products. As at the end of the reporting period, the scale of existing NAV personal wealth management products meeting the new regulations accounted for 68.57%, up by 33.74 percentage points over the end of the previous period. As for agency fund sale, while closely tracking market changes, the Bank strengthened investment research capabilities by establishing investment research teams, and created a fund product selection system to allocate "fixed income+" and initial offering equity products meeting current market status for customers. During the reporting period, sales of non-monetary funds soared 189.91% cumulatively over the end of last year, and the Bank's non-monetary funds increased by 96.96%. The Bank stepped up innovation in products, and launched Target Profit with automatic investment plan and stop-profit functions and CITIC Robo-Advisor (investment advisor version), becoming the first joint stock bank in China to officially launch fund investment advisory services. With respect to agency insurance, as at the end of the reporting period, cumulative agency sales of insurance products providing protection increased by 14.84% over the prior year-end.

During the reporting period, the Bank diversified its private banking products. It launched equity products of leading private placement institutions such as Hillhouse Capital and Greenwoods Asset Management, sold FOF products, PE/VC products and real estate equity products, and made breakthroughs in standardized products of new types of institutions such as insurance asset management and trust companies. As at the end of the reporting period, the Bank recorded RMB505.222 billion of private banking products. The agency sales of private banking products amounted to RMB87.568 billion, including sales of standardized products of RMB43.484 billion, up by 81.18% over the prior year-end, setting new highs. The standardized private banking products under agency sales stood at RMB60.791 billion, and non-standardized products RMB56.082 billion.

Personal Loan Business

Adhering to the concept of "Value Personal Loan", and the role of personal loans as the "ballast stone" of the Bank's asset business, the Bank promoted the balanced development of three key products, namely, personal housing loans, personal business loans and personal unsecured loans in an orderly manner, to support the development of the real economy and private economy and boost consumption upgrading.

In terms of personal housing loans, the Bank continued to grant commercial personal housing loans in accordance with the real estate regulation and control requirements of governments at all levels in China. In terms of personal business loans, the Bank improved its product policies, specified operating standards, refined credit-extending functions, and adopted diversified credit-extending methods, thereby improving the convenience of customers' fund using. Besides, it provided differentiated modes of repayment in addition to "loan renewal without repayment". It also launched comprehensive financing plans for small and micro enterprises, matched their actual financing demands in a flexible way and improved efficiency of fund using, to facilitate the development of small and micro enterprises and the real economy. In terms of personal unsecured loans, the Bank strengthened fraud prevention and control, improved layered customer groups and implemented differentiated review and approval system. Besides, it improved the batch customer acquisition capabilities in real scenarios through product innovation and scenario integration, and continuously promoted the development and branding of standardized "Xin Miao Dai" (means CNCB instant loans), providing customers with easy and efficient access to online self-service financing services. As at the end of the reporting period, the balance of personal loans (excluding credit cards) of the Bank was RMB1,365.515 billion, an increase of RMB187.772 billion or 15.94% over the end of the previous year. The balance of commercial personal housing loans reached RMB898.133 billion, an increase of RMB137.887 billion or 18.14% over the end of the previous year.

Credit Card Business

Under the premise of compliant operation and risk prevention and control, and focusing on consumption as the original source of business growth, the Bank provided multi-dimensional value added products and services closely surrounding customer demands. And it provided high-quality interactive experience with differentiated and refined whole-process services to fully safeguard customers' interests and constantly create value for them.

The Bank pushed ahead channel transformation in an all-around way to create a model integrating customer acquisition and management, deepened the transformation of the customer manager system, and reshaped the customer interaction model to build the integrated mechanism for customer acquisition and management. Besides, the Bank expanded the capacity of platform to attract more customers by upgrading "Mobile Card Space 7.0", and pioneering the personalized portal to achieve targeted recommendation for core business and services. What's more, by exploring crossover cooperative business, it pushed deeper into cooperation with airlines in membership, and issued "CITIC Bank Huawei Card" co-branded digital credit card for the first time, which provides users with more convenient, intelligent and safe experience in card application and usage within Huawei's scenario and ecosystem.

Under the premise of compliant operation and risk prevention and control, the Bank deepened the "capital light" strategy, and continuously improved asset structure. During the reporting period, it continuously improved credit card installment business, increased efforts in adjusting installment business and asset, and increased the share of bill and single transaction installment in the business. Besides, the Bank expanded scenario-based installment, and drove customers' installment demands in diversified scenarios to create new drivers of business growth. At the same time, the Bank actively increased income from "capital light" strategy, sped up the wealth management business layout, and continuously upgraded its annual fee product system. It launched a new membership business model, expanded diversified consumption scenarios, and continuously improved user experience.

As at the end of the reporting period, the Bank issued a cumulatively 92.6214 million credit cards, an increase of 11.16% over the end of the previous year, and recorded RMB485.232 billion balance of credit card loans, a decline of 5.64% over the end of the previous year. During the reporting period, the Bank's credit card transaction volume stood at RMB2,437.688 billion, a decline of 4.83% year on year; it realized RMB61.498 billion income from credit card business, a growth of 1.64% year on year. In addition, the Bank actively promoted credit card asset-backed securitization (ABS) business, and cumulatively issued RMB5.044 billion credit card installment ABS products during the reporting period. It also disposed of RMB7.355 billion principal of non-performing credit card assets through non-performing asset ABS, effectively accelerating asset turnover.

Going Abroad Financial Services

With the goal of "building into a going abroad financial service platform", the Bank made efforts from the five directions of products, channels, integration, openness and management to speed up the development of going abroad financial matrix digital platform and constantly improve the digital ability of customer acquisition and management.

The Bank provided customer journey service covering the whole life cycle from the customer's perspective by introducing functions such as ticket and hotel bookings, overseas coupons, departure tax rebates and online processing of departure and entry cards to provide one-stop integration services. It deeply integrated going abroad "financial and non-financial" business resources, and built diversified business scenarios. In addition, the Bank launched going abroad financial APP, upgraded the products and operations on going abroad financial WeChat and Alipay mini apps, restructured all products and functions based on the latest user interface specifications of mobile banking, and strengthened intelligent recommendation service to comprehensively enhance multi-channel integrated service capabilities. It added visa and other feature functions on the basis of the existing going abroad financial platform to make more products online and digitalized, and comprehensively enhanced customer experience and market competitiveness. Furthermore, the Bank carried out professional cooperation with vertical service providers to enable users to enjoy the Bank's services quickly and conveniently through external platforms, and worked with partners to acquire users, manage customers, enhance value and spark word-of-mouth.

As at the end of the reporting period, the Bank recorded more than 7.63 million accounts of customers using its going abroad financial services, and the balance of assets under management (AUM) reached RMB995.482 billion, up by 13.77% over the end of last year. The corresponding balance of personal foreign-currency AUM was USD6.807 billion, in which the corresponding balance of personal foreign currency deposits with the Bank reached USD6.476 billion, an increase of 15.45% from the end of last year.

Ageing Finance Business

During the reporting period, the Bank upgraded and launched the "Happiness 1 + 6" service system for elderly customers, and launched "Happiness +" Club and created a customer group management and service pattern with middle-aged and elderly customers as target customers. It provided services focusing on health (Health Bank), privileges ("three-kilometer ecosystem" discount services at supermarket near outlets), education (Elderly University), and tourism (elderly travel), developed such popular services as chronic disease management, three-kilometer discount services at supermarkets, special service hotline and courses for the elderly, and formed six "financial+ non-financial" service segments, namely, "Happiness + Wealth Management", "Happiness + Health", "Happiness + Education", "Happiness + Privileges", "Happiness + Accomplishment" and "Happiness + Tourism", which were fully recognized by the market and customers. For the first time, the Bank participated in the selection of the national "Model Unit for Elderly Care", and Guangzhou Branch, Chengdu Branch, Tianjin Branch Haihe Sub-branch and Chongqing Branch Luneng Xingcheng Sub-branch were selected on the list, making China CITIC Bank the bank with the most honorees and fully reflecting the Bank's unique advantages in serving the elderly. Cooperating with China National Committee on Ageing, the Bank published the *Financial Knowledge Manual for the Elderly* which was included in the national population aging education series and as an assistant book for universities for the aged across the country, and won the award of "National Excellent Publications Recommended to the Elderly in 2020" by the Office of National Working Commission on Aging and China National Committee on Aging. The Bank also worked with experts on pension issues from Tsinghua University to hold live lectures on pension planning to raise public awareness of pension investment and planning. As at the end of the reporting period, the Bank had 16.0086 million elderly customers, with AUM balance standing at RMB1.28 trillion, up by 12.64% from the end of last year.

Agency Payment Business

The Bank strategically pushed forward agency payroll service through coordination between retail and corporate banking. It created a closed-loop payroll business ecosystem for corporate banking customers, upgraded the "Easy Salary" open agency payroll platform, launched six major ecosystem services in the field of intelligent HR and smart office that covering intelligent salary sheet, smart Party building, employee health management and pandemic response services, and provided one-stop salary service solutions. The Bank also launched advantage products such as Xin Xiang Card, Daily Gain, Target Profit, Monthly Guarantee, selected savings and financial management products and "Xin Miao Dai" for retail banking customers. As at the end of the reporting period, the Bank recorded 9,335,400 valid accounts of customers receiving its agency salary payments through coordination between retail and corporate banking, an increase of 72.55% over the end of the previous year, and it newly acquired 7,697 accounts of basic corporate customers based on such interaction.

3.5.2.3 Risk Management

During the reporting period, in accordance with the strategic goal of "expanding retail banking business and continuously providing value contribution", the Bank increased personal loan granting, improved service quality, and continuously enhanced refined risk management with the goal of preventing and defusing risks and supporting business development in its retail banking business.

Risk Management of Personal Loans

The Bank carried out mortgage business in an orderly and compliant manner centering on "income authenticity", vigorously promoted inclusive personal loan business around "real operation", and actively supported scenario-based consumption loans focusing on "actual consumption". It identified and controlled credit risks before, in and after lending all along and constantly strengthened the system building and the closed-loop lifecycle management.

In the pre-lending process, the Bank strengthened channel management and built a stratified management mode for credit risk of products. The Bank implemented the closed-loop lifecycle management over cooperation channel in the aspects of front office marketing, risk control, continuous evaluation, channel exit and so on. It adopted stratified credit risk control for personal loan products based on the analysis of their core risk control logic and risk factors and steadily promoted the "differentiated credit risk management" mode. In the lending process, the Bank continued to strengthen the ability of credit risk identification and monitoring to improve its risk management and control. Based on effective historical data and supplemented by third-party data, the Bank made full use of retail banking credit risk measurement methods such as credit score model and business logic rule engine to effectively improve its capability on credit risk identification and management. The Bank actively facilitated the steady running of the closed-loop management and operation system throughout its personal loan process, and developed standard business templates to make business access, personal loan examination and approval across the Bank more standardized and specialized. It improved the risk monitoring system, monitored and analyzed risks for products, regions and cooperation channels, and accelerated iteration and updating of product policies and processes. In the post-lending process, the Bank reinforced the use control, improved risk early warning mechanism, and carried out post-lending management centralized at branches. The Bank reinforced the use control across the process of personal loan business, strictly controlled the use of post-lending funds by means of automatic system monitoring and manual in-depth investigation. It continuously improved the post-lending early warning mechanism and system building. The Bank unified post-lending management at branches to further enhance the ability of risk management.

Affected by the pandemic and requirements of prudent management on classification of loan risks, both balance and ratio of non-performing personal loans increased. As the pandemic got effectively controlled and the economy was recovering in China, the asset quality remained stable and under control across the year. As at the end of the reporting period, the Bank's non-performing balance of personal loans (excluding credit card loans) recorded RMB9.217 billion, an increase of RMB3.014 billion from the end of the previous year. The NPL ratio was 0.67%, up by 0.14 percentage point from the end of the previous year.

Risk Management of Credit Card Business

The Bank's credit card business made efforts to prevent and control risks, and improved the allocation of credit resources. It refined existing customer management, and promoted asset structure adjustment. It also lifted the level of data-driven intelligent risk control empowered by technology. Under the "total-process and thorough risk management", the Bank made effective application of credit risk management tools and continued to improve measures of credit risk management to identify and control credit risks before, in and after lending all along.

In the pre-lending process, the Bank improved the customer group structure. It acquired more high-quality customer groups, improved the access standards for high-risk customers, and tracked credit risk changes in new cardholders dynamically in a multi-dimensional manner by moving risk management forward to earlier stages, and through targeted identification of customers' portraits, subdividing of customer groups, differentiated asset allocation and control strategy, etc., to guard against asset quality fluctuations caused by the COVID-19 crisis and risk existing among several platforms. In the lending process, the Bank continued to improve the asset structure. It fully scaled up consumer loans to give priority to consumers' consumption needs, established a dynamic limit management mechanism, and restructured allocation of credit resources. Besides, the Bank strengthened the usage management of funds to put them into consumption use, and reinforced control over non-compliant credit card usages like money laundering, gambling and cash-out. In the post-lending process, it adopted various ways for non-performing assets disposal and write-off such as cash recovery, overdue loan write-off and non-performing asset ABS. In addition, the Bank actively explored new ways in batch transfer of credit card loan business and went all out to reduce pressure on non-performing loans.

During the reporting period, asset quality in the credit card industry felt a shock from the COVID-19 outbreak, economic slowdown and some other factors. Nevertheless, the Bank took countermeasures in a timely manner and the monthly net increase of non-performing loans went down continuously as the pandemic situation has largely stabilized since the second quarter, effectively curbing the uptrend of non-performing loans. The Bank adopted a more stringent classification standard of loan risks under the principle of more prudent risk control. As at the end of the reporting period, the Bank recorded RMB11.561 billion in balance of non-performing credit card loans, corresponding to an NPL ratio of 2.38%, up by 0.64 percentage point from the end of the previous year.

3.5.2.4 Consumer Rights Protection and Service Quality Management

During the reporting period, committing to a people-centered development philosophy, the Bank continuously strengthened the building of system and mechanism for consumer protection, reinforced the whole-process management and source control of all business links and systematically promoted the high-quality development of consumer protection from the system, team, process control, assessment and other perspectives. It established a regular meeting mechanism of the Consumer Rights Protection Committee headed by the President of the Bank, and revised 13 policies on consumer protection including the *Management Measures of CITIC Bank for Consumers' Financial Information Protection*. Furthermore, it advanced the building of teams of part-time managerial officials and employees on consumer protection, and launched and popularized the application of a consumer protection examination system. Besides, the Bank improved the information disclosure and inquiry procedures for its products and services, and implemented and regularly monitored its financial marketing and promotion. What's more, it established an inspection and data analysis mechanism for consumer protection to intensify the rectification of problems found and process optimization.

The Bank attached great importance to the complaint management. It opened a green channel for customer complaints during the pandemic, and developed the *Management Measures of CITIC Bank for Rapid Compensation of Financial Consumption Complaints* to diversify financial dispute resolution mechanism. It also launched the project of digital complaint analysis and management system to carry out consumer protection and complaint management with the support of new ideas and technologies such as big data and artificial intelligence. During the reporting period, the timeliness ratio of first-call complaint handling at the Credit Card Center reached 100%.

The Bank continued to increase financial knowledge dissemination and education in a bid to provide customer services with "a human touch". Cooperated with PBOC, CBIRC and China Banking Association, the Bank carried out such activities as "March 15 Banking and Insurance Consumer Protection Awareness Week", "Illegal Fundraising Prevention Awareness Month", "Protecting Your Pockets with Financial Knowledge", "Journey for Financial Knowledge" and "Financial Knowledge Education Month, Bring Financial Knowledge into Households, Being a Rational Investor and a Law-abiding Netizen". During the reporting period, the Bank held more than 20,000 publicity activities and distributed over 6.6 million copies of publicity materials covering over 40 million customers.

3.5.3 Financial Market Business

Amid the raging COVID-19 pandemic and Sino-US trade frictions, the Bank adhered to the "profit-oriented, capital-light development" strategy, constantly improved asset structure and expedited the asset turnover in developing its financial market business. It actively carried out internal coordination within CITIC Group, deeply facilitated more cooperation inside and outside the financial market business segment, and continuously improved customer management. Besides, the Bank steadily advanced various business innovations, sped up digital transformation, and steadily promoted high-quality and sustainable development to improve profitability remarkably.

During the reporting period, the Bank's financial market business recorded an operating income of RMB21.466 billion, an increase of 18.53% over the last year, representing a 11.56% in the Bank's total operating income. Of this income figure, non-interest net income from financial market business recorded RMB12.635 billion, an increase of 13.83% over the last year, accounting for 30.49% of the Bank's total net non-interest income.

3.5.3.1 Customer Management

The Bank continuously improved the integrated management system for interbank customers from aspects of system, channel, brand, risk control, team and assessment, and further widened and deepened customer cooperation. During the reporting period, the Bank formulated industry marketing guidelines and comprehensive customer financial service plans for key industries and head customers respectively, thus continuously improving capability to serve interbank customers. Besides, the Bank actively cooperated with interbank customers on multiple products such as bills, investment, capital and custody, further strengthened online service support, and continued to develop new products and optimize functionalities of the "CITIC Interbank+" platform, a key interbank financial service platform, resulting in constant improvement to customer experience.

3.5.3.2 Business and Products

Financial Interbank Business

During the reporting period, the Bank carried out inter-bank business in the light of the strategy of "adjusting structure, cutting cost, transforming business, expanding capacity, and controlling risks", and coordinated internal and external resources. It actively promoted digital transformation, proactively adjusted investment strategies, seized market opportunities and controlled market risks, thereby achieving steady growth in operating indicators. As at the end of the reporting period, the Bank's balance of financial interbank assets (including deposits and placements with, and loans to banks and non-bank financial institutions) recorded RMB253.228 billion, representing a drop of 6.79% over the end of the previous year; and its balance of financial interbank liabilities (including deposits and placements from banks and non-bank financial institutions) amounted to RMB1,174.146 billion, an increase of 18.01% over the end of the previous year.

During the reporting period, the Bank kept improving customer experience according to corporate customers' financing demand, and thereby helped improve financing efficiency for the real economy and markedly enhanced its ability to serve the real economy. During the reporting period, the Bank's volume of bill discount business reached RMB1,074.794 billion, surpassing 1,000 billion for the first time, up by 22.48% year on year to serve more than 10,000 corporate banking customers, of which 3,367 or nearly 1/3 of them were manufacturing enterprises; and the average daily balance of bill rediscounting reached RMB37.896 billion, up by 27.84% over the previous year, with all bills from small and micro enterprises, continuing to provide low-cost financing channels for the real economy. The Bank actively participated in bill business standardization and successfully developed 7 standardized bill products with an amount of RMB346 million. As at the end of the reporting period, the balance of the Bank's bill assets amounted to RMB449.752 billion, representing an increase of 14.66% compared with the end of the previous year. "Xin Miao Tie", an innovative self-service electronic discounted bill product, recorded 5,248 accounts of subscribed customers, and more than RMB20.477 billion discounted financing, becoming an important means for the Bank to support inclusive finance.

Financial Market Business

During the reporting period, facing the complex and changeable market situation, the Bank rose to difficulties in financial markets business, and gave full play to its professional advantages. Following the working concept of "thinking more, trading frequently, preventing risks and bearing pressure" and adhering to the management strategy of "seizing trends and opportunities, and seeking profit from the market", the Bank remarkably improved its risk management and control ability, and made new breakthroughs in economic benefits.

Regarding to forex business, the Bank offered pertinent and multi-layer exchange rate risk management solutions to meet customer needs for financing and value preservation, hedging forex receipt and payment, cross-border M&A and securities investment by its innovative exchange rate product portfolios including forex trading, spot and forward forex purchase and sale, swaps, options and others. Thus, the Bank helped customers achieve value preservation and appreciation of their forex assets. During the reporting period, the Bank completed USD1.69 trillion[31] forex market making transactions, up by 0.60% from last year, and continued to be among the top ones in the list of market makers on the interbank forex market.

[31] On December 31, 2020, 1 US dollar exchanges RMB6.5397.

Regarding to bond business, the Bank earnestly fulfilled its social responsibilities, actively supported the development of the real economy, and invested in special treasury bonds and other bonds for COVID-19 control in its bond business. It gave a firm grasp of the market development driven by stable pandemic control and production and work resumption, took the initiative to adjust bond investment strategies, reasonably adjusted the portfolio duration, and flexibly changed investment varieties, thus increasing asset circulation and improving the investment return on bond assets. Besides, the Bank proactively reduced risk-weighted assets, optimized asset structure, and actively pushed forward the transformation of its asset light strategy. The return on its portfolio in trading accounts substantially outperformed the market as a result of the Bank's strengthened market forecasting, effective gasp of market fluctuations, and timely revenue taking, making the Bank rank in the top of joint-stock banks, and effectively cementing its position as a core market maker in the interbank market.

The Bank actively conducted money market transactions such as interbank Renminbi lending, borrowings and bond repos. While pushing ahead with innovations in trading mechanism, the Bank strengthened cooperation with peer customers, further broadened financing channels, improved the operating results of short-term capital, and thus consolidated and enhanced its position as a core dealer in the money market. During the reporting period, the Bank recorded a total volume of money market transactions of RMB25.29 trillion, and issued RMB735.200 billion interbank certificates of deposits, an increase of 36.98% over the previous year, taking a leading position in the market.

As for precious metal business, the Bank focused on supporting brick and mortar companies along the gold industry chain and provided gold leasing services for them. At the same time, it actively fulfilled its responsibilities as a gold inquiry market maker on the Shanghai Gold Exchange, and provided liquidity for the market. During the reporting period, the Bank continued to diversify is gold proprietary trading strategies, appropriately improved risk appetite in proprietary trading, and actively seized market opportunities to increase profits through band operation.

Asset Management Business

During the reporting period, adhering to the "market-oriented, digitalized, platform-based, high value, high technology, high quality" positioning in its asset management business, the Bank made further progress in the transformation of the wealth management business towards NAVs. In accordance with the orientation of "managing other people's wealth on their behalf as entrusted" in the *New Regulations on Asset Management*, the Bank enhanced refined management in aspects of custody, operation, transaction, information disclosure, compliance and risk control, strengthened the stratified management of customers and proactively met requirements on the investor appropriateness to build a long-effect investor protection mechanism. In the innovation of asset management business, the Bank always regarded whether it is conducive to supporting the real economy, preventing financial risks and protecting the rights of investors as the standard and principle to evaluate business. In addition, it carried out solid work in active risk management and allocation of general-category assets, improved quality and effect of asset management, strengthened the allocation of standardized bond assets and term match of non-standardized asset investments, and made appropriate arrangements in equity assets and international operations based on willingness and ability of customers to take risks so as to address the needs of customers.

As at the end of the reporting period, the Bank's (CITIC Wealth Management not included) balance of non-risk-bearing wealth management products recorded RMB1,078.872 billion, in which the balance of NAV products in conformity with the *New Regulations on Asset Management* reached RMB722.824 billion, accounting for 70.00% of the total. During the reporting period, due to the big increase in new products and estimated profits of equity assets, the Bank's wealth management business realized income of RMB2.124 billion.

3.5.3.3 Risk Management

Financial Market Business

The Bank actively managed counterparty credit risk and bond asset credit risk. It made an in-depth analysis of the credit market default scenarios, increased the frequency of re-inspection and self-examination of assets in key regions, key industries and key companies, and adjusted the analysis, evaluation and review standards for credit bonds in appropriate timing. The Bank also kept an eye on the changes in the credit qualification of investment portfolio to formulate measures in detail, and sold relevant bonds in advance and in time. What's more, the Bank increased investment in sovereign and quasi-sovereign bonds such as central government bonds, local government bonds and policy bank bonds, and thus its proprietary bond assets enjoyed excellent credit qualifications.

Asset Management Business

During the reporting period, the Bank further improved the comprehensive risk management model for the wealth management business. The Bank focused on compliance risk, operational risk and reputational risk for the overall business, ensured compliance with laws and regulations and regulatory rules, and established an effective internal control mechanism to prevent damage to the Bank's interest. In terms of products, the Bank placed emphasis on liquidity risk, performance risk and information disclosure risk, and made solid efforts on investor appropriateness management to ensure that the operation of wealth management products is in line with the requirements in the product manual. On the asset level, the Bank placed importance on market risk and credit risk, and prompted the impact of related risks on the wealth management products' net worth. Besides, the Bank continued to improve the risk management reporting system, and built and improved a risk reporting system comprising periodic reports such as weekly report on wealth management product risk management and monthly (quarterly) report on comprehensive risk management, and non-periodical special reports.

3.5.4 Distribution Channels

3.5.4.1 Online Channels

During the reporting period, the Bank continued to develop an integrated ecosystem of online channels, so as to better release the capacity of retail banking. It worked faster to build a multi-application ecological network where Mobile Banking was the main service channel with WeChat Mini Program as a supplement, and realized interconnection between the two APPs of Mobile Banking and Mobile Card Space after updating them to Version 7.0. Specifically, the updated Mobile Banking was designed to change with customers' demands with a total of six "1+5" exclusive versions. On top of the standard version for the public, the Bank rolled out versions exclusively for five characteristic customer groups, namely going abroad customers, elderly customers, private banking customers, small and micro enterprises and foreign customers, to provide personalized services. During the fight against the pandemic, the Bank vigorously developed "contactless" business models, and launched 19 key online businesses including video and audio recording sales[32] of private banking products, "CITIC Chat" in mobile banking, online interaction with customer managers and online services of personal loans. Among them, online video and audio recording sales of private banking products accounted for 72.11% of the total sales volume, and was thus granted the "Technological Pioneer Award in Fighting against COVID-19" for 2020 by the China Financial Certification Authority (CFCA). Furthermore, the Bank built up a marketing matrix through new media, and issued high-quality marketing content and micro TV series on Tik tok, WeChat Channels and others, covering all internet traffic giants. As at the end of the reporting period, the Bank had 26,155,600 online monthly active users (MAUs)[33]. Specifically, the transaction amount on Mobile Banking APP grew by 20.66% over the previous year, representing as many as 99.54% of e-banking transactions.

3.5.4.2 Physical outlets

As at the end of the reporting period, the Bank had 1,405 outlets in 153 large and medium-sized cities in the Chinese mainland, including 37 tier-one branches (directly managed by the Head Office), 126 tier-two branches, and 1,242 sub-branches (including 37 community/small and micro sub-branches), plus 1,633 self-service banks (including onsite and offsite self-service banks), 5,687 self-service terminals and 6,703 smart teller machines. As such, the Bank has developed a diversified outlet pattern that consists of smart (flagship) outlets, comprehensive outlets, boutique outlets, community/small and micro outlets and off-bank self-service outlets. With its outlets basically covering all large and medium-sized cities in China, the Bank shifted its focus of domestic outlet establishment to layout optimization and profit improvement. Allocation of resources for outlet construction favored developed cities and regions such as Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Nanjing. At the same time, as an active response to the national "13th Five-Year Plan", the Bank supported the economic development of key areas such as the free trade zones, special economic zones and new areas.

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32 Video and audio recording sales refer to the model where customers purchase exclusive private banking products (including asset management plan and trust plan, but excluding family trust) by means of audio and video recording through CITIC Bank's mobile banking.

33 Monthly active users (MAUs) refer to the number of users using the mobile banking APP and Mobile Card Space APP in a month, and the growth rate is based on comparable data of the same criteria.

In terms of the layout of overseas outlets, CNCBI, an affiliate of the Bank, had 34 outlets and 2 business centers in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and the Chinese mainland. CNCB (Hong Kong) Investment Co., Ltd. had 3 subsidiaries in Hong Kong and the Chinese mainland. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan. In line with its *2017-2020 Plan for Overseas Development*, the Bank moved forward to improve the management frameworks for human resources, businesses, systems, authorization, and performance evaluation of overseas affiliates, and promoted the approval for upgrading Sydney Representative Office and the application for establishing Hong Kong Branch as scheduled.

3.5.5 Subsidiaries and Joint Ventures

3.5.5.1 CIFH

CIFH was incorporated in Hong Kong in 1924. It was acquired by CITIC Group in June 1986 and restructured to become an investment holdings company after its acquisition of the then Hong Kong Chinese Bank Limited in 2002. It is now a wholly-owned subsidiary of the Bank, with an issued share capital of HKD7.503 billion. CIFH is the main platform for the Bank to conduct its overseas businesses. Its business scope includes commercial banking and non-banking financial services. CIFH conducts its commercial banking business mainly via its holding subsidiary CNCBI (in which CIFH holds a 75% equity interest), and conducts its non-banking financial business primarily via CIAM (in which CIFH holds a 46% equity interest).

As at the end of the reporting period, CIFH had 2,442 employees, and recorded HKD394.244 billion in total assets and HKD52.520 billion in net assets, up by 8.70% and 1.93% from the end of the previous year, respectively. During the reporting period, CIFH realized net profit of HKD1.025 billion, down by 63.76% year on year.

CNCBI: CNCBI is a whole-license commercial bank in Hong Kong SAR. Relying on its geographical advantages of being in the central city of the Guangdong-Hong Kong-Macao Greater Bay Area, CNCBI continuously deepened coordination and cooperation with the Bank and CITIC Group, and made full use of its domestic subsidiaries as platforms to vigorously expand cross-border business. As at the end of the reporting period, income from coordinated corporate banking registered HKD1.052 billion, accounting for 27.17% of its total income from corporate banking business. During the reporting period, with the strong need of mainland Chinese enterprises for overseas financing and cross-border mergers & acquisitions, the debt capital market business team of CNCBI actively captured business opportunities, and realized HKD265 million in fee income, ranking 3rd among all Chinese institutions in Hong Kong in terms of the bond underwritten amount[34].

As at the end of the reporting period, CNCBI recorded an issued share capital of HKD18.404 billion, and posted total assets of HKD391.544 billion and net assets of HKD47.568 billion, up by 9.07% and 2.41% from the end of the previous year, respectively. During the reporting period, Hong Kong's economy slumped due to the impact of COVID-19, and cross-border activities with the mainland almost came to a standstill, so the inter-bank lending rate dropped substantially, and net interest margin narrowed. Therefore, CNCBI realized operating income of HKD7.318 billion and net profit of HKD1.156 billion for the reporting period, down by 12.41% and 58.87% year on year, respectively.

34 According to the Bloomberg ranking of China offshore US Dollar bond underwriting.

CIAM: CIAM is a cross-border asset management company. During the reporting period, CIAM actively communicated with shareholders on the feasibility plan for project optimization and investment return realization, and reached a consensus on the business and asset disposal plan for the next three years. While actively boosting reorganization, CIAM continued to adjust the organization and strengthen the control of operating cost, continually improved team operation efficiency and reduced operation costs.

3.5.5.2 CNCB Investment

CNCB Investment is an overseas controlled subsidiary of the Bank established in Hong Kong in 1984 with a registered capital of HKD1.889 billion. The Bank holds 99.05% of the equity interest in CNCB Investment and CNCBI holds the rest 0.95%. The business scope of CNCB Investment covers lending (it holds a Hong Kong money lender license), investment (mainly including debt securities investment, fund investment, stock investment and long-term equity investment, etc.), and overseas licensed investment banking business and domestic equity investment fund management business via its own subsidiaries.

CNCB Investment, as the overseas investment banking platform of the Bank, aspires to develop itself into "a universal overseas investment bank serving the parent bank and featuring strong empowerment, capital-light development and outstanding performance". It comprehensively rebuilt a cross-border marketing service system, improved service chains of equity investment and fixed income business, accelerated the development of an overseas asset management center and strengthened the support from middle and back offices. Hence, its businesses and operation management entered a new stage. In terms of bond underwriting, CNCB Investment undertook much more deals, and was included in the list of offshore dollar bonds underwriting of Chinese enterprise for the first time in 2020. Specifically, it was ranked tenth in offshore dollar municipal bonds underwriting, up 13 places[35] over 2019. As for overseas asset management, CNCB Investment proactively explored and developed a new asset management model. For example, it set up the first Blind Pool Medical Fund, issued the first QDII (qualified domestic institutional investor) product that was sold at the Bank through trust, established the first special account of discretionary asset management and served as the investment adviser of structured funds. With respect to domestic asset management, CNCB Investment issued three active management equity investment funds, and raised funds of RMB1.251 billion, realizing a historical leap. Moreover, with overseas investment banking license, CNCB Investment established a bond underwriting team and completed its first deal of equity underwriting, representing a formal start of share pledge financing (SPF) and bond trading businesses.

As at the end of the reporting period, CNCB Investment registered total assets equivalent to RMB19.746 billion, up by 1.77% over the prior year-end, net assets equivalent to RMB3.416 billion, down by 3.26% over the prior year-end, and assets under management equivalent to RMB52.845 billion, a decrease of 39.00% over the prior year-end. During the reporting period, due to the pandemic and fluctuations in the equity project valuation, CNCB Investment recorded net profit equivalent to RMB-12 million.

[35] According to the ranking in the statistical data of "Wall Street Trader".

3.5.5.3 CITIC Financial Leasing

Wholly owned by the Bank, CITIC Financial Leasing was incorporated in April 2015 with a registered capital of RMB4 billion. As an important strategic layout for the Bank to serve the real economy, CITIC Financial Leasing pursues a business model featuring limited diversification, upholds the original mission of leasing, and continuously deepens transformative development.

CITIC Financial Leasing proactively gained presence in strategic emerging industries, and endeavored to expand new business fields such as new infrastructure construction, high-end manufacturing, shipping, and medical care and health based on traditional business areas. During the reporting period, CITIC Financial Leasing realized a total lease grant of RMB19.451 billion, representing an increase of 78.30% compared with that in the previous year and setting a new record in the past three years. Specifically, the lease grants to manufacturing and new infrastructure construction in 2020 were RMB2.646 billion and RMB3.640 billion, accounting for 13.60% and 18.71%, respectively. As such, a scale effect was formed to support the development of the real economy. Besides, CITIC Financial Leasing, along with 18 branches of the Bank, implemented projects in collaboration granting lease of RMB9.995 billion, accounting for 51.39% of the total grants and representing a year-on-year increase of 42.22% demonstrating synergistic effect.

As at the end of the reporting period, CITIC Financial Leasing recorded total assets of RMB53.291 billion, up by 6.08% over the prior year-end, and net assets of RMB6.306 billion, up by 4.33% over the end of the previous year. During the reporting period, CITIC Financial Leasing realized net operating income of RMB1.906 billion, an increase of 10.24% year on year, and net profit of RMB262 million, a decrease of 65.89% year on year. The company recorded return on equity (ROE) of 4.24%, return on assets (ROA) of 0.51%, a provision-to-loan ratio of 7.16%, and a capital adequacy ratio of 12.06%.

3.5.5.4 CITIC Wealth Management

CITIC Wealth Management was incorporated in Shanghai on 1 July 2020 with a registered capital of RMB5 billion. As a wholly-owned subsidiary of the Bank, CITIC Wealth Management mainly engages in the issuance of wealth management products, investment and management of investor assets under custody and financial advisory and consulting.

Since its incorporation, CITIC Wealth Management has constantly improved its product system layout with the focus on investor demands, and mainly developed products with less fluctuation and narrow fluctuating ranges, including monetary, pure bond and hybrid funds, which are line with the risk appetite of traditional banking wealth management customers. On this basis, the company stepped up efforts to develop "fixed income+" products for all-round product system innovation. At the same time, it closely followed regulatory policy orientations and industry dynamics, strengthened exchanges with its peers and invested more in product innovation. Besides, it vigorously expanded multi-asset products and equity products, and continuously rolled out characteristic products. In terms of personal products, the company upheld the philosophy of "inheritance, optimization, innovation and development". Specifically, it inherited personalized advantages from previous products, optimized the product structure and launched products more targeted at private wealth management. As for corporate products, it created a customer-centric institutional solution system, vigorously explored the special account model and served strategic customers of the Bank in a coordinated manner.

As at the end of the reporting period, CITIC Wealth Management registered total assets of RMB5.993 billion and net assets of RMB5.595 billion. During the reporting period, it recorded net operating income of RMB974 million, and net profit of RMB595 million. Its return on equity (ROE) was 22.46%. Moreover, the company rolled out new products of RMB39.892 billion meeting New Regulations on Asset Management. To sum up, its product scale was increased steadily, and transition to NAV-based wealth management products was promoted as scheduled.

3.5.5.5 CITIC aiBank

CITIC aiBank is a new type of internet bank jointly established by the Bank and Fujian Baidu Borui Network Technology Co., Ltd., and officially opened for business on 18 November 2017. In November 2020, CITIC aiBank received the approval on a new round of increase in capital and share from the CBIRC, and would bring in Canadian Pension Fund as a new shareholder, after which its registered capital would increase from RMB4 billion to RMB5.634 billion with the Bank holding 65.70% of the shares.

During the reporting period, CITIC aiBank overcame the impact from COVID-19 and its open banking development mode was tested by the market, with the users reaching more than 51 million and inclusive loans granted reaching over RMB300 billion. The asset management business expanded in a fast manner with the bank asset management product agency business growing exponentially. The smart risk control iterated continuously and the risk control ability improved dramatically. It introduced the first digital bank card, Baidu Quick Pass, achieving new results in shareholder collaboration. It was selected as the pilot bank of PBOC's "Regulatory Sandbox" twice in a row and and its "aiBank Intelligent Engine" project was selected for Beijing's top 10 financial innovation incentive program. CITIC aiBank applied for 77 patents and 77 software copyrights accumulatively.

As at the end of the reporting period, CITIC aiBank recorded total assets of RMB66.473 billion, up by 12.93% over the prior year-end, total liabilities of RMB59.900 billion, up by 7.70% over the prior year-end, and net assets of RMB6.573 billion. During the reporting period, it realized net operating income of RMB1,723 million and net profit of RMB-388 million, respectively. With all major index meeting regulatory requirements, CITIC aiBank once again received an long term AAA rating for entity credit from China Lianhe Credit Rating Co., Ltd.

3.5.5.6 JSC Altyn Bank

JSC Altyn Bank was formerly an affiliate of HSBC established in Kazakhstan in 1998. In November 2014, it was wholly acquired by the JSC Halyk Bank of Kazakhstan, the largest commercial bank in the country. On 24 April 2018, the Bank completed the acquisition of a majority stake in JSC Altyn Bank. At present the Bank holds 50.1% of shares in JSC Altyn Bank.

During the reporting period, despite severe external pressure, JSC Altyn Bank was determined to fight and win the battle against COVID-19, and made steady progress in its business development by adhering to its mission, with good operating results achieved. JSC Altyn Bank received the inspection results from the central bank of Kazakhstan, which concluded that with stable operation performance, excellent asset quality, satisfactory capital adequacy ratios and risk indicators, as well as a solid and reliable development base, JSC Altyn Bank helps further provide quality financial services to facilitate the implementation of the Belt and Road Initiative. Meanwhile, JSC Altyn Bank was titled the "World's Best Digital Banks 2020 – Best Digital Consumer Bank in Kazakhstan" by *Global Finance*.

As at the end of the reporting period, JSC Altyn Bank recorded share capital of 7.050 billion tenge[36], total assets of 596.243 billion tenge, net assets of 71.919 billion tenge. During the reporting period, it realized net operating income of 27.266 billion tenge, net profit of 15.802 billion tenge, and its ROA and ROE stood at 2.75% and 25.13%, respectively.

3.5.5.7 Lin'an CITIC Rural Bank

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

During the reporting period, in the face of severe tests brought by COVID-19 and the complicated and volatile environment at home and abroad, Lin'an CITIC Rural Bank reasonably formulated its development plan, risk management and internal control policies. According to a series of enterprise-benefiting measures issued by the CPC Central Committee, the State Council and the CBIRC, it earnestly implemented the fee reduction and profit concession policy, and launched the "renewal without repayment" service to support the resumption of work and production of enterprises. During the reporting period, Lin'an CITIC Rural Bank offered interest reductions of RMB11.6448 million to 536 loan customers, and the average interest reduction per customer was RMB21,700, with the rate of return on loans down by 106 BP from the beginning of the year. Lin'an CITIC Rural Bank supported the real economy with enthusiasm, implemented the inclusive finance and rural revitalization strategies, and increased credit extension meeting "two no-less-than and two control"[37] target. As at the end of the reporting period, the balance of agriculture-related loans stood at RMB940 million, representing an increase of 20.22% over the prior year-end and accounting for 59.77% of total loans. The balance of loans granted to small and micro enterprises was RMB1.227 billion, an increase of 24.15% over the end of the previous year. The proportion of loans to small and micro enterprises and that of loans to farmers and small and micro enterprises reached 78.00% and 91.78%, respectively.

36 The rate on 31 December 2020 of tenge against Renminbi was 1:0.01551383.

37 Pursuant to the *Plan for Promoting Inclusive Finance Development (2016-2020)* formulated by the State Council, "two no-less-than" means that lending to SMEs should rise no less than growth in all loans year on year; and the number of small and micro borrowers in a year should be no less than the same period of the previous year; and "two control" means reasonably controlling asset quality and the overall cost of loans to SMEs.

As at the end of the reporting period, Lin'an CITIC Rural Bank recorded RMB2.341 billion total assets, RMB343 million net assets, RMB1.806 billion balance of customer deposits, and RMB1.573 billion combined balance of various loans, an increase of 26.20%, 7.86%, 25.07% and 22.99% over the prior year-end, respectively. Its capital adequacy ratio stood at 23.10%, allowance coverage ratio was 403.88%, and the ratio of allowance for impairment of loans to total loans recorded 4.34%. It realized a net profit of RMB36 million for the reporting period. In 2020, Lin'an CITIC Rural Bank ranked first among 73 rural banks in Zhejiang Province at the green credit performance evaluation of deposit-taking legal-person financial institutions conducted by the PBOC.

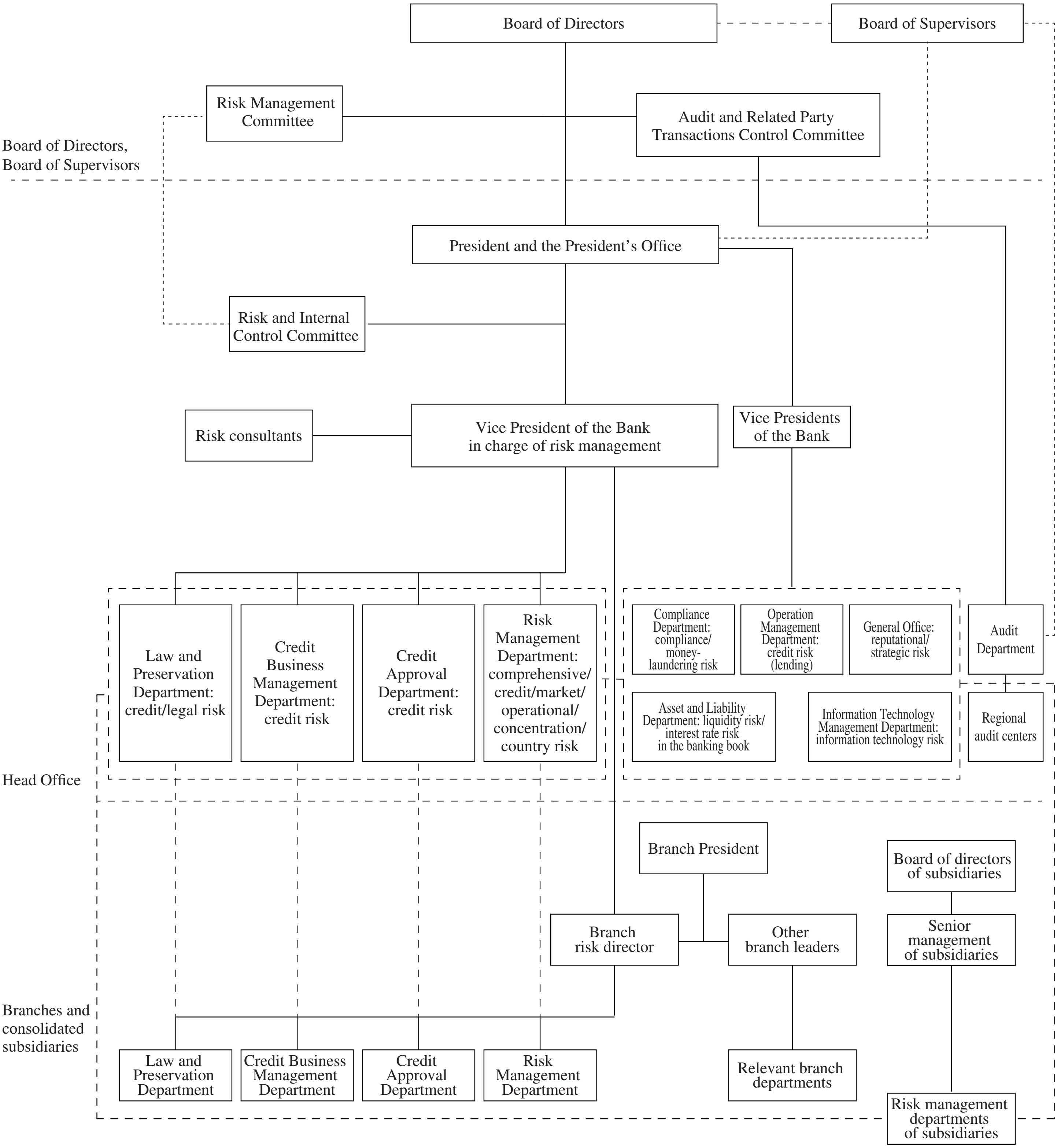
3.5.6 Overseas Branch Business

The Bank's London Branch, upon approval of the Prudential Regulation Authority and the Financial Conduct Authority of the UK, opened for business on 21 June 2019 (local time) in London. London Branch, as the Bank's first overseas branch directly managed by the Head Office, is mainly engaged in wholesale banking. It provides comprehensive financial services including deposits, lending (including bilateral loan, syndicated loan, trade finance and cross-border M&A finance), foreign exchange and payment settlement, and conducts money market and foreign exchange trading businesses.

During the reporting period, London Branch conducted extensive business cooperation with domestic and overseas corporate customers and financial institutions, and continued to expand offshore RMB trading, corporate syndicated loans, cross-border M&A financing and other business areas. During the reporting period, it issued the first inter-bank certificate of deposits, and improved its financing structure. It handled foreign exchange transactions on the European time trading platform on behalf of the Head Office, allowing the Bank to operate a global 24/7 foreign exchange trading platform and make breakthroughs. For the first full business year, London Branch registered total assets of USD1.194 billion, an increase of 180.94% over the prior year-end, operating income of USD11.2386 million and pre-provision net profit of USD2.3416 million. This means that London Branch realized pre-provision profit in the first full business year after opening. Relying on the advantages of London as an international financial center, the Bank will build London Branch into the business center of the Bank in Europe, the Middle East and Africa, the European treasury operation center, the international talent training center, CITIC Group's overseas business coordination platform, and the Bank's important overseas base to serve the Belt and Road Initiative.

3.6 Risk Management

3.6.1 Risk Management Structure



3.6.2 Risk Management System and Techniques

During the reporting period, the global spread of COVID-19 exerted impacts bigger and longer than expected on the world economy. The Bank strengthened risk analysis and forecast, implemented the central government's relevant policies and provisions, and took comprehensive measures to strengthen the management of risks of various types in a proactive manner. It improved relevant policies and procedures and cemented the duties of the three lines of defense. Meanwhile, the Bank continued to improve its responsibility system by accelerating the implementation of the principal responsible person mechanism and improvement of the policies on accountability for non-performing assets and due diligence exemption. It also pushed ahead with the implementation of the full-time approver mechanism, improved the review and approval standard system, and worked on more independent and professional approval. What's more, the Bank strengthened the unified credit management and intensified the credit risk management of consolidated subsidiaries. It also enhanced the early warning and monitoring and the management of key customers at risks, and continued to improve the asset quality. It intensified the resolution of problematic assets and stepped up the disposal of non-performing assets. In addition, the Bank accelerated IT system improvement and upgrade, and advanced the improvement of its digital risk control system. The Bank also strengthened the building of a professional team for risk management and improved risk management in an all-out effort.

The Bank continued to enhance its capacity for research and development of risk management technology, deepened the multi-level application of big data and artificial intelligence technology, and accelerated the digital transformation of risk management. During the reporting period, the Bank launched a unified risk view, developed regional and industry rating models, and created multidimensional portraits and uniform scoring models for corporate, individual and inclusive finance customers. It also used big data to conduct intelligent early warning and analysis, and continued to design online product and risk control system relating to transaction banking, auto finance, inclusive finance and retail credit. During the reporting period, the Bank strictly implemented various regulatory provisions, continued to put the large-value risk exposures under intensified management, and managed to control the limit indicators of these exposures within the scopes permitted by the regulators.

3.6.3 Credit Risk Management

Credit risk refers to the risk of a bank incurring losses in its business due to the failure of its borrowers or transaction counter-parties to fulfill the obligations specified in relevant agreements or contracts. The Bank's credit risk mainly comes from various credit businesses, including but not limited to loans, guarantee, acceptance, loan commitments and other on- and off-balance sheet credit businesses, bond investment of banking account, derivatives trading and other businesses, as well as businesses with credit risk such as structured financing and financing wealth management. For details of the Bank's risk exposures after the mitigation of credit risk asset portfolio and measurement of credit risk capital, please refer to the *2020 Capital Adequacy Ratio Information Disclosure Report of China CITIC Bank Corporation Limited* issued by the Bank. For details on the credit risk management of various businesses of the Bank during the reporting period, please refer to "3.5 Business Overview" of this report.

During the reporting period, to adapt to changes in the market and policy environment, cope with the impact of COVID-19 and make loan monitoring and post-lending management more timely and effectively, the Bank established a risk monitoring mechanism for key customers, facilitated the all-round upgrading of the new-generation credit business system and strengthened the development of the early risk warning system. Specifically, it set up a long-acting risk monitoring mechanism for large-value key customers, under which it adopted list-based management of such customers and established a dedicated team to timely track the business dynamics, principal and interest repayment, major public opinions and other information of key customers. In this way, it managed loans close to their maturity and formulated contingency plans for risk mitigation to boost risk mitigation and disposal. In the meantime, closely following the trend in digital transformation, the Bank deepened technology empowerment, and upgraded its new-generation credit business system to realize full coverage of the Bank's credit data system in terms of institutions, customers and products. It also enhanced information interconnection between the Head Office and branches as well as between segments of the Head Office by breaking information barriers and eradicating information dead zones, so as to push ahead with the intelligent transformation of the Bank's risk control. Furthermore, the Bank vigorously promoted the development of the early risk warning system, enhanced warning management at an early stage and integrated risk information inside and outside the Bank. In addition, it established and improved the automatic early warning system based on big data to increase the effectiveness of early warning management and ensure risks can be identified and treated as early as possible.

3.6.4 Market Risk Management

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

During the reporting period, the volatility of the stock market, bond market and commodities market intensified. The Bank actively conducted research and responded to market volatility, and made its market analysis more forward-looking. It improved the market risk limit settings, dynamically adjusted market risk limits, and continued to conduct risk monitoring and reminding. What's more, the Bank revised policies on market risk measurement, stress testing and emergency response plan management, thereby continuously improved the refined management of market risk, and strongly supported the development of relevant financial markets businesses based on risk control. For details of market risk capital measurement, please refer to Note 56 to the financial report of this report. For details of interest rate gaps and foreign exchange exposures and sensitivity analysis, please refer to Note 55(b) to the financial report of this report.

3.6.4.1 Interest Rate Risk Management

Interest rate risk in the trading book

The Bank established a complete risk limit system for the interest rate risk in the trading book, set limits such as value at risk, interest rate sensitivity and stop-loss at market value according to features of different products, and regularly assessed the interest rate risk in the trading book through stress test and other tools, so as to control the interest rate risk in the trading book within its risk preference. During the reporting period, affected by the pandemic, the downward pressure on the domestic economy increased, the market liquidity was overall loose, and domestic bond market yields continued to decline since early 2020. However, since May 2020, as economic indicators began to recover, the monetary policy normalized and credit bond default went beyond expectations, bond market yields rebounded, with the 10-year central government bond yield rising from 2.5% at the end of April 2020 to 3.14% at the end of 2020, up 1bp in the whole year, and the market volatility intensified. US Treasury bond yields have declined significantly due to the impact of the pandemic in the US, economic prospects and the US Federal Reserve's loose policies, with 10-year Treasury bond yield going down 99 bps in 2020. In response to the volatility in domestic and overseas financial markets, the Bank has scaled up efforts in market research, effectively carried out risk monitoring and warning, continuously improved its market risk limit system and prudently controlled the interest rate risk exposure in the trading book.

Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the economic value and overall earnings of the banking book arising from adverse movements in interest rate, maturity structure, and other factors. It mainly consists of gap risk, benchmark risk and option risk. The Bank manages its interest rate risk in the banking book with the overall objective of observing its prudent risk preference principle and ensuring that overall risk exposures are controllable within the Bank's risk tolerance range. Relying on effective comprehensive risk management, the Bank established a sound management system for interest rate risk in the banking book, including a multi-level risk management structure, risk management strategies and processes, risk identification, measurement, monitoring, control and mitigation systems, internal control and audit policies, information management systems, risk reporting and information disclosure mechanism, etc.

During the reporting period, facing volatile domestic and overseas market situations impacted by COVID-19, the Bank closely followed changes in monetary policies and fiscal policies, strengthened the analysis and prediction of the trend of market interest rate and the simulation analysis of customer behavior changes, and took forward-looking adjustment for proper response. It applied gap analysis, sensitivity analysis, stress testing and other methods to monitor the risk exposure level and changes from multiple dimensions such as re-pricing gap, duration, net interest income fluctuation (ΔNII) and economic value of Entity fluctuation (ΔEVE). It also flexibly employed price guidance, duration management, scale limit and other management tools to ensure the overall stability of the Bank's interest rate risk exposures in the banking book. With the further deepening of LPR reform, the Bank actively promoted the LPR conversion and realized the LPR application for all of its outstanding loans. Taking the LPR reform as an opportunity, the Bank steadily reduced the re-pricing concentration through contract revision, policy publicity and other measures. Under the above multi-dimensional management measures, the Bank's management indicators for interest rate risk in the banking book fell within the risk tolerance range of the Bank during the reporting period.

3.6.4.2 Exchange Rate Risk Management

Exchange rate risk refers to the risk of on-and-off-balance sheet businesses of a bank incurring losses due to unfavorable changes in exchange rates (including gold price). The Bank mainly measures the magnitude of exchange rate risk through foreign exchange exposure analysis. Its foreign exchange exposure mainly comes from the foreign exchange position formed through foreign exchange transactions and from foreign currency capital and foreign currency profits. The Bank manages exchange rate risk by reasonably matching Renminbi and foreign currency denominated assets with liabilities denominated in the same currencies and by making appropriate use of derivative financial instruments. For foreign exchange exposures of bank-wide assets and liabilities as well as foreign exchange exposures formed in foreign exchange settlement and sale, foreign exchange trading and other transactions, the Bank sets foreign exchange exposure limits to manage and control its exchange rate risk at an acceptable level. The exchange rate risk of the Bank was mainly subject to impacts of the Renminbi exchange rate against the US dollar. During the reporting period, the exchange rate of RMB against the US dollar increased after decline, and appreciated by 6.52% in 2020. The Bank actively responded to the fluctuations with continuous improvement of the measurement and management of foreign exchange exposures, strict control of the foreign exchange risk exposures of relevant businesses, and more intensive routine risk monitoring, forewarning and reporting. As a result, the Bank was able to control its exchange rate risk within the acceptable range.

3.6.5 Liquidity Risk Management

Liquidity risk refers to the risk that a bank is unable to obtain adequate capital in a timely manner and at reasonable cost to repay matured debts, perform other payment obligations or meet other capital needs for normal business. The Bank's liquidity risk management aims to effectively identify, measure, monitor and control the liquidity risk at the legal person level and the Group level by establishing a science-based and sound system for liquidity risk management, and ensure that the liquidity demand can be met at a reasonable cost in a timely manner on the premise of complying with regulatory requirements.

The Bank has set up a robust governance structure for liquidity risk management, which clearly lays out the division of duties among the Board of Directors, the Board of Supervisors and the senior management and their subordinate specialized committees and the relevant management departments of the Bank, and explicitly defines the strategies, policies and procedures on liquidity risk management. The Board of Directors assumes the ultimate responsibility for liquidity risk management of the Bank, and shall review and approve the liquidity risk appetite, liquidity risk management strategy, important policies and procedures, etc. The Board of Supervisors is responsible for supervising and evaluating the performance of the Board of Directors and the senior management in liquidity risk management, and reporting to the general meeting of shareholders. The senior management shall take charge of specific management of liquidity risk, keep abreast of major changes in liquidity risk and regularly report to the Board of Directors. The Asset and Liability Committee of the Head Office shall perform part of responsibilities of the senior management under the latter's authorization. As the leading department for liquidity risk management of the Bank, the Asset and Liability Department of the Head Office is responsible for formulating policies and procedures for liquidity risk management, measuring, monitoring and analyzing liquidity risk and other specific management work. The Audit Department of the Head Office is responsible for auditing, supervising and evaluating the Bank's liquidity risk management.

The Bank maintains a prudent liquidity risk level, implements a prudent, coordinated liquidity risk management strategy, and effectively identifies, measures, monitors and controls liquidity risk by gap management, stress testing, emergency drills and qualified premium liquid assets management. The Group has put in place a unified liquidity risk management framework. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and its legal-person institutions, and for managing liquidity risk at the legal-person institution level in a centralized manner. All domestic and overseas affiliates of the Group are responsible for developing and implementing their own strategies and procedures for liquidity risk management pursuant to the requirements of competent regulators and within the Group's master policy framework on liquidity risk management.

During the reporting period, the central bank pursued a prudent monetary policy in a more flexible and targeted way. To coordinate efforts in containing the pandemic and supporting the economic development, the central bank applied a variety of existing and new policy tools, employed approaches including required reserve rate cut, medium-term lending facility, open market operation, lending and discounting, lowered policy tool rates, and created two policy tools directly benefiting the real economy. It also strengthened cross-cycle management and structural adjustment, and maintained the continuity, stability and sustainability of policies. The market liquidity was reasonable and abundant, the short-term fund price showed a significant downward trend, and the medium and long-term fund prices fluctuated slightly around the central bank's policy rate after a rapid decline in the first half of the year. The Bank continued to strengthen liquidity risk management. In accordance with the latest changes in the pandemic, policies and market conditions, the Bank coordinated the management of assets and liabilities, and stepped up efforts in improving the total amount and structure of fund sources and utilization, and maintained a dynamic balance of liquidity and efficiency. It also enhanced liquidity risk measurement and monitoring, kept practicing liquidity risk limit management, and worked to make liquidity risk meeting regulatory requirements. Moreover, the Bank reinforced active management of liabilities, and made overall plans for the scale and timing of various fund sources with an overall consideration of quantity, price and maturity, so as to ensure the smooth channels and diversified sources of financing and reasonably reduce the cost of proactive liabilities. In addition, the Bank also improved routine liquidity management, reinforced market analysis and pre-judgment, and arranged funds in a forward-looking manner, thereby improving the efficiency of fund utilization while ensuring the Bank's liquidity security. During the reporting period, the Bank reasonably set stress scenarios and conducted liquidity risk stress tests on a quarterly basis, taking into account major factors and external environmental factors that may trigger liquidity risk. Under the mild, medium and severe scenarios, the Bank's minimum survival periods all exceeded the 30-day limit specified by the regulator.

As at the end of the reporting period, the Group's liquidity indicators continued to meet regulatory requirements. The liquidity coverage ratio was 135.14%, 35.14 percentage points higher than the minimum regulatory requirement, indicating that the Bank had an adequate reserve of premium liquid assets and strong capacity to withstand the short-term liquidity risk, which is set out as below:

Unit: RMB million

Item	**31 December 2020**	31 December 2019	Increase/Decrease	31 December 2018
Liquidity coverage ratio	**135.14%**	149.27%	Down 14.13 percentage points	114.33%
Qualified premium liquid assets	**823,822**	744,317	79,505	553,870
Net cash outflow in the coming 30 days	**609,593**	498,654	110,939	484,454

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

The net stable funding ratio was 106.14%, 6.14 percentage points higher than the minimum regulatory requirement, indicating that the available stable funding sources for the Bank could support the needs of sustainable business development, which is set out as below:

Unit: RMB million

Item	**31 December 2020**	30 September 2020	30 June 2020	31 December 2019	Increase/ Decrease over Prior Year-end
Net stable funding ratio	**106.14%**	105.17%	105.75%	105.85%	Up 0.29 percentage point
Available stable funding	**4,397,208**	4,145,207	4,029,716	3,887,038	510,170
Required stable funding	**4,142,676**	3,941,554	3,810,648	3,672,303	470,373

Note: The Group disclosed relevant information on its net stable funding ratio in accordance with the *Rules on Disclosure of Net Stable Funding Ratio of Commercial Banks* (CBIRC Decree [2019] No.11).

For relevant information about the Group's liquidity gaps as at the end of the reporting period, please refer to Note 55(c) to the financial report of this report.

3.6.6 Operational Risk Management

Operational risk refers to the risk of losses resulting from imperfect or deficient internal procedures, employees and information technology systems and external incidents. It includes legal risk but excludes strategic risk and reputational risk. During the reporting period, the Bank continued to strengthen its operational risk control and intensified the daily management of operational risk. The Bank carried out operational risk and control assessment of 156 main business processes, established a stratified and layered indicator monitoring system, strengthened the upgrading of its operational risk management system, and improved the capability for in-process monitoring of operational risk. At the same time, the Bank continuously reinforced the mechanism for grading and reporting risk incidents, and conducted stricter risk screening on the business stages highly prone to operational risk. Moreover, it made further endeavors to establish a robust risk management system for its outsourcing business, strengthened daily management and risk assessment of outsourcing affairs, and organized outsourcing audits and inspections, thus effectively standardizing the risk management of cooperation with third parties. In addition, the Bank continuously built up capacity for emergency response, improved the business continuity management system, and enhanced the business continuity management of key technology projects, in major events and during the pandemic. In the meantime, it also further strengthened the prevention and control of information technology risks, and conducted comprehensive assessment and continuous monitoring of such risks. During the reporting period, the operational risk management system of the Bank operated stably, placing operational risk under control in the overall sense.

3.6.7 Reputational Risk Management

Reputational risk mainly refers to the risk caused by negative opinion of the Bank by stakeholders resulting from the Bank's operation, management and other actions or external events. During the reporting period, the Bank strengthened the source management of reputational risk, and achieved progress in preparing contingency plans and mitigating risk by identifying potential risk points and intensifying research, forecast and early warning. At the same time, the Bank organized reputational risk management training and practical drills, and hence strengthened branches' capabilities for controlling reputational risk and responding to public opinions. The Bank also continued to monitor public opinions on a daily basis and actively addressed the concerns of the media and the public. During the reporting period, the Bank steadily improved its reputational risk management and effectively maintained a good image and reputation.

3.6.8 Country Risk Management

Country risk refers to the risk of losses to the business or assets of the Bank in a country or region or other losses of the Bank caused by the inability or refusal of the borrower or debtor in the country or region to repay the Bank's debts due to economic, political and social changes and events in the country or region. The Bank followed the principle of adaptation and continuous improvement in country risk management. It gradually improved country risk management policies and procedures, and formulated concrete methods and procedures based on its country risk management objectives, country risk exposure scale and business complexity, so as to effectively identify, measure, monitor and control country risk, and promote the steady development of its business. During the reporting period, the Bank continued to enhance country risk management in line with regulatory requirements and operating strategies, improved and reviewed annual country risk limits, and strengthened limit management of high-risk countries. It also regularly conducted country risk ratings, monitored changes in country risk exposures, carried out stress tests on country risk, and improved the emergency response plan for country risk, thus controlled country risk at an acceptable level.

3.6.9 Anti-Money Laundering (AML)

The Bank continuously strengthens the AML internal control management and improves the capability of money laundering risk management in accordance with the *Law of the People's Republic of China on Anti-Money Laundering, the Measures for the Administration of Anti-Money Laundering and Counter Terrorist Financing by Banking Financial Institutions and the Guidelines for Risk Management Regarding Money Laundering and Terrorist Financing in Corporate Financial Institutions (Trial),* as well as other laws and regulations regarding AML.

During the reporting period, the Board of Directors, the Board of Supervisors and the senior management earnestly performed the Bank's legal person AML responsibilities, incorporated money laundering risk into the comprehensive risk management system, and practiced an "all-employee, all-aspect and full-process" money laundering risk management concept. The Bank further improved its AML legal person corporate governance, steadily pushed forward the key projects of AML self-assessment and data governance, optimized the money laundering risk assessment mechanism for customers and products, and built an assessment system for money laundering risk. It revised and refined the basic rules on AML internal control management and the money laundering risk management policy, and specified the responsibilities of directors, supervisors, senior management members, and institutions and personnel at all levels in respect of AML. It gave full play to the decision-making role of the Anti-Money Laundering Work Leadership Group, promoted the "Three Defense Lines" to perform their duties, and thus formed the synergy of AML management. During the examination of the AML policy system, the Bank formulated and revised 10 AML rules. What's more, the Bank incorporated domestic and overseas institutions into the AML authorization system for unified management, and specified the AML approval authority for high-risk areas and information protection. It focused on the AML review of "new policies, new products and new systems" to give full play to the role of risk control at earlier stages. It also established and launched an AML supervision mechanism to improve the ability to rectify violations and continuously improve the AML internal control management. The Anti-Money Laundering Monitoring Center of the Bank ran smoothly, and completed the centralization of monitoring of suspicious transactions in 13 branches, giving play to the advantages of intensive transaction monitoring. The Bank moved ahead with the refined management of sanctions compliance, further improved the list-based monitoring mechanism, and accelerated the building of a sanctions risk management system. What's more, the Bank continuously increased technology investment, improved the AML information system, and reinforced technology empowerment. It also strengthened AML training for directors, supervisors, senior management members and employees at all levels, continuously conducted internal and external AML publicity, and thereby supported the Bank's AML performance.

3.7 Material Investments, Material Acquisitions, Disposal of Assets and Equity and Restructuring of Assets

The meetings of the Board of Directors held on 27 June 2019 and 18 December 2019 reviewed and approved the *Proposal on Increasing Share Capital of CITIC aiBank Corporation Limited and the Proposal on Adjusting the Plan for Increasing Share Capital of CITIC aiBank Corporation Limited.* According to work needs, the Bank held a meeting of the Board of Directors on 27 August 2020, which reviewed and approved the *Proposal on Further Adjusting the Plan for Increasing Share Capital of CITIC aiBank Corporation Limited.* The Bank approved the adjusted plan for share capital increase of CITIC aiBank and a capital increase of RMB2.027 billion in CITIC aiBank with proprietary capital. The adjusted plan for share capital increase of CITIC aiBank was approved by the CBIRC (CBIRC Reply [2020] No. 770) in November 2020. As at the end of the reporting period, the Bank and the two companies participating in CITIC aiBank's share capital increase – Fujian Baidu Borui Network Technology Co., Ltd. and Canada Pension Plan Investment Co., Ltd. had completed their respective contributions to CITIC aiBank. After the completion of the share capital increase, the registered capital of CITIC aiBank increased to about RMB5.634 billion, and the Bank held 65.70% of the total shares of CITIC aiBank. Please refer to "3.5.5 Subsidiaries and Joint Ventures" of this report for details of main businesses and profit/loss during the reporting period of CITIC aiBank.

The meeting of the Board of Directors of the Bank convened on 13 December 2018 deliberated and approved the *Proposal on Establishing CITIC Wealth Management Corporation Limited*, giving consent that the Bank would establish CITIC Wealth Management Corporation Limited with proprietary fund. In December 2019, the Bank received the *Reply of CBIRC on the Preparations for Establishing CITIC Wealth Management Corporation Limited* (CBIRC Reply [2019] No. 1095), approving the Bank's establishment of CITIC Wealth Management Corporation Limited with a contribution up to RMB5 billion. In June 2020, the Bank received the *Reply of CBIRC on the Opening for Business of CITIC Wealth Management Corporation Limited* (CBIRC Reply [2020] No. 359), approving the opening for business of the Bank's wholly-owned subsidiary CITIC Wealth Management Corporation Limited. CITIC Wealth Management was opened for business in July 2020 with a registered capital of RMB5 billion and the registered place in Shanghai. It is mainly engaged in asset management related businesses such as the issuance of public-offered wealth management products, the issuance of private-offered wealth management products, wealth management advisory and consulting and other related businesses. Please refer to "3.5.5 Subsidiaries and Joint Ventures" of this report for profit/loss during the reporting period of CITIC Wealth Management.

The Bank's investments in CITIC aiBank and CITIC Wealth Management are long-term investments, and none of the above-mentioned investments was involved in any litigation. Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for detailed information on the above investments.

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

3.8 Information about Structured Entities

For relevant information about structured entities beyond the scope of the Bank's consolidation of financial statements, please refer to Note 59 to the financial report of this report.

CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

4.1 Principal Business

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

4.2 Profit and Dividend Distribution of Ordinary Shares

To give investors reasonable return on investment and help them develop stable expectation of investment returns, relevant provisions of the Articles of Association of the Bank lay down explicit requirements on dividend policies of ordinary shares such as the basis, principles, intervals, methods and conditions of profit distribution, highlight the cash distribution as the preferred distribution method, provide for the minimum cash distribution proportion of no less than 10% of the net profit attributable to equity holders of the Bank except for special circumstances and that the change of dividend distribution policies shall be valid after being brought in writing, deliberated and passed at the Board of Directors meeting and approved by special resolution of the general meeting. And these provisions also offer shareholders an online voting platform for participation in voting for the proposals on distribution plans. Formulated in compliance with regulations, through transparent procedures and with complete decision-making process, the Bank's profit distribution policy has clear criteria and proportion for profit distribution, fully protects legitimate rights and interests of its minority investors, and meets the provisions set forth in the Articles of Association of the Bank.

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

Unit: RMB million

Year for which dividends were distributed	Cash dividends every ten shares (RMB yuan) (pre-tax)	Total amount of cash dividends (pre-tax)	Net profit attributable to ordinary shareholders of the Bank as indicated in consolidated statements	Distribution ratio *(Note)*
2017	2.610	12,772	41,236	30.97%
2018	2.300	11,255	43,183	26.06%
2019	2.390	11,695	46,685	25.05%

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

After-tax profit as shown on the Bank's audited 2020 financial statements respectively prepared in accordance with the PRC Accounting Standards and IFRS were both RMB47.767 billion.

The Bank appropriated 10% of its after-tax profit as shown on the financial statements prepared in accordance with the PRC Accounting Standards to the statutory surplus reserve, with the accrual thereof recording RMB4.777 billion, and appropriated RMB9.208 billion to general reserve at 1.5% of the balance of risk assets as at the end of the reporting period.

In comprehensive consideration of the Bank's fiscal and capital position, the need to safeguard the Bank's sustainable development and the more stringent regulatory requirements on capital adequacy, and in the light of the industry's characteristics and development phase as well as the Bank's profitability, the Bank plans to pay cash dividends to all ordinary shareholders based on the total shares as shown on the Bank's register on the register date. And the cash dividends for A shares and H shares on the register will be RMB2.54 per 10 shares (before tax). Calculated according to the total A shares and H shares on register as at 31 December 2020, the total cash dividends of 2020 for ordinary shareholders will be RMB12.429 billion[38], accounting for 27.04% of the consolidated net profit attributable to ordinary shareholders of the Bank.

It is planed that the Bank will maintain the dividends per share unchanged and adjust the total dividends when there is a change in the Bank's total shares before the register date. And these dividends shall be denominated and declared in Renminbi, and shall be paid to A shareholders in Renminbi and to H shareholders in Hong Kong dollar. The dividends to be paid in Hong Kong dollar shall be calculated in accordance with the average benchmark exchange rate of Renminbi to Hong Kong dollar as released by PBOC one week preceding the convening of the 2020 Annual General Meeting (inclusive of the date of the general meeting). No scheme for transfer of capital reserve to share capital will be applied for the current year. Retained undistributed profit after dividend payment shall be carried forward to the next financial year and continue to be used to replenish the Bank's capital so as to maintain reasonable capital adequacy ratio. The Bank recorded a 10.11% return on weighted average equity attributable to its ordinary shareholders in 2020 and is expected to maintain a certain level of return and contribution in 2021.

This ordinary share profit distribution plan ("the Plan") complies with relevant provisions of the Articles of Association of the Bank and follows clear criteria and proportions of dividend payment. After sufficient discussion and consideration at the meeting of the Strategic Development Committee of the Board of Directors of the Bank, the Plan was submitted for deliberation at the meetings of the Board of Directors and the Board of Supervisors convened on 25 March 2021 and adopted afterward. It shall be submitted to the 2020 Annual General Meeting to be convened on 24 June 2021 for deliberation. It is expected that the Bank will pay the 2020 annual dividends to its ordinary shareholders within two months as of the adoption of the Plan by the general meeting. The Bank proposed to pay the 2020 annual dividends to H shareholders on 29 July 2021. Should there be any change thereof, the Bank will publish a separate announcement for disclosure. The record date and specific method of dividend payment to its A shareholders shall be announced separately by the Bank.

[38] Since the convertible bonds issued by the Bank are in the conversion period, the total cash dividends of ordinary shares actually distributed will be determined based on the total share number as shown on the Bank's register on the register date.

The Bank's independent non-executive directors have performed their due responsibilities in the decision-making process of the Plan and expressed their independent opinion on the Plan as follows: The 2020 ordinary share profit distribution plan of the Bank is consistent with the reality of the Bank and has taken the overall interests of both the Bank and its shareholders into consideration. We hereby endorse the Plan and agree to have the Plan submitted to the 2020 Annual General Meeting for deliberation.

When the Plan is submitted to the 2020 Annual General Meeting for deliberation, the Bank will, as required by relevant regulatory requirements, offer investors online voting facilities and disclose voting results in accordance with the shareholding percentages of the voting A shareholders. The shareholding percentages are placed in the three ranges of below 1%, 1-5%, and above 5%. The shareholders with less than 1% shareholding will be further classified into the two categories of above and below RMB500,000 market value of shareholdings and their voting results shall be further disclosed accordingly. Minority investors have opportunities to fully express their opinions and demands, and the preparation and implementation of this Plan fully protects their legitimate rights and interests.

For details of the profit distribution plan of ordinary shares of the Bank, please refer to relevant announcement published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this report.

4.3 Material Litigations and Arbitrations

The Group was involved in several litigation and arbitration cases in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Group for loan recovery, and there were also litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, there were 122 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Group's ordinary and usual course of business where the Group acted as defendant/respondent with an aggregate disputed amount of RMB923 million.

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

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

There was no appropriation of the Bank's funds by either the controlling shareholder or other related parties. PricewaterhouseCoopers Zhong Tian LLP has issued the *Special Report on Fund Appropriation by the Controlling Shareholder of China CITIC Bank Corporation Limited and Other Related Parties* with regard to appropriation of the Bank's funds by the controlling shareholder and other related parties in 2020. Please refer to the relevant announcements the Bank disclosed on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this report for relevant information.

4.5 Material Related Party Transactions

When engaging in related party transactions with related parties during its ordinary and usual course of business, the Bank executed the transactions with terms being no more favorable than those available to independent third parties according to general business principles. For statistical details of the related party transactions, please refer to Note 58 to the financial statement contained in this report. Except what has been disclosed under this sector, these related transactions constitute no connected transactions as per Chapter 14A of *Hong Kong Listing Rules*. And the transactions constituting connected transactions as per the Chapter 14A of *Hong Kong Listing Rules* all complied with the disclosure requirements under Chapter 14A of *Hong Kong Listing Rules*.

4.5.1 Related Party Transactions Involving Disposal and Acquisition of Assets or Equity

During the reporting period, the Bank was not engaged in any material related party transactions involving the disposal and acquisition of assets or equity under the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*.

4.5.2 Credit Extension Continuing Related Party Transactions

In line with the need for business development, and with approval from the 2nd Extraordinary General Meeting of 2017 convened on 30 November 2017, the Bank applied to SSE for the respective annual caps on credit extension for related party transactions with CITIC Group and its associates, with Xinhu Zhongbao and its associates, and with China Tobacco and its associates from 2018 to 2020. In line with the need for business development, and with approval from the 7th meeting of the 5th session of the Board of Directors convened on 25 October 2018, the Bank applied to SSE for the annual caps on credit extension for related party transactions with Poly Group and its associates from 2018 to 2020. Subject to the regulatory requirements applicable to the Bank, the 2020 annual caps on credit extension for related party transactions with the aforementioned four parties under the SSE regulatory criteria came to the amounts of RMB150 billion, RMB20 billion, RMB20 billion and RMB18 billion, respectively. In addition, the balances of the Bank's credit extension to these four parties may not exceed 15% of the Bank's net capital of the preceding quarter end as per relevant CBIRC requirements. All credit extension transactions between the Bank and the above-mentioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties for similar transactions.

The Bank attached great importance to the day-to-day monitoring and management of credit extension related party transactions and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as more intensive process-based management, strict risk review and better post-lending management of related credit extension. As at the end of the reporting period, the balance of credit that the Bank and its subsidiaries extended to all related enterprises under the SSE regulatory criteria amounted to RMB35.826 billion, including RMB27.835 billion to CITIC Group and its associates, RMB7.072 billion to Xinhu Zhongbao and its associates, zero to China Tobacco and its associates, zero[39] to Poly Group and its associates, and RMB919 million to related parties where the Bank's related natural persons invested in or worked for. Under the CBIRC regulatory criteria, the balance of credit that the Bank and its subsidiaries extended to all related enterprises amounted to RMB75.198 billion, including RMB25.167 billion to CITIC Group and its associates, RMB26.424 billion to Xinhu Zhongbao and its associates, zero to China Tobacco and its associates, RMB21.351 billion[40] to Poly Group and its associates, and RMB2.256 billion to related parties where the Bank's related natural persons invested in or worked for. Such credit extensions to related enterprises were of good quality in general, with one transaction being one substandard loan (RMB63 million), one being suspicious loan (RMB339 million) and one being loss loan (RMB920 million), and all others being performing loans. As such, these credit extension transactions will not exert material impacts on the normal operation of the Bank in terms of transaction volume, structure and quality.

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39 Mr. Deng Changqing resigned as a supervisor of the Bank on 1 December 2020. As Mr. Deng Changqing didn't serve as director or senior management member in Poly Group and its associates within 12 months before his departure as the Bank's supervisor, Poly Group and its associates ceased to be the related parties under SSE regulations. For other non-Poly Group-subsidiary enterprises where Mr. Deng Changqing served 12 months within his departure as the Bank's supervisor, the Bank manages them as related parties where its related natural person invested or worked.

40 Mr. Deng Changqing ceased to be a supervisor of the Bank on 1 December 2020. From then on, Poly Group no longer constitutes a substantial shareholder of the Bank under the CBIRC criteria, and Poly Group and its associates no longer constitute related parties of the Bank under the CBIRC criteria. Under the CBIRC regulatory criteria, the Banks credit balance with Poly Group and its associates is the data as at 30 November 2020.

The Bank stringently followed the SSE and CBIRC requirements on review and disclosure of credit extension to related parties. As at the end of the reporting period, there was no fund exchange or appropriation as set forth in the provisions of the *Notice on Several Issues Concerning the Standardization of Fund Exchanges between Listed Companies and Their Related Parties and External Guarantees Provided by Listed Companies* (as amended in 2017) (CSRC Announcement [2017] No.16) and the *Notice on Standardization of External Guarantees Provided by Listed Companies* (CSRC Release [2005] No.120). The related loans that the Bank extended to CITIC Group and its associates, Xinhu Zhongbao and its associates, China Tobacco and its associates, Poly Group and its associates, and the related parties where the Bank's related natural persons invested in or worked for had no materially adverse impact on the operating results or financial position of the Bank.

4.5.3 Non-Credit Extension Continuing Related Party Transactions

In line with the need for business development, and with approval from the 25th meeting of the 4th session of the Board of Directors convened on 24 August 2017 and the 2nd Extraordinary General Meeting of 2017 convened on 30 November 2017, the Bank applied to SSE and SEHK for the annual caps on the seven main categories of non-credit extension continuing related party transactions with CITIC Group and its associates for 2018-2020, and has entered into relevant continuing related party transactions agreements on the board meeting day. In line with the need for business development, and with review and approval from the 7th meeting of the 5th session of the Board of Directors convened on 25 October 2018, the Bank applied to SSE for the respective annual caps on non-credit extension continuing related party transactions with Xinhu Zhongbao and its associates, with China Tobacco and its associates, and with Poly Group and its associates from 2018 to 2020. In line with the need for business development, and with review and approval from the 32nd Meeting of the 5th session of the Board of Directors held on 27 August 2020, the Bank revised the 2020 caps for non-credit extension continuing related party transactions under comprehensive services with CITIC Group and its associates, and signed the Framework Agreement on Continuing Related Party Transactions on the day of the meeting of the Board of Directors. The non-credit extension transactions between the Bank and the abovementioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties for similar transactions.

The Bank carried out continuing related party transactions with CITIC Group and its associates, with Xinhu Zhongbao and its associates, with China Tobacco and its associates, and with Poly Group and its associates according to the applicable provisions of Chapter 14A of the *Hong Kong Listing Rules* and Chapter 10 of the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*. Particulars thereof are described as follows:

4.5.3.1 Third-Party Escrow Services

Third-party escrow services between the Bank and its substantial shareholders and their associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by its substantial shareholders and their associates shall be determined on the basis of relevant market price and subject to periodic reviews. The principal terms of the Third-Party Escrow Service Framework Agreement are set out as follows: (1) to provide third-party escrow services in connection with the transaction settlement funds of the customers of different securities companies; (2) the services to be provided under the agreement include but are not limited to funds transfer, payment of interest and other settlement-related matters; (3) the service recipient shall, and will procure its associates to, pay service fees to the service provider (if applicable); (4) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on third-party escrow services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	**Business type**	**Basis of calculation**	**Annual cap in 2020**	**Transaction amount in 2020**
CITIC Group and its associates	Third-Party Escrow Services	Service fees	0.8	0.23
Xinhu Zhongbao and its associates			0.5	0
China Tobacco and its associates			0.5	0
Poly Group and its associates			0.5	0

As at the end of the reporting period, none of related party transactions on third-party escrow services between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.2 Asset Custody Services

Asset custody services, account management services and third-party regulatory services provided between the Bank and its substantial shareholders and their associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to each other shall be determined on the basis of relevant market price and the categories of assets or funds under custody, subject to periodic review. The principal terms of the Asset Custody Service Framework Agreement are set out as follows: (1) to provide asset custody services and account management services in connection with financial assets or funds, including but not limited to, assets under management by fund companies (including securities investment funds), assets under management by securities companies, assets under management by trust companies, wealth management products of commercial banks, assets under management by insurance companies, equity investment funds, enterprise annuities, QDII, QFII, social insurance funds, welfare plans, funds of third-party transactions; (2) to conduct third-party supervising services, the service recipient shall pay the service fees and account management; (3) the service recipient shall, and will procure its associates to, pay service fees to the service provider; and (4) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on asset custody services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	**Business type**	**Basis of calculation**	**Annual cap in 2020**	**Transaction amount in 2020**
CITIC Group and its associates	Asset Custody Services	Service fees	16	4.60
Xinhu Zhongbao and its associates			2	0
China Tobacco and its associates			2	0.003
Poly Group and its associates			2	0.001

As at the end of the reporting period, none of related party transactions on asset custody services between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.3 Financial Consulting and Asset Management Services

The financial consulting and asset management services provided between the Bank and its substantial shareholders and their associates shall have no fixed prices or rates. The price and rate applicable to a particular service may be calculated on the basis of the scale, rate and duration of the service, and shall be determined through fair and reciprocal negotiations between the parties and on terms no more favorable than those available to independent third parties. The principal terms of the Financial Consulting Service and Asset Management Service Framework Agreement are set out as follows: (1) services conducted include but are not limited to bond underwriting, financing and financial consulting services, financial products agency sales services, asset securitization underwriting, entrusted loans services, underwriting of investment and financing projects, consulting services, and management of factoring receivables, collection of receivables and guarantee for bad debts, etc.; (2) the service recipient shall, and will procure its associates to pay service fees to the service provider (if applicable); (3) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on financial consulting and asset management services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	**Business type**	**Basis of calculation**	**Annual cap in 2020**	**Transaction amount in 2020**
CITIC Group and its associates	Financial	Service fees	55	5.68
Xinhu Zhongbao and its associates	Consulting and		5	0.15
China Tobacco and its associates	Asset Management		5	0.0007
Poly Group and its associates	Services		5	0.03

As at the end of the reporting period, none of related party transactions on financial consulting and asset management services between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.4 Capital Transactions

The Bank and its substantial shareholders and their associates shall conduct capital transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. The prices and rates applicable to such transactions between the two parties shall be the prevailing market prices with reference to the rates generally applicable to independent third parties for similar transactions. Specifically, for foreign exchange and precious metals transactions, precious metals leasing, money market transactions, bond transactions and other business, the two parties shall price their transactions according to publicly available market prices; for agency settlement of bonds business, the two parties shall decide on the rates thereof according to prevailing industrial regulations; and for financial derivatives, transaction prices shall be fixed in accordance with factors such as the level of market activity of the underlying products, openly available market quotes and the Bank's requirements relating to the management of various risks. The principal terms of the Capital Transactions Framework Agreement are set out as follows: transactions covered, including but not limited to foreign currency and precious metals transactions, precious metals leasing, money market transactions, bond transactions and agency settlement of bonds and financial derivatives transactions.

During the reporting period, related party capital transactions between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	**Business type**	**Basis of calculation**	**Annual cap in 2020**	**Transaction amount in 2020**
CITIC Group and its associates	Capital Transactions	Gains and losses of transactions	15	5.72
		Fair value recorded as assets	25	7.58
		Fair value recorded as liabilities	45	4.85
Xinhu Zhongbao and its associates		Gains and losses of transactions	10	0.06
		Fair value recorded as assets	10	0
		Fair value recorded as liabilities	10	0
China Tobacco and its associates		Gains and losses of transactions	10	0.007
		Fair value recorded as assets	10	0
		Fair value recorded as liabilities	10	0
Poly Group and its associates		Gains and losses of transactions	10	0.02
		Fair value recorded as assets	100	0
		Fair value recorded as liabilities	100	0

As at the end of the reporting period, none of related party capital transactions between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.5 Comprehensive Services

Comprehensive services provided between the Bank and its substantial shareholders and their associates include but are not limited to medical insurance and enterprise annuity, procurement of goods and services, outsourcing services, value-added services, advertising services, technology services and property leasing. The Bank and its substantial shareholders and their associates shall apply prevailing market prices or applicable rates of independent third-party transactions to comprehensive services between them and shall determine the price and rate of a particular type of service through fair and reciprocal negotiations and according to applicable market price and rate. The principal terms of the Comprehensive Service Framework Agreement are set out as follows: (1) services conducted include but are not limited to medical insurance and enterprise annuity; merchandise service procurement (including conference hosting services); outsourcing services; value-added services (including bank card customers' credit point services and electronic online banking services); advertising services; technology services and property leasing; (2) both parties of the agreement shall provide the services prescribed in the agreement; and (3) the service recipient shall pay the service fees to the service provider with respect to the services it provides. The services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third-party customers.

During the reporting period, related party transactions on comprehensive services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	**Business type**	**Basis of calculation**	**Annual cap in 2020**	**Transaction amount in 2020**
CITIC Group and its associates	Comprehensive Services	Service fees	55	33.07
Xinhu Zhongbao and its associates			1	0.15
China Tobacco and its associates			1	0.05
Poly Group and its associates			5	0.13

As at the end of the reporting period, none of related party transactions on comprehensive services between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.6 Asset Transfer

Asset transfer transactions between the Bank and its substantial shareholders and their associates shall be made on terms no more favorable than those available to independent third parties. The transfer prices payable by the transferee shall be determined according to the following principles: (1) for transfer of general assets, as per regulatory requirements, credit assets shall be transferred on the principle of entirety. When transferring a credit asset to the transferee, the transferor shall use the loan principal as the transaction price, make a parity transfer without discount or premium, and prioritize the consideration of post-transfer obligations to be performed by the transferor and the transferee in addition to the market supply and demand; (2) for transfer of assets in asset securitization, the Bank shall use the loan principal as the transaction price when transferring a credit asset to a related party. Except for securitization of non-performing assets, the Bank shall make parity transfers in general. In terms of the issuance interest rate of the asset-backed securities, the prioritized asset-backed securities' issuance interest rate (with exclusion of the sections held by the originating institutions) shall be determined by the approach of single spread (Netherland Style) bidding or book building through the bidding system of China Central Depository & Clearing Co., Ltd., and the secondary asset-backed securities (with exclusion of the sections held by the originating institutions) are determined by the number of tenders or by the book building approach; and (3) where there is no statutory government-prescribed transfer price available at present for a particular asset transfer, once such statutory prices are available in the future, the concerned asset transfers shall be priced with reference to the government prescribed prices. The principal terms of the Asset Transfer Framework Agreement are set out as follows: (1) to buy or sell the interests in credit loan or other related assets (including but not limited to, directly or through asset management plan, asset securitization, factoring or other forms to sell corporate and retail credit loan assets, and inter-bank creditor's rights); (2) the term of business under the agreement shall be made on terms no less favorable to the Bank than terms available to or from independent third parties; (3) the agreement shall specify the management rights of the credit loan and other related assets; and (4) undertake confidentiality obligations in respect of the asset transfer.

During the reporting period, related party transactions on asset transfer between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	**Business type**	**Basis of calculation**	**Annual cap in 2020**	**Transaction amount in 2020**
CITIC Group and its associates	Asset Transfer	Transaction amount	2,300	9.70
Xinhu Zhongbao and its associates			150	0
China Tobacco and its associates			150	0
Poly Group and its associates			150	0

As at the end of the reporting period, none of related party transactions on asset transfer between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.7 Wealth Management and Investment Services

The Bank and its substantial shareholders and their associates shall apply general market practices and normal commercial terms in their ordinary and usual course of business. The Bank provides its substantial shareholders and their associates with wealth management and investment services including non-principal-protected wealth management and agency services, principal-protected wealth management, and proprietary fund investment, while its substantial shareholders and their associates provide the Bank with intermediary services of wealth management, such as trust services and management services. The transactions between the two parties shall be made through fair negotiations, determined in accordance with normal commercial terms and conducted on terms no more favorable than those available to independent third parties, in line with the categories and scopes of wealth management services, and with real-time adjustments made according to changes in market price. The principal terms of the Wealth Management and Investment Service Framework Agreement are set out as follows: (1) To provide wealth management and investment services, including non-principal-protected wealth management services and agency services, principal-protected wealth management services, and proprietary fund investment; and the related party shall provide the Bank with wealth management intermediary services, including trust services and management services; (2) the related party shall pay service fees to the Bank with respect to the wealth management and investment services provided by the Bank, while the Bank shall also pay service fees to the related party with respect to the wealth management intermediary services; and (3) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on wealth management and investment services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	**Business type**	**Basis of calculation**	**Annual cap in 2020**	**Transaction amount in 2020**
CITIC Group and its associates	Non-principal-protected wealth management and agency services	Service fees	50	10.34
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	160	0
		Yield on wealth management services for customers	6	0.06
		Bank investment return and service fees	75	7.71
		Period-end balance of investment funds	1,100	225.57

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2020	Transaction amount in 2020
Xinhu Zhongbao and its associates	Non-principal-protected wealth management and agency services	Service fees	5	0
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	100	0
		Yield on wealth management services for customers	10	0
		Bank investment return and service fees	4	0.01
		Period-end balance of investment funds	50	0
China Tobacco and its associates	Non-principal-protected wealth management and agency services	Service fees	1	0
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	10	0
		Yield on wealth management services for customers	1	0
		Bank investment return and service fees	1	0
		Period-end balance of investment funds	10	0
Poly Group and its associates	Non-principal-protected wealth management and agency services	Service fees	3	0.0009
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	30	0
		Yield on wealth management services for customers	3	0
		Bank investment return and service fees	4	0
		Period-end balance of investment funds	50	0

As at the end of the reporting period, none of related party transactions on wealth management and investment services between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap.

4.5.4 One-off Connected Transactions

During the reporting period, the Bank conducted the following one-off connected transaction under the *Hong Kong Listing Rules*.

Entering into the Limited Partnership Agreement

CNCB Investment, a subsidiary of the Bank, entered into the Limited Partnership Agreement with Jiangyin Xingcheng Special Steel Works Co., Ltd. ("Xingcheng Special Steel") and other parties through Shenzhen Dingxin Private Equity Investment Partnership (L.P.) ("Shenzhen Dingxin") and Beijing Xinyin Hengtai Equity Investment Partnership (L.P.) ("Xinyin Hengtai") on 29 July 2020, establishing Jiaxing Goldstone Pengheng Equity Investment Partnership (L.P.) ("Partnership") to make equity investment in Xuzhou Construction Machinery Group Co., Ltd. ("Target Company").

(1) Date: 29 July 2020

(2) Parties: Parties to the Limited Partnership Agreement are Goldstone Investment Limited, Sanxia GoldStone (Wuhan) Equity Investment Fund Partnership (L.P.), CITIC Securities Investment Limited, Xingcheng Special Steel, Shenzhen Dingxin, Ningbo Hanhai Qianyuan Equity Investment Fund Partnership (L.P.) and Xinyin Hengtai.

(3) Purpose and Business Scope of the Partnership: Make equity investment in the Target Company in accordance with the agreement of the Partnership, and obtain investment returns for partners by acquiring, holding and disposing of the target equity and/or other interests of the Target Company. Without the unanimous consent of partners, the Partnership shall only make equity investment in the Target Company.

(4) Capital Contribution: The total capital contribution by all partners to the Partnership shall be RMB1,484,656,876.28. The capital contribution to be made by each of the partners is as follows:

Partner	**Type**	**Capital contribution *(RMB Yuan)***	**Percentage *(%)***
Goldstone Investment Limited	General Partner	10,000.00	0.0007
Sanxia GoldStone (Wuhan) Equity Investment Fund Partnership (L.P.)	Limited Partner	101,136,242.83	6.8121
CITIC Securities Investment Limited	Limited Partner	276,693,176.51	18.6368
Xingcheng Special Steel	Limited Partner	499,999,999.99	33.6778
Shenzhen Dingxin	Limited Partner	202,272,485.65	13.6242
Ningbo Hanhai Qianyuan Equity Investment Fund Partnership (L.P.)	Limited Partner	202,272,485.65	13.6242
Xinyin Hengtai	Limited Partner	202,272,485.65	13.6242

(5) Reasons for and Benefits of the Transaction: The Target Company is leading in engineering equipment industry of the PRC, with obvious advantages in industry status and core competitiveness. At present, the Target Company is carrying out mixed-ownership reform to introduce external investors. The establishment of the Partnership to invest in the Target Company has a bright prospect. The investment timing coincides with the upsurge of the industry. This round of industry recovery cycle is continuing. After the epidemic, the hyperscale infrastructure plan to be carried out by the country will directly drive the growth of industries such as rail transit and public facilities, and will indirectly promote the development of industries such as the construction machinery and cement and other building materials. In addition, Xuzhou Construction Machinery Group Co., Ltd., which the Target Company belongs to, is a strategic client of the Bank and has a deep business cooperation foundation with the Bank and CITIC Group. The Transaction is conducive to reflecting the Bank's core role in providing comprehensive financial services and enhancing the Bank's market influence.

(6) *Hong Kong Listing Rules* Implication: As a subsidiary of CITIC Group, which is the *de facto* controller of the Bank, Xingcheng Special Steel is a connected person to the Bank under the *Hong Kong Listing Rules*. Therefore, the Transaction constitutes a connected transaction of the Bank under Chapter 14A of the *Hong Kong Listing Rules*.

4.5.5 Related Party Transactions in Joint External Investment

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

4.5.6 Related Party Debt Transactions and Guarantees

For details of related party debt transactions and guarantees between the Bank and its related parties, please refer to Note 58 to the financial statements of this report.

4.5.7 Transaction Balances and Risk Exposures of Related Natural Persons

For details of the transaction balances and risk exposures relating to the transactions between the Bank and its related natural persons, please refer to Note 58 to the financial statements of this report.

4.5.8 Confirmation by Independent Non-Executive Directors and the Auditor

Upon review of the various continuing connected transactions under the *Hong Kong Listing Rules* made in the reporting period, the independent non-executive directors of the Bank confirmed that these transactions:

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

(2) followed general commercial terms; and

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

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

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

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

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

(4) aggregate value of various continuing connected transactions exceeding their respective annual caps disclosed in the announcements dated 24 August 2017, 30 November 2017 and 27 August 2020.

The Board of Directors has confirmed the receipt of confirmation from the auditor on matters required by Rule 14A.56 under the *Hong Kong Listing Rules*.

4.6 Material Contracts and Their Performance

4.6.1 Custody, Contracting or Lease of Material Assets

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

4.6.2 Material Guarantees

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

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

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

We have verified that the guarantees hitherto provided by the Group to external parties were mainly letters of guarantee (LG), which is one of the regular banking businesses within the approved business scope of the Group. As at the end of the reporting period, the value balance of the letters of guarantee issued by the Group was equivalent to RMB119.741 billion.

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

Independent Non-Executive Directors of China CITIC Bank Corporation Limited
He Cao, Chen Lihua, Qian Jun, Yan Lap Kei Isaac

4.6.3 Entrusted Wealth Management

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

4.6.4 Other Material Contracts

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

4.7 Undertakings by the Company and Its Relevant Stakeholders

According to relevant CSRC regulations, the Bank proposed remedial measures regarding the dilution of immediate returns that may arise from the non-public offering of preference shares and the public issuance of A-share convertible corporate bonds and their listings on 30 October 2014 and 26 August 2016, respectively. These measures include: strengthening capital planning and management to ensure capital adequacy and stability; reinforcing asset restructuring to improve capital allocation efficiency; enhancing operational efficiency and reducing operating costs; improving the internal capital adequacy assessment process for better capital management; strengthening capital stress test and improving capital emergency response plans. At the same time, the directors and senior management members of the Bank also gave undertakings to effectively execute the remedial measures concerning the dilution of immediate returns on A-share convertible corporate bonds publicly offered on 26 August 2016. During the reporting period, the Bank was not aware of any violation of the above-mentioned undertakings.

During the reporting period, the Bank was not aware of any other undertakings that were performed during the reporting period or overdue undertakings not yet performed as at the end of the reporting period by its de facto controller, shareholders, related parties, acquirers and the Bank itself or other parties that had given undertakings.

4.8 Engagement of Auditors

As per the resolution adopted by the 2019 Annual General Meeting, the Bank continued to engage PricewaterhouseCoopers Zhong Tian LLP as its domestic auditor and PricewaterhouseCoopers as its overseas auditor for the year 2020. The Bank has engaged these two accounting firms as its auditors since the 2015 annual audit. The two accounting firms have both provided audit services to the Bank for 6 consecutive years. Zhu Yu and Li Yan are the signing CPAs for the auditor's report regarding the Bank's 2020 financial statements prepared in accordance with the PRC Accounting Standards. And they have provided 4 and 3 consecutive years' audit service for the Bank, respectively. Leung Wai Kin is the signing CPA for the auditor's report regarding the Bank's 2020 financial statements prepared in accordance with the IFRS, and he has provided 1 year's audit service for the Bank.

The Group paid audit fees (including those for its subsidiaries) equivalent to about RMB18.35 million, including RMB8.9 million for the auditing of the Bank (of which, RMB800,000 was for auditing the internal control report) in total to PricewaterhouseCoopers Zhong Tian LLP who audited its 2020 financial report prepared in accordance with the PRC Accounting Standards and its internal control report as at 31 December 2020 and to PricewaterhouseCoopers who audited its 2020 financial report prepared in accordance with the IFRS. The statements of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers regarding their responsibilities pertaining to the financial reports are set out in the auditor's reports contained in the A-share and H-share annual reports, respectively.

Except for the above-mentioned audit fees, the Group paid approximately RMB3.52 million to PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers for their non-audit services (including professional services rendered for asset securitization).

4.9 Amendment to the Articles of Association

The Bank reviewed and approved the *Proposal regarding the Proposed Change of Office and Residence and Amendments to the Related Terms of the Articles of Association of China CITIC Bank* at the 1st Extraordinary General Meeting of 2020 held on 14 July 2020, and applied to the CBIRC for change of office and residence. In August 2020, in accordance with the CBIRC's reply and change of office and residence, the Bank amended the *Articles of Association of China CITIC Bank Corporation Limited*, and filed the amendment with the CBIRC. Please refer to the relevant announcements published by the Bank on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for relevant details about the amendments to the Articles of Association. Investors may check against the full text of the prevailing Articles of Association of the Bank on the above websites.

4.10 Equity Incentive Scheme

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

4.11 Use of Funds Raised

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

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

On 9 May 2020, the Financial Rights Protection Bureau of the CBIRC released the *Circular of the Financial Rights Protection Bureau of the CBIRC on China CITIC Bank Infringing on Consumer's Legitimate Rights and Interests* (CBIRC FRPB Release [2020] No.5), and initiated the case investigation procedure targeting at the statement that "China CITIC Bank provided transaction details of personal bank accounts without obtaining the authority of customers". As at the end of the reporting period, the CBIRC hasn't released the conclusion of relevant investigation yet.

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

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

4.13 Integrity of the Company and Its Relevant Stakeholders

During the reporting period, none of the Bank, its controlling shareholder or its de facto controller was involved in rejection to execute valid court verdicts or failure to repay matured debts of considerable amounts.

4.14 Reserves

For details on changes in the reserves of the Bank as at the end of the reporting period, please refer to Notes 44-47 to the financial statements contained in this report.

4.15 Properties

For details of the changes in the Bank's properties as at the end of the reporting period, please refer to Note 27 to the financial statements contained in this report.

4.16 Post Balance Sheet Events

For details of the Bank post balance sheet events as at the end of the reporting period, please refer to Note 64 to the financial statements contained in this report.

4.17 Management Contracts

During the reporting period, the Bank did not enter into any contracts for the administrative management of its overall business or major businesses.

4.18 Distributable Reserves

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

4.19 Donations

During the reporting period, the Group paid back to society with enthusiasm in strict accordance with the *Charity Law of the People's Republic of China* and other applicable laws and regulations, tilting its donations to areas in the greatest need of help. During the reporting period, the Group made donations of RMB78.1564 million, an increase of 146.87% over the previous year. These donations were mainly used for pandemic prevention, poverty alleviation, education assistance, disaster relief and financial aid to the vulnerable groups. During the reporting period, the Group recorded employee donation of RMB3.8328 million, an increase of 224.04%, total tax payment of RMB33.893 billion, and a social contribution value per share of RMB5.25.

4.20 Fixed Assets

For details on changes in the Bank's fixed assets as at the end of the reporting period, please refer to Note 27 to the financial statements contained in this report.

4.21 Retirement and Benefits

The Bank paid contributions to the basic old-age pension schemes for its employees pursuant to relevant national laws, regulations and policies. The amounts of basic pension contributions were determined by employee salaries and locally defined contribution rates. In addition, the Bank established enterprise annuity plans for its employees with contribution rate set at 7% of employee salary income.

For details on retirement benefits that the Bank provided for its employees, please refer to Note 37 to the financial statements contained in this report.

4.22 Share Capital and Public Float

For details on changes in the Bank's share capital during the reporting period, please refer to Note 42 to the financial statements contained in this report. Pursuant to publicly available information, the Board of Directors of the Bank was of the view that the Bank had sufficient public float as at the disclosure date of the report.

4.23 Purchase, Sale or Redemption of Shares

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

4.24 Pre-emptive Rights

None of PRC laws, administrative regulations and ministerial rules, and the Articles of Association of the Bank contain any mandatory provisions on pre-emptive rights for purchase of shares. According to its Articles of Association, the Bank may increase its registered capital by way of public offering or private offering of ordinary shares, right allocation to the existing ordinary shareholders, new shares issuance to the existing shareholders, transfer of capital reserve to share capital, conversion of preference shares to ordinary shares or other means permitted by laws and administrative regulations or as approved by relevant authorities authorized by the State Council.

4.25 Issuance of Shares

For relevant information about the Bank's issuance of shares during the reporting period, please refer to Chapter 5 "Changes in Ordinary Shares and Information on Ordinary Shareholders" and Chapter 6 "Preference Shares" of this report.

4.26 Issuance of Debentures

Please refer to Chapter 5 "Changes in Ordinary Shares and Information on Ordinary Shareholders" of this report for information about the Bank's issuance of debentures.

4.27 Equity Linked Agreements

Save for what is disclosed in Chapter 6 "Preference Shares" and Chapter 7 "Convertible Corporate Bonds" of this report, the Bank neither entered into nor continued any equity linked agreements during the reporting period.

4.28 Right of Directors and Supervisors to Acquire Shares or Debentures

During the reporting period, none of the Directors and Supervisors or their respective associates were granted by the Bank or its subsidiaries the right to acquire shares or debentures of the Bank or any other corporate groups; neither did any of the Directors or Supervisors exercise any of such rights.

4.29 Equity Interest of Substantial Shareholders

Please refer to Chapter 5 "Changes in Ordinary Shares and Information on Ordinary Shareholders – Interests and Short Positions Held by Substantial Ordinary Shareholders and Other Persons" of this report for detailed information.

4.30 Tax Matters

A Shareholders

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

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

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

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

H Shareholders

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

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

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

Preference shareholders

Individual income tax payment in relation to dividends obtained by individual preference shareholders shall be performed according to related national taxation regulations.

Resident enterprises (including institutional investors) shall perform their tax payment obligations on their own accord according to related national taxation regulations.

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

4.31 Environment-Related Performance and Policies

The Bank strictly abided by the requirements of applicable laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Energy Conservation Law of the People's Republic of China*, conscientiously implemented relevant management rules of the PBOC and the CBIRC, boosted support to the green economy and enhanced whole-process management of environmental and social risks.

During the reporting period, the Bank adhered to the green development philosophy, implemented credit policies relating to green finance, explored innovation in green finance business model, granted more credit facilities to the low-carbon economy, circular economy, energy conservation and environmental protection, clean energy, corporate transformation & upgrading and technological transformation, and green ecology under conditions where risk is manageable and business is sustainable. The Bank strictly controlled loan granting to heavy pollution, high energy consumption, and overcapacity industries, and differentially provided support to premium enterprises with advanced technology, high efficiency, good potential and ready market. It resolutely implemented the "veto" system in the environmental protection so as to guide credit resources further towards industries and enterprises of low energy and resource consumption, low pollution and low emission, and increased the proportion of the balance of such credit.

The Bank enhanced the management of environmental and social risks. For enterprises in violation of environmental protection related laws and regulations, in violation of work safety laws and outdated production capacity and enterprises that fail to make rectifications or whose occupational disease prevention and control measures fail to meet standards and fail to make rectifications, the Bank actively supervise and urge those enterprises to perform their social responsibility by ways of urging rectification, compressing exit, recovery and disposal so as to protect the Bank's interest,.

4.32 Events Relating to Bankruptcy and/or Restructuring

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

4.33 Major Risks

For details on major risks of the Bank, please refer to Chapter 3 "Management Discussion and Analysis" of this report.

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

During the reporting period, the Bank had no changes in accounting policies or accounting estimates or correction of material accounting errors.

4.35 Performance of Social Responsibility for Poverty Alleviation

The Bank adhered to the banking original mandate of serving the real economy. It undertook economic, environmental and social responsibilities, moved ahead in implementing the new development philosophy, built an inclusive finance system and implemented precision poverty alleviation. Dedicated to giving back to society, the Bank actively participated in public benefit activities, helped vulnerable groups in various fields including poverty alleviation, education, environmental protection and health care, and aimed to prosper along with society.

The Bank upheld the vision of becoming a bank with a human touch, and committed to develop into a benevolent financial enterprise. After the outbreak of COVID-19, the Bank resolutely carried out the decisions and plans of the state and requirements of regulators, instantly established a Steering Group of Epidemic Prevention and Control, and leveraged the featured advantages of "Party building + inclusive finance" in coordinating resources to support enterprises fight against COVID-19, assist enterprises in resumption of work and production and help private enterprises, SMEs and manufacturing enterprises. During the epidemic, the Bank donated RMB50 million to China Charity Federation for preventing and controlling of the epidemic, rescuing patients and protecting medical workers nationwide. It issued over 60 pieces of notices and documents successively, which were about epidemic prevention and control, policy support, supporting resumption of work and production, financial services provision, and compliance during the epidemic. The Bank accumulatively granted RMB195.92 billion of anti-epidemic loans, and underwrote 38 anti-epidemic bonds, raising funds of RMB26.8 billion.

For details of social responsibility and public benefit activities of the Bank in the reporting period, please refer to the *2020 Sustainable Development Report of China CITIC Bank Corporation Limited* the Bank published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this report.

4.35.1 Initiatives on Financial Services for Precision Poverty Alleviation

During the reporting period, the Bank proactively fulfilled its responsibilities as a state-owned financial enterprise by emphasizing both social effect and economic benefits, and established a steering group for inclusive finance, where the Secretary of Party Committee served as the team leader, to advance efforts of precision poverty alleviation with financial services and financial services for Sannong (i.e., agriculture, rural areas, and rural residents). It also improved the five specialized systems and mechanisms[41] to ensure the steady and healthy development of businesses.

During the reporting period, the Bank provided financial services for Sannong and continued to improve the ability and level of services. As at the end of the reporting period, the balance of agriculture-related loans of the Bank stood at RMB338.752 billion, up by RMB36.867 billion from the end of the previous year. Wherein, the balance of agriculture-related inclusive loans was RMB16.587 billion, up by RMB5.069 billion from the end of the previous year, 31.88 percentage points higher than the average growth of the Bank's loans. As at the end of the reporting period, the number of customers benefited from agriculture-related loans was 38,000, up by 2,800 over the previous year. The average interest rate of agriculture-related loans granted was down by 0.69 percentage point over the previous year.

[41] The "five specialized systems and mechanisms" refer to the specialized mechanisms for integrated services, statistical accounting, risk management, resource allocation, and assessment.

During the reporting period, the Bank continued to consolidate the poverty allocation system building, and formulated specialized credit programs, work plans, credit policies, assessment and incentive policies, and management measures for due diligence liability exemption. Focusing on poor people, regions in extreme poverty and poverty alleviation through industrial development, the Bank rolled out new featured credit products, prioritized the approval of poverty alleviation loans or projects when other conditions were equal, resulting in more loans granted for poverty alleviation, and advanced the standardized management and self-inspection rectification of poverty alleviation loans. Besides, the Bank intensified consumer protection, enhanced the construction of financial infrastructure, extended the service radius of electronic channels, and established a multi-layered financial support system. During the reporting period, the Bank was listed as a model case of excellent organizations in supporting poverty alleviation by Chinese banking and insurance industries, and was honored the "15th People's Corporate Social Responsibility Award – Annual Award for Poverty Alleviation" by the website people.cn. Lanzhou Branch of the Bank was awarded the "National Finance May 1st Labor Medal" for poverty alleviation by the Central Financial Work Commission, and Chongqing Branch of the Bank was selected as the "Most Socially Responsible Financial Institution in Chongqing Banking Industry" for the fifth consecutive year. Xiao Ming, an employee of Chongqing Branch, was honored the title of "Advanced Individual in National Poverty Alleviation" by the CPC Central Committee and the State Council. As at the end of the reporting period, the Bank's balance of loans for precision poverty alleviation with financial services stood at RMB29.191 billion, up by RMB7.016 billion over the end of the previous year, overfulfilling the increment plan of poverty alleviation loans formulated at the beginning of the year. The loan growth was 19.51 percentage points higher than the growth of the total loans. As at the end of the reporting period, the Bank granted poverty alleviation loans to 1,042,700 customers, up by 57,400 over the previous year, and the average interest rate of poverty alleviation loans newly granted was down by more than 1 percentage point over the previous year.

4.35.2 Other Precision Poverty Alleviation Initiatives

During the reporting period, the Bank continued its fixed-point poverty alleviation in Xietongmen County of Tibet Autonomous Region, Zhangjiashan village in Dangchang County of Gansu Province and some areas of Xinjiang-Uyghur Autonomous Region. In addition, the Bank dispatched its managerial personnel to fixed-point poverty alleviation areas to help the local poverty population shake off poverty and support local poverty alleviation tasks. During the reporting period, with focuses on four major aspects, namely, poverty alleviation through agricultural development, poverty alleviation through infrastructure construction, education for poverty alleviation and poverty alleviation through charitable efforts, the Bank dispatched a total of 75 full-time and part-time managerial persons to 39 impoverished villages and 5 districts and prefectures for poverty alleviation, and carried out 129 poverty-alleviation projects. The Bank donated RMB23.9319 million for poverty alleviation purpose, benefiting more than 50,000 poor people.

The precision poverty alleviation results of the Bank during the reporting period are as follows:

Unit: RMB10,000

Item	Amount and Progress
Overview	
Invested funds	2,393
Number of impoverished people with established poverty files and cards benefited	27,554
Inputs by major category	
Poverty alleviation through industrial development	
Incl.: Types of poverty alleviation projects through industrial development	Poverty alleviation through development of agricultural and forestry industries, poverty alleviation through e-commerce, poverty alleviation through technological means
Number of poverty alleviation projects through industrial development	22
Investment in poverty alleviation projects through industrial development	633
Education for poverty alleviation	
Incl.: Financial aid to poor students	438
Number of impoverished students aided	4,463
Health for poverty alleviation	
Incl.: Input in medical and health resources in poverty-stricken areas	400
Social development for poverty alleviation	
Incl.: Investments in fixed-point poverty alleviation	990

Awards

1. The Bank was granted the achievement award for helping win the "Three Critical Battles" in the "2019 Top 100 Socially Responsible Institutions in China's Banking Industry" by China Banking Association in August 2020.
2. The Bank was awarded the "2020 Excellent Project of Chinese Corporate Social Responsibility" by *China Philanthropy Times* and *The Economic Observer* in November 2020.
3. The Bank was awarded the "2020 Excellent Socially Responsible Enterprise" by *China Investment Network* in November 2020.
4. The Bank was awarded the "2020 Pioneering Bank in Practicing Corporate Social Responsibilities" by hexun.com in December 2020.
5. The Bank was awarded the People's Corporate Social Responsibility Award – Annual Award for Poverty Alleviation by the website people.cn in December 2020.

4.35.3 Work Plan on Financial Services for Precision Poverty Alleviation

In 2021, the Bank will continue to resolutely implement the decisions and plans of the CPC Central Committee and the State Council, earnestly act on the regulatory requirements of the PBOC and the CBIRC, consolidate and expand the achievements in poverty alleviation with efforts to promote rural revitalization.

The Bank will consolidate poverty alleviation outcomes. It will enhance credit support, strengthen top-level design, improve systems and mechanisms, and maintain the stability, continuity and sustainability of financial supporting policies in line with the requirements of shaking off no responsibilities, policies, assistance and regulations even when poverty has been shaken off. The Bank will offer more financial support to regions and people lifted out of poverty. To forestall risks in poverty alleviation through financial services, the Bank will scale up project selection and risk assessment, grant loans in compliance with laws, and prevent over-financing and illegal financing in the name of poverty alleviation.

The Bank will enhance support to rural revitalization. In accordance with the regulatory direction and its actual conditions, the Bank will grasp the opportunities arising from the rural revitalization strategy, proactively explore the effective path and business opportunities of supporting rural revitalization with finance services. It will assist leading agricultural enterprises in growing and expanding, boost the development of new types of agribusiness and distinctive industries in rural areas, and serve the overall rural revitalization and modernization of agriculture and rural areas with high-quality services.

4.36 Business Reexamination

For details of the Group's business profile, major risks and uncertainties in 2020 and outlook for 2021, please refer to Chapter 3 "Management Discussion and Analysis" of this report.

4.37 Audit Committee

The Audit and Related Party Transactions Control Committee under the Board of Directors of the Bank has reviewed and approved the 2020 annual results of the Bank and the Group and their audited 2020 annual financial statements prepared in accordance with the IFRSs.

4.38 Relations with Employees, Suppliers and Customers

For the relations between the Group and its employees, customers and shareholders, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates – Human Resources Management", Chapter 3 "Management Discussion and Analysis – Consumer Rights Protection and Service Quality Management" and Chapter 9 "Corporate Governance Report – Investor Relations" of this report.

4.39 Other Significant Events

The Bank disclosed all significant events occurred during the reporting period that shall be disclosed as per Article 80 of the *Securities Law of the People's Republic of China* and Article 30 of the *Administrative Measures for Information Disclosure of Listed Companies* in the form of interim announcements on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

CHAPTER 5 CHANGES IN ORDINARY SHARES AND INFORMATION ON ORDINARY SHAREHOLDERS

5.1 Changes in Ordinary Shares

5.1.1 Table on Changes in Shareholdings

Unit: share

	31 December 2019		Changes (+, -)					31 December 2020	
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	**2,147,469,539**	**4.39**						**2,147,469,539**	**4.39**
1. Shares held by the state									
2. Shares held by state-owned legal persons	2,147,469,539	4.39						2,147,469,539	4.39
3. Shares held by other domestic investors									
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons									
4. Foreign-held shares									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
Shares not subject to restrictions on sale:	**46,787,341,567**	**95.61**				**+27,463**	**+27,463**	**46,787,369,030**	**95.61**
1. Renminbi denominated ordinary shares	31,905,178,590	65.20				+27,463	+27,463	31,905,206,053	65.20
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares	14,882,162,977	30.41						14,882,162,977	30.41
4. Others									
Total shares	**48,934,811,106**	**100.00**				**+27,463**	**+27,463**	**48,934,838,569**	**100.00**

5.1.2 Shares Subject to Restrictions on Sale

Publicly tradable time of shares subject to restrictions on sale

Unit: share

Time	Incremental publicly tradeable shares upon expiry of lock-up period	Number of shares subject to restrictions on sale	Number of shares not subject to restrictions on sale
20 January 2021	2,147,469,539	2,147,469,539	46,787,369,030

Shareholdings of the top 10 shareholders subject to restrictions on sale and the conditions of restrictions on sale

Unit: share

Name of shareholder subject to restrictions on sale	Number of shares subject to restrictions on sale held	Publicly tradable time	Incremental publicly tradable shares	Conditions of restrictions on sale
China National Tobacco Corporation	2,147,469,539	20 January 2021	2,147,469,539	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. China Tobacco undertook to the former CBRC that it would not transfer its subscribed equity in CITIC Bank within 5 years as of the date of completion of the delivery. As at 20 January 2021, the above-mentioned undertaking of China Tobacco has been fulfilled, and relevant shares subject to restrictions on sale have become tradable. (Refer to the announcements of the Bank published on the official websites of SSE (www.sse.com.cn) and the HKEXnews (www.hkexnews.hk) for details thereof.)

5.2 Issuance and Listing of Securities

5.2.1 Equity Financing

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

5.2.2 Issuance of Bonds

Pursuant to the *Reply of the China Banking and Insurance Regulatory Commission on Approving the Issuance of Special Financial Bonds for Loans to Small and Micro Enterprises by China CITIC Bank* (CBIRC Reply [2020] No.4) issued by CBIRC and the *Affirmative Decision of Administrative License from the People's Bank of China* (PBOC Decision [2020] No. 20) issued by PBOC, the Bank was approved to issue financial bonds up to RMB50.0 billion (referred as "Bonds" hereinafter) in the national inter-bank bond market. The Bonds were issued in installments, and the issuance of the 2020 Special Financial Bonds for Loans to Small and Micro Enterprises (Tranche 1) (the "20 CITIC SME Bonds 01") was completed on 18 March 2020. The size of the issuance of the three-year fixed-rate 20 CITIC SME Bonds 01 was RMB30.0 billion with a coupon rate of 2.75%. The proceeds from the issuance were used to grant loans to small and micro enterprises in accordance with applicable laws and approvals of the regulatory authorities.

Pursuant to the *Reply of the China Banking and Insurance Regulatory Commission on Approving the Issuance of Tier-2 Capital Bonds by China CITIC Bank Corporation Limited* (CBIRC Reply [2020] No.278) issued by CBIRC and the Affirmative Decision of Administrative License (PBOC Decision [2020] No. 17) issued by PBOC, the Bank was approved to issue tier-2 capital bonds (the "20 CITIC Tier-2 Bonds") up to RMB40.0 billion in the national inter-bank bond market. The issuance of the 20 CITIC Tier-2 Bonds was completed on 14 August 2020, with the size of issuance as RMB40.0 billion and the term as 10 years. The issuer shall have a conditional redemption right from the end of the fifth year onwards. The coupon rate is 3.87%. After deducting the issuance costs, all proceeds from the issuance will be used to replenish the Bank's tier-2 capital in accordance with applicable laws and approvals of the regulatory authorities, so as to improve the Bank's capital structure, and promote the steady development of its business.

At the meeting of the Board of Directors convened on 27 August 2020, the Bank reviewed and approved the *Proposal on Issuance of Undated Capital Bonds,* giving consent that the Bank would issue undated capital bonds up to RMB40.0 billion (inclusive) in domestic and overseas markets to replenish its additional tier-1 capital. The proposal was considered and approved at the Bank's 2nd Extraordinary General Meeting of 2020 convened on 30 October 2020.

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

5.2.3 Issuance of Convertible Bonds

Please refer to Chapter 7 "Convertible Corporate Bonds" of the Report for the issuance of convertible bonds and the conversion of convertible bonds of the Bank during the reporting period.

5.2.4 Internal Employee Shares

There were no internal employee shares issued by the Bank.

5.3 Information on Ordinary Shareholders

5.3.1 Total Number of Shareholders

As at the end of the reporting period, the Bank had 172,491 accounts of ordinary shareholders in total, including 143,895 accounts of A shareholders and 28,596 accounts of registered H shareholders, and no preference shareholders with restored voting right.

As at the close of the month preceding the disclosure date of this report (i.e., 28 February 2021), the Bank recorded 168,403 accounts of ordinary shareholders in total, including 140,010 accounts of A shareholders and 28,393 accounts of registered H shareholders, and no preference shareholders with restored voting right.

5.3.2 Information on the Top 10 Shareholders (as at the end of the reporting period)

Unit: share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of shares held	Shareholding percentage (%)	Number of shares subject to restrictions on sale	Increase or decrease in shareholding during the reporting period	Shares pledged or frozen
1	CITIC Corporation Limited	State-owned legal person	A share, H share	31,988,728,773	65.37	0	0	0
2	Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	H share	11,558,225,130	23.62	0	+3,091,136	Unknown
3	China National Tobacco Corporation	State-owned legal person	A share	2,147,469,539	4.39	2,147,469,539	0	0
4	China Securities Finance Corporation Limited	State-ownedl legal person	A share	1,114,065,677	2.28	0	0	0
5	Central Huijin Asset Management Ltd.	State-owned legal person	A share	272,838,300	0.56	0	0	0
6	China Construction Bank Corporation	State-owned legal person	H share	168,599,268	0.34	0	0	0
7	Hong Kong Securities Clearing Company Limited	Overseas legal person	A share	80,279,599	0.16	0	-93,927,381	0
8	Mao Tian Capital Limited	State-owned legal person	A share	31,034,400	0.06	0	0	0
9	China Poly Group Corporation Limited	State-owned legal person	A share	27,216,400	0.06	0	0	0
10	China Merchants Bank Co., Ltd. – SSE Dividend Traded Open-ended Index Securities Investment Fund	Other	A share	25,581,700	0.05	0	+17,946,900	0

Notes:

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

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

(3) CITIC Corporation Limited is a wholly-owned subsidiary of CITIC Limited. CITIC Corporation Limited confirmed that as at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) together owned 32,284,227,773 shares of the Bank, accounting for 65.97% of the Bank's total shares, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares of the Bank, accounting for 65.37% of the Bank's total shares, including 28,938,928,294 A shares and 3,049,800,479 H shares.

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

(5) Note on connected relations or concerted actions between the top 10 shareholders and between top 10 shareholders not subject to restrictions on sales: Hong Kong Securities Clearing Company Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. According to the *Report for the Third Quarter of 2020 of China Construction Bank Corporation*, as at 30 September 2020, Central Huijin Investment Ltd. and its wholly-owned subsidiary Central Huijin Asset Management Ltd. together owned 57.31% equity of China Construction Bank Corporation. Except for these, the Bank was not aware of any connected relations or concerted actions between top 10 shareholders and top 10 shareholders not subject to restrictions on sales.

5.3.3 *Information on the Top 10 Shareholders Not Subject to Restrictions on Sale (as at the end of the reporting period)*

Unit: share

No.	Name of shareholder	Number of shares not subject to restrictions on sale held	Class and number of shares held: Class	Number
1	CITIC Corporation Limited	31,988,728,773	Renminbi denominated ordinary shares	28,938,928,294
			Overseas-listed foreign shares	3,049,800,479
2	Hong Kong Securities Clearing Company Nominees Limited	11,558,225,130	Overseas-listed foreign shares	11,558,225,130
3	China Securities Finance Corporation Limited	1,114,065,677	Renminbi denominated ordinary shares	1,114,065,677
4	Central Huijin Asset Management Ltd.	272,838,300	Renminbi denominated ordinary shares	272,838,300
5	China Construction Bank Corporation	168,599,268	Overseas-listed foreign shares	168,599,268
6	Hong Kong Securities Clearing Company Limited	80,279,599	Renminbi denominated ordinary shares	80,279,599
7	Mao Tian Capital Limited	31,034,400	Renminbi denominated ordinary shares	31,034,400
8	China Poly Group Corporation Limited	27,216,400	Renminbi denominated ordinary shares	27,216,400
9	China Merchants Bank Co., Ltd. – SSE Dividend Traded Open-ended Index Securities Investment Fund	25,581,700	Renminbi denominated ordinary shares	25,581,700
10	Gu Liyong	20,317,346	Renminbi denominated ordinary shares	20,317,346

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

The table below sets out the interests and short positions in the shares of the Bank held by substantial shareholders and other persons (except the directors, supervisors and chief executives of the Bank defined according to the Hong Kong Listing Rules) as recorded in the register that the Bank maintained pursuant to Section 336 of the *Securities and Futures Ordinance* and as far as the Bank was aware as at the end of the reporting period.

Name	Class of shares	Identity	Number of shares held	Shareholding percentage of the issued share capital of the same class *(%)*	Shareholding percentage of the total issued share capital *(%)*
CITIC Corporation Limited	H share	Beneficiary owner	3,049,800,479(L)	20.49	6.23
	A share		32,719,444,053(L)	96.08	66.86
	H share	Interest of controlled corporations	10,313,000(L)	0.07	0.02
CITIC Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,719,444,053(L)	96.08	66.86
CITIC Polaris Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,719,444,053(L)	96.08	66.86
CITIC Glory Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,719,444,053(L)	96.08	66.86
CITIC Group	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,719,444,053(L)	96.08	66.86
Summit Idea Limited	H share	Beneficiary owner	2,292,579,000(L)	15.41	4.685
Total Partner Global Limited	H share	Interest of controlled corporations	2,292,579,000(L)	15.41	4.685
Hong Kong Xinhu Investment Co., Ltd.	H share	Beneficiary owner	153,686,000(L)	1.03	0.314
		Interest of controlled corporations	2,292,579,000(L)	15.41	4.685
Xinhu Zhongbao Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Xinhu Group Corporation Limited	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Hengxingli Holding Group Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Ningbo Jiayuan Industrial Development Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Huang Wei	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Li Ping	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999

(L) — long position, (S) — short position

Notes:

(1) The above disclosure is made mainly on the basis of the information released on the HKEXnews (www.hkexnews.hk).

(2) According to Section 336 of the *Securities and Futures Ordinance*, if multiple conditions are met, shareholders of the Bank shall submit the disclosure form. When there is a change to shares of the Bank held by shareholders, unless multiple conditions are met, related shareholders need not to notify the change to the Company and SEHK. Therefore, the latest shares held by shareholders at the Company may differ from those already submitted to SEHK.

Except for the afore-mentioned disclosure, as at the end of the reporting period, the Bank didn't know that any person (except the directors, supervisors and chief executives of the Bank defined according to the Hong Kong Listing Rules) held any interests and short positions in the shares of the Bank or underlying shares that shall be recorded in the register that the Bank maintained pursuant to Section 336 of the *Securities and Futures Ordinance*.

5.5 Controlling Shareholder and De Facto Controller of the Bank

During the reporting period, the Bank's controlling shareholder and de facto controller remained unchanged. As at the end of the reporting period, CITIC Corporation Limited was the controlling shareholder of the Bank; CITIC Limited was the single direct controlling shareholder of CITIC Corporation Limited; CITIC Group was the controlling shareholder of CITIC Limited, and the de facto controller of the Bank.

CITIC Group was founded in 1979 by Mr. Rong Yiren with the support of Mr. Deng Xiaoping. Since its inception, CITIC Group has been a pilot unit for national economic reform and an important window for China's opening to the outside world. With fruitful explorations and innovation in many areas, CITIC Group has built itself a robust image and reputation both domestically and abroad. At present, CITIC Group has developed into a large state-owned multinational conglomerate with both financial and non-financial businesses. Its financial business covers a full range of services including banking, securities, trust, insurance, fund and asset management; and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and information technology, with clear overall strength and great momentum of growth.

In December 2011, with approval from the State Council, and in alignment with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., CITIC Group contributed the majority of its existing net operating assets to establish CITIC Corporation Limited (named "CITIC Limited" when first established). In particular, CITIC Group held 99.9% equity interest in CITIC Limited, and Beijing CITIC Enterprise Management Co., Ltd. held 0.1%. CITIC Group as a whole was restructured into a wholly state-owned company. To complete the afore-mentioned capital contribution, CITIC Group transferred its entire equity in the Bank to CITIC Corporation Limited as capital contribution. As a result, CITIC Corporation Limited held 28,938,929,004 shares in the Bank both directly and indirectly, accounting for 61.85% of the Bank's total share capital. The above-mentioned share transfer was approved by the State Council, the Ministry of Finance (MOF), former CBRC, the CSRC and the Hong Kong Monetary Authority. In February 2013, the relevant formalities for the share transfer were officially completed with approvals from the SSE and China Securities Depositary and Clearing Corporation Limited Shanghai Branch. On 20 December 2018, the MOF, and the Ministry of Human Resources and Social Security (MOHRSS) issued a notice to implement the relevant arrangements of the *Notice of the State Council on Printing and Distributing the Implementation Plan on the Transfer of Some State-owned Capital to Replenish the Social Security Fund*, transferring MOF's 10% equity in CITIC Group to the National Council for Social Security Fund in a lump sum.

In October 2013, BBVA transferred to CITIC Limited 2,386,153,679 H shares it held in the Bank, accounting for approximately 5.10% of the total share capital of the Bank, after which CITIC Limited increased its shareholding in the Bank to 66.95%.

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

In September 2014, CITIC Corporation Limited purchased an additional 81,910,800 H shares of the Bank via agreement transfer, after which, CITIC Corporation Limited held a total of 31,406,992,773 A shares and H shares of the Bank, accounting for approximately 67.13% of the Bank's total share capital.

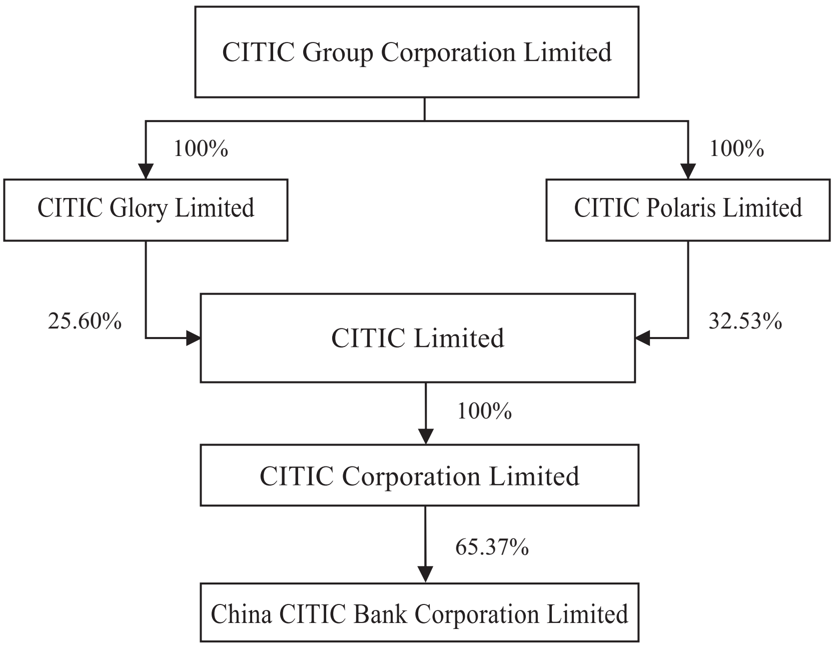
In January 2016, the Bank completed its private offering of 2,147,469,539 A shares to China Tobacco, upon which time the Bank's total share capital increased to 48,934,796,573 shares and the proportion of shares owned by CITIC Corporation Limited went down to 64.18%.

In January 2016, CITIC Limited notified the Bank that it planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding did not exceed 5% of the Bank's total issued share capital. As at 21 January 2017, the implementation of the additional shareholding plan was completed. CITIC Limited and its subsidiaries (including CITIC Corporation Limited) held 32,284,227,773 shares of the Bank in aggregate, of which they held 28,938,928,294 A shares and 3,345,299,479 H shares, representing 65.97% of the total issued shares of the Bank.

As at the end of the reporting period, CITIC Group's legal representative was Mr. Zhu Hexin. Its business scope covered: investment in and management of domestic and overseas financial enterprises and related industries including banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; investment businesses in energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, information infrastructure, basic telecommunications and value-added telecom services, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, publication, media, culture and sports, domestic and overseas project design, construction, contracting and sub-contracting, and industrial investment; asset management; capital operation; project tendering, exploration, design, construction, supervision, contracting and subcontracting and consulting services; external allocation of required workers to overseas projects compatible with its strength, scale and business performance; import and export; and information services business (only restricted to internet information services which excludes information search and inquiry service, information community service, instant information interaction service and information protection and processing service). (The market entity shall discretionally choose its business projects and conduct its business activities according to the law; conduct its business activities as per approval of competent authorities regarding business items that may only be conducted with such approval according to the law; and may not engage in business activities of projects that are prohibited or restricted by the national and municipal industrial policies).

As at the end of the reporting period, CITIC Corporation Limited had a registered capital of RMB139 billion; and Mr. Zhu Hexin was its legal representative. Its business scope covered: 1. Investment in and management of the financial sector, including investment in and management of domestic and overseas financial enterprises and related industries such as banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; 2. Investment in and management of the non-financial sector, including (1) energy, transportation and other infrastructure; (2) mining, forestry and other resource development and the raw materials industry; (3) machine manufacturing; (4) real estate development; (5) the information industry: information infrastructure, basic telecommunications and value-added telecom services; (6) commercial and trade services and other industries; environmental protection; pharmaceuticals, biological engineering and new materials; aviation, transportation, warehousing, hotels and tourism; domestic and international trade, import and export, commerce; education, publication, media, culture and sports; consulting services; 3. Grant of shareholder loans to its domestic and overseas subsidiaries; capital operation; asset management; domestic and overseas project design, construction, contracting and sub-contracting, and labor export; and other business items approved by competent authorities. (The market entity shall discretionally choose its business projects and conduct its business activities according to the law; the entity changed from a domestic enterprise into a foreign-invested enterprise on 22 July 2014, and therefore needs to conduct its business activities as per approval of competent authorities regarding business items that may only be conducted with such approval according to the law; it may not engage in business activities of projects that are prohibited or restricted by the national and municipal industrial policies.) As at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) held 32,284,227,773 shares of the Bank in aggregate, representing 65.97% of the total issued shares of the Bank, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares in the Bank, accounting for 65.37% of the total share capital of the Bank, including 28,938,928,294 A shares and 3,049,800,479 H shares.

As at the end of the reporting period, the ownership structure between the Bank, its controlling shareholder and its de facto controller was as follows[42]:



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

In accordance with the relevant requirements of *Provisional Measures for Equity Management of Commercial Banks*, as at the end of the reporting period, the controlling shareholder, de facto controller, persons acting in concert and ultimate beneficiary of CITIC Corporation Limited are as follows:

Name of shareholder	Controlling shareholder	De facto controller	Persons acting in concert	Ultimate beneficiary
CITIC Corporation Limited	CITIC Limited	CITIC Group Corporation Limited	Fortune Class Investments Limited, Metal Link Limited	CITIC Group Corporation Limited

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

Name of shareholder	Name of listed company	Place of listing	Stock code	Shareholding percentage (%)
CITIC Corporation Limited 15.47%	CITIC Securities Co., Ltd.	Shanghai Hong Kong	600030.SH 06030.HK	15.47%
CITIC Corporation Limited 60.49% CITIC Investment Holdings Limited 4.52% CITIC Automobile Limited 2.26%	CITIC Heavy Industries Co., Ltd.	Shanghai	601608.SH	67.27%
CITIC Offshore Helicopter Limited 38.63%	CITIC Offshore Helicopter Corporation Limited	Shenzhen	000099.SZ	38.63%
CITIC Corporation Limited 62.70% CITIC Investment Holdings Limited 10.80%	Citic Press Corporation	Shenzhen	300788.SZ	73.50%
Keentech Group Ltd 49.57% CITIC Australia Pty Limited 9.55% Fortune Class Investments Limited 0.38%	CITIC Resources Holdings Limited	Hong Kong	01205.HK	59.50%
Richtone Enterprises Inc. 3.68% Ease Action Investments Corp. 33.88% Silver Log Holdings Ltd 16.68% Cuixin Holdings Corporation Limited 3.87%	CITIC Telecom International Holdings Limited	Hong Kong	01883.HK	58.11%
CITIC Pacific (China) Investment Limited 4.26% Hubei Xinye Steel Co., Ltd. 4.53% CITIC Pacific Special Steel Investment Co., Ltd. 75.05%	CITIC Pacific Special Steel Group Co., Ltd.	Shenzhen	000708.SZ	83.85%
CITIC Industrial Investment Group Co., Ltd. 0.82% CITIC Agriculture Limited 16.54% Shenzhen Xin Nong Investment Center (Limited Partnership) 3.20%	Yuan Longping High-tech Agriculture Co., Ltd.	Shenzhen	000998.SZ	20.56%
Complete Noble Investments Limited 10%	China Overseas Land & Investment Limited	Hong Kong	00688.HK	10%
Easy Flow Investments Limited 25.91%	Frontier Services Group Limited	Hong Kong	00500.HK	25.91%
CITIC Metal Africa Investments Limited 26.09%	Ivanhoe Mines Ltd.	Toronto	IVN.TSX IVPAF.OTCQX	26.09%
CITIC Resources Australia Pty Limited 9.61% CITIC Australia Pty Limited 1.37% Bestbuy Overseas Co Ltd 7.94%	Alumina Limited	Sydney	AWC.ASX AWC.OTC	18.92%

Notes:

(1) Due to rounding, the total shareholding percentage of CITIC Limited and CITIC Corporation Limited over CITIC Pacific Special Steel Group Co., Ltd. is slightly different from the sum of the shareholding percentage of CITIC Pacific Special Steel Group Co., Ltd.'s direct-holding companies.

(2) The shareholding percentages listed in the table were those of the direct shareholders.

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

Name of shareholder	Name of listed company	Place of listing	Stock code	Shareholding percentage (%)
CITIC Polaris Limited 32.53% CITIC Glory Limited 25.60%	CITIC Limited	Hong Kong	00267.HK	58.13%

Note: The shareholding percentages listed in the table were those of the direct shareholders.

5.6 Information on Other Substantial Shareholders

As per the relevant provisions of the *Provisional Measures for the Management of Equity in Commercial Banks*, in addition to CITIC Corporation Limited, the substantial shareholders of the Bank also include Summit Idea Limited and China Tobacco. As at the end of the reporting period, among members of the Board of Directors of the Bank, one non-executive director was recommended by Summit Idea Limited and another non-executive director was recommended by China Tobacco.

Summit Idea Limited is a company incorporated in Hong Kong. As at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominees Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares, with 1,123,363,710 H shares of the Bank pledged as collateral as at the end of the reporting period. Summit Idea Limited is a wholly-owned subsidiary of Xinhu Zhongbao. In addition to the aforementioned stake, Hong Kong Xinhu Investment Co., Ltd, a wholly owned subsidiary of Xinhu Zhongbao, owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares. Xinhu Zhongbao (SH.600208) was listed on the Shanghai Stock Exchange in 1999. Its principal business is real estate and finance. As at the end of June 2020, the company recorded registered capital of RMB8.599 billion, total assets of RMB152.492 billion and net assets of RMB36.798 billion. The company is an industry leader in terms of the size, strength and quality of its real estate business. Xinhu Zhongbao has developed more than 50 real estate projects in over 30 cities across the country with aggregate development areas reaching over 30 million square meters. In terms of financial business, Xinhu Zhongbao has formed a financial investment pattern that covers securities, banking, insurance and futures, etc. It has made forward-looking investment in high-tech companies engaged in block chain, big data, artificial intelligence and cloud computing, and is an important shareholder of Wind, Bangsun Technology, Hyperchain and other financial technology companies which owned leading technology and market shares.

China Tobacco is a mega state-owned enterprise established with approval from the State Council. As at the end of the reporting period, China Tobacco held 2,147,469,539 A shares of the Bank, accounting for 4.39% of the Bank's total shares, with no pledge of the Bank's equity as collateral. China Tobacco is an enterprise owned by the whole people with registered capital of RMB57 billion. Its legal representative is Zhang Jianmin. The main business scope of China Tobacco includes the production, operation and import and export of tobacco monopoly products, as well as management and operation of state-owned assets.

In accordance with the relevant requirements of *Provisional Measures for Equity Management of Commercial Banks*, as at the end of the reporting period, the above substantial shareholders and their controlling shareholders, de facto controllers, persons acting in concert and ultimate beneficiaries are as follows:

Name of shareholder	Controlling shareholder	De facto controller	Person acting in concert	Ultimate beneficiary
Summit Idea Limited	Total Partner Global Limited	Huang Wei	Hong Kong Xinhu Investment Co., Ltd.	Huang Wei
China Tobacco	State Council	State Council	None	State Council

5.7 Other Legal-Person Shareholders Holding 10% or More of the Bank's Shares

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

CHAPTER 6 PREFERENCE SHARES

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

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

The Proposal on Plan for Non-Public Offering of Preference Shares and other proposals were considered and approved by the 1st Extraordinary General Meeting of 2019, the 1st A Shareholders Class Meeting of 2019 and the 1st H Shareholders Class Meeting of 2019 convened on 30 January 2019. The Bank planned to make a non-public offering of preference shares to replenish its additional tier-one capital. The resolution on the non-public offering of preference shares shall be valid for 24 months starting from the date when the offering plan was considered and approved at the general meeting of shareholders. As at 29 January 2021, the plan for non-public offering of preference shares of the Bank lapsed, which would not exert a material impact on the Bank's normal operating activities, nor would it damage the interests of the Bank and its shareholders, especially minority shareholders. The Bank will make overall arrangements for its financing plan according to its business development needs and funding demands.

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

6.2 Number of Preference Shareholders and Their Shareholdings

As at the end of the reporting period and the close of the month preceding the disclosure date of this report (i.e., 28 February 2021), the Bank recorded 32 accounts of preference shareholders (CITIC Excellent 1, preference share stock code: 360025). Information on the top 10 preference shareholders at the end of the reporting period is set out in the table below.

Unit: shares

No.	Name of shareholder (full name)	Nature of shareholder	Changes in shareholding in the reporting period (+, -)	Number of shares held at the end of the period	Shareholding percentage (%)	Class of shares held	Number of shares subject to restrictions on sale	Shares pledged or frozen	
								Status	Quantity
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	–	43,860,000	12.53	Onshore preference shares	–	–	–
2	China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai	Other	–	38,430,000	10.98	Onshore preference shares	–	–	–
3	China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai	Other	–	38,400,000	10.97	Onshore preference shares	–	–	–
4	Ping An Life Insurance Company of China, Ltd. – Universal – Individual Universal Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
5	Ping An Life Insurance Company of China, Ltd. – Dividend – Dividends for Individual Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
6	BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Excellence No. 2 Collective Asset Management Plan	Other	+25,700,000	25,700,000	7.34	Onshore preference shares	–	–	–
7	AXA SPDB Investment Managers Co., Ltd. – SPDB – Shanghai Pudong Development Bank Shanghai Branch	Other	–	21,930,000	6.27	Onshore preference shares	–	–	–
8	Aegon-Industrial Ruizhong Assets – Ping An Bank – Ping An Bank Co., Ltd.	Other	–	15,350,000	4.39	Onshore preference shares	–	–	–
9	TruValue Asset Management – China Merchants Bank – China Merchants Bank Co., Ltd.	Other	–	10,960,000	3.13	Onshore preference shares	–	–	–
10	BOCOM Schroder Fund Management – Minsheng Bank – China Minsheng Bank Co., Ltd.	Other	–	8,770,000	2.51	Onshore preference shares	–	–	–
	China Resources SZITIC Trust Co., Ltd. – No. 1 Single Investment Trust Fund	Other	–	8,770,000	2.51	Onshore preference shares	–	–	–

Notes:

(1) The shareholdings of the preference shareholders were calculated based on the information contained in the preference-share register of the Bank.

(2) Note on related relations or concerted actions of the above preference shareholders: Based on publicly available information, the Bank came to the preliminary conclusion that there was related relation between China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai and China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai, between Ping An Life Insurance Company of China, Ltd. – Universal – Individual Universal Insurance and Ping An Life Insurance Company of China, Ltd. – Dividend – Dividends for Individual Insurance, and between BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Excellence No. 2 Collective Asset Management Plan and BOCOM Schroder Fund Management – Minsheng Bank – China Minsheng Bank Co., Ltd. Except for these, the Bank was not aware of any related relation or related action between the above-mentioned preference shareholders or between the above-mentioned preference shareholders and the top 10 ordinary shareholders.

(3) "Shareholding percentage" means the number of preference shares held by preference shareholders accounting for in the total issued preference shares.

6.3 Dividend Distribution for Preference Shares

6.3.1 Policy on profit distribution of preference shares

The Bank's preference shares shall apply a nominal dividend rate subject to phase-specific adjustment, i.e., every five years as of the payment date of the subscribed shares constitutes an interest-bearing period and each period applies the same nominal dividend rate. The nominal dividend rate for the first interest-bearing period was set at 3.80% by way of book finding. Cash dividends shall be paid for the above-mentioned preference shares on an annual basis, with the interest-bearing principal calculated as the total par value of the issued ongoing preference shares and the interest start date being the payment date of the subscribed shares (i.e., 26 October 2016). Dividends on the above preference shares shall not be cumulative, i.e., the shortage from a full-amount dividend payout in the current year will not be accumulated to the next interest-bearing year. Except for access to the dividends agreed upon in accordance with the issuance plan, the above-mentioned preference shareholders shall not participate in the distribution of surplus profits together with the ordinary shareholders.

6.3.2 Payment of dividends on preference shares during the reporting period

The Bank adopted the 2020 Plan on Payment of Dividends on Preference Shares at the Board meeting convened on 27 August 2020, approving that the preference share dividends accrued between 26 October 2019 and 25 October 2020 would be paid on 26 October 2020. On 26 October 2020, the Bank paid dividends on the preference shares to all the shareholders of "CITIC Excellent 1" (preference share stock code: 360025) registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch at the close of SSE trading as at 23 October 2020. The Bank paid out a preference dividend of RMB3.80 per share (before tax), which was calculated at a nominal dividend rate of 3.80%, with the total dividend payment for 350 million preference shares amounting to RMB1.330 billion (before tax).

6.3.3 Amounts and ratios of dividend distribution for preference shares in the recent three years

Unit: RMB million

Item	**2020**	2019	2018
Distribution amount	**1,330**	1,330	1,330
Distribution ratio	**100%**	100%	100%

Notes:

(1) Distribution ratio is the ratio of the total amount of dividends paid out to the dividends payable for the corresponding year.

(2) The interest start date shall be the payment date of the subscribed shares, i.e., 26 October 2016.

6.4 Redemption or Conversion of Preference Shares

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

6.5 Restoration of Voting Right of Preference Shares

During the reporting period, there was no matter that restored the voting right of preference shares.

6.6 Accounting Policies for Preference Shares and the Underlying Reasons

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

CHAPTER 7 CONVERTIBLE CORPORATE BONDS

7.1 Overview

On 4 March 2019, the Bank completed the issuance of 40 million board lots of A-share convertible corporate bonds (hereinafter referred to as "A-share convertible bonds" for short), with each issued at the face value of RMB100 at par, raising total proceeds of RMB40 billion, which came to net proceeds of RMB39.9156402 billion after deduction of the issuance costs. These A-share convertible bonds, referred to as "CITIC Convertible Bonds" with the code of 113021, were listed on the Shanghai Stock Exchange for trading on 19 March 2019. All proceeds from the issuance of A-share convertible bonds have been used for operation to support business development, and will be used to replenish the Bank's core tier-one capital after the conversion to shares according to relevant regulations.

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

7.2 A-share Convertible Bond Holders and Guarantors during the Reporting Period

Unit: RMB Yuan

Convertible bond holders at the period end (accounts)		19,885
Guarantors of convertible bonds of the Bank		None
Name of top ten convertible bond holders	**Nominal value of bonds held at the end of the period**	**Percentage of bonds held *(%)***
CITIC Corporation Limited	26,388,000,000	65.97
China National Tobacco Corporation	2,521,129,000	6.30
Special account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China)	1,488,678,000	3.72
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank)	550,524,000	1.38
China Merchants Bank Co., Ltd. – Hongde Zhiyuan Hybrid Securities Investment Fund	526,005,000	1.32
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	507,414,000	1.27
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)	373,000,000	0.93
Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)	359,807,000	0.90
Special account for collateralized bond repurchase in the securities depository and clearing system (Industrial Bank Co., Ltd.)	288,446,000	0.72
Special account for collateralized bond repurchase in the securities depository and clearing system (GF Securities Co., Ltd.)	282,061,000	0.71

7.3 Changes in A-share Convertible Bonds during the Reporting Period

For the A-share convertible bonds issued by the Bank, the commencement date of the conversion period was 11 September 2019, i.e., the first trading day after six months from the completion of the issuance; and the ending date will be 3 March 2025, i.e., the bond maturity date. As at the end of the reporting period, a total of RMB300,000 CITIC Convertible Bonds have been converted to A-share ordinary shares of the Bank, making the total number of converted shares reaching 41,996, which accounted for 0.00008582% of the total ordinary shares issued by the Bank before the conversion of CITIC Convertible Bonds.

7.4 Previous Adjustments of Conversion Prices

According to the related articles of the *Prospectus on the Public Issuance of the A Share Convertible Corporate Bonds of China CITIC Bank Corporation Limited* as well as other applicable laws and regulations, after the issuance of A-share convertible bonds, the Bank will accordingly adjust the conversion price of the A-share convertible bonds in case that changes take place to the Bank's shares due to the distribution of stock dividends, transfer of share capital, issuance of new shares, and rights issue (excluding the share capital increase due to the conversion of convertible bonds issued this time) and that the Bank distributes cash dividends. The initial conversion price of CITIC Convertible Bonds was RMB7.45 per share. After the Bank distributed cash dividends for A-share ordinary shares for 2018 on 22 July 2019, the conversion price was adjusted from RMB7.45 per share to RMB7.22 per share. After the Bank distributed cash dividends for A-share ordinary shares for 2019 on 15 July 2020, the conversion price was adjusted from RMB7.22 per share to RMB6.98 per share. Previous adjustments to conversion prices are set out in the table below:

Unit: RMB Yuan

Date of conversion price adjustment	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for conversion price adjustment
22 July 2019	7.22	15 July 2019	*China Securities Journal, Shanghai Securities News, Securities Times,* website of SSE, website of the Bank	The implementation of profit distribution for ordinary shares (A share) for 2018
15 July 2020	6.98	8 July 2020	*China Securities Journal, Shanghai Securities News, Securities Times,* website of SSE, website of the Bank	The implementation of profit distribution for ordinary shares (A share) for 2019
The latest conversion price at the end of the reporting period				6.98

7.5 The Bank's Outstanding Debts, Creditworthiness and Availability of Cash for Repayment of Debts in Future Years

In accordance with the applicable provisions in the *Administrative Measures for the Issuance of Securities by Listed Companies and the Administrative Measures for the Issuance and Trading of Corporate Bonds* of CSRC, the Bank entrusted the credit rating agency Dagong Global Credit Rating Co., Ltd. (hereinafter referred to as "Dagong Global" for short) to track and rate the credit standing of the A-share convertible bonds the Bank issued in March 2019. Dagong Global issued the *Tracking Rating Report on China CITIC Bank Corporation Limited as the Issuer and its Publicly Offered A-share Convertible Corporate Bonds (2020)* which stated the rating results that: maintaining the Bank's long-term credit rating at AAA with a stable outlook and the credit rating of CITIC Convertible Bonds at AAA. The Bank managed to remain stable in all aspects of operation, as exemplified by the reasonable asset structure, the steady liabilities without obvious changes, and the robust credit position. In future years, income from normal operations, cash inflows, and realization of current assets will constitute the principal cash sources for the Bank's debt service.

CHAPTER 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, STAFF AND AFFILIATES

8.1 Basic Information on Directors, Supervisors and Senior Management Members of the Bank (as at the disclosure date of this report)

8.1.1 Board of Directors

Name	Position	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties)
Fang Heying	Executive Director, President, Chief Financial Officer	Male	Jun. 1966	Sep. 2018-May 2021	0	715,000	238.28	Yes
Cao Guoqiang	Non-executive Director	Male	Dec. 1964	Sep. 2018-May 2021	0	0	–	Yes
Guo Danghuai	Executive Director & Vice President	Male	May 1964	Sep. 2019-May 2021	0	636,000	159.85	No
Huang Fang	Non-executive Director	Female	May 1973	Nov. 2016-May 2021	0	0	–	Yes
Wan Liming	Non-executive Director	Male	May 1966	Jun. 2016-May 2021	0	0	–	Yes
He Cao	Independent Non-Executive Director	Male	Sep. 1955	Jun. 2016-May 2021	0	0	28.16	No
Chen Lihua	Independent Non-Executive Director	Female	Sep. 1962	Jun. 2016-May 2021	0	0	28.16	No
Qian Jun	Independent Non-Executive Director	Male	Jul. 1970	Dec. 2016-May 2021	0	0	30.61	No
Yan Lap Kei Isaac	Independent Non-Executive Director	Male	Oct. 1960	Sep. 2018-May 2021	0	0	30.00	No

Notes: (1) The starting time of the terms of office of the re-elected/re-engaged directors, supervisors and senior management members listed in 8.1 of this report is the time of their respective initial appointment/engagement.

(2) Changes in shares of the Bank held by directors, supervisors and senior management members listed in 8.1 of this report were caused by shareholding increase in the secondary market and those shares are all ordinary H shares of the Bank.

(3) The final remunerations of those directors, supervisors and senior management members of the Bank are still undergoing confirmation, of which the remaining amounts shall be disclosed upon completion of the confirmation process. The same applies below.

(4) The non-executive director (not including independent non-executive director) receive no remuneration for director from the Bank and shareholder representative supervisor receive no remuneration for supervisor from the Bank.

(5) Mr. Fang Heying received his remuneration from January to November 2020 at the Bank. According to the relevant national regulations, Mr. Fang Heying has been receiving remuneration from CITIC Limited since December 2020.

8.1.2 Board of Supervisors

Name	Position	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties)
Liu Cheng	Chairman of the Board of Supervisors, Employee Representative Supervisor	Male	Dec. 1967	Apr. 2018–May 2021	0	0	172.60	No
Jia Xiangsen	External Supervisor	Male	Apr. 1955	May 2015–May 2021	0	0	27.55	No
Zheng Wei	External Supervisor	Male	Mar. 1974	May 2015–May 2021	0	0	27.52	No
Wei Guobin	External Supervisor	Male	Mar. 1959	May 2020-May 2021	0	0	15.88	No
Li Rong	Shareholder Representative Supervisor	Female	Apr. 1968	Jan. 2021-May 2021	–	–	–	–
Li Gang	Employee Representative Supervisor	Male	Mar. 1969	Aug. 2019–May 2021	0	0	144.30	No
Chen Panwu	Employee Representative Supervisor	Male	Jan. 1964	Sep. 2017–May 2021	0	0	190.86	No
Zeng Yufang	Employee Representative Supervisor	Female	Dec. 1970	Sep. 2017–May 2021	0	188,000	117.58	No

Note: Ms. Li Rong was elected as shareholder representative supervisor for the 5th Session of the Board of Supervisors at the 1st Extraordinary General Meeting of 2021 held on 14 January 2021.

8.1.3 Senior Management Members

Name	Position	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties)
Fang Heying	Executive Director, President, Chief Financial Officer	Male	Jun. 1966	Since Nov. 2014	0	715,000	238.28	Yes
Guo Danghuai	Executive Director & Vice President	Male	May 1964	Since Nov. 2014	0	636,000	159.85	No
Hu Gang	Vice President & Chief Risk Officer	Male	Mar. 1967	Since May 2017	0	666,000	159.85	No
Xie Zhibin	Vice President	Male	May 1969	Since Feb. 2019	0	0	160.77	No
Xiao Huan	Secretary of the Committee for Disciplinary Inspection	Male	Jul. 1972	Since Dec. 2019	0	640,000	139.85	No
Lu Wei	Business Director	Male	Oct. 1971	Since Jan. 2017	0	530,000	178.45	No
Lü Tiangui	Business Director	Male	Oct. 1972	Since Aug. 2018	0	550,000	176.12	No
Lu Jingen	Business Director	Male	Jun. 1969	Since Aug. 2018	0	165,000	187.95	No
Zhang Qing	Secretary to the Board of Directors	Female	Aug. 1968	Since Jul. 2019	0	550,000	190.26	No
Liu Honghua	Business Director	Male	May 1964	Since Aug. 2019	0	540,000	189.78	No

8.1.4 Non-incumbent Directors, Supervisors and Senior Management Members

Name	Position prior to departure from office	Gender	Date of birth	Start and ending time of term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties) during the term of office with the Bank
Li Qingping	Chairperson, Executive Director	Female	Oct. 1962	Mar. 2014 – Mar. 2021	0	150,000	–	Yes
Wang Xiuhong	External Supervisor	Female	Oct. 1946	Jan. 2014 – May. 2020	0	0	11.61	No
Deng Changqing	Shareholder Representative Supervisor	Male	Apr. 1973	May 2018 – Dec. 2020	0	0	–	Yes
Yang Yu	Vice President	Male	Dec. 1962	Dec. 2015 – Sep. 2020	0	0	123.91	No

As at the end of the reporting period, none of the directors, supervisors and senior management members, whether incumbent or non-incumbent during the reporting period, was subject to penalties imposed by the securities regulatory authorities in the past three years.

8.2 Resumes of Directors, Supervisors and Senior Management Members

8.2.1 Directors

Mr. Fang Heying Chinese Nationality

Secretary of the Party committee, executive director, President and Chief Financial Officer of the Bank. Mr. Fang has served as deputy general manager of CITIC Group Corporation Limited, deputy general manager and member of the executive committee of CITIC Limited, and deputy general manager of CITIC Corporation Limited since December 2020, and as a Party committee member of CITIC Group Corporation Limited since November 2020. Mr. Fang is concurrently a director of CITIC International Financial Holdings Limited and CITIC Bank International Limited. Prior to that, Mr. Fang was president of the Bank's Suzhou Branch, president of the Bank's Hangzhou Branch, and head of the Bank's financial markets business, and vice president of the Bank. He was a teacher at Zhejiang Banking School, assistant general manager of the credit department of the experimental urban credit cooperative of Zhejiang Banking School, and deputy director of Hangzhou Chengdong Office of Shanghai Pudong Development Bank. Mr. Fang has over 20 years of experience in the Chinese banking industry. He graduated from Peking University with a master's degree in business administration for senior management member. He is a senior economist.

Mr. Cao Guoqiang   Chinese Nationality

Non-executive director of the Bank. Mr. Cao has served as chief financial officer of CITIC Limited since April 2018. He is concurrently a director of CITIC Metal Co., Ltd., CITIC Agriculture Limited, CITIC Myanmar (Hong Kong) Holdings Limited and CITIC Heye Investment Co., Ltd. since April 2018. Mr. Cao used to be a deputy chief staff member and deputy section chief of the planning and treasury division of the PBOC Shaanxi branch; assistant general manager, deputy general manager and general manager of the planning and treasury department at the Head Office of China Merchants Bank (CMB); general manager of the Budget and Finance Department of the Head Office, assistant president, vice president and chairman of the Board of Supervisors of the Bank; and general manager of the Finance Department of CITIC Group Corporation Limited. Mr. Cao has over 30 years' experience in the Chinese banking industry. He graduated from Hunan College of Finance and Economics with a bachelor's degree in monetary banking and obtained his master's degree in monetary banking from Shaanxi College of Finance and Economics. He is a senior economist.

Mr. Guo Danghuai   Chinese Nationality

Party committee member, executive director and Vice President of the Bank. He is concurrently a director of CITIC International Financial Holdings Limited, CNCB (Hong Kong) Investment Co., Ltd., CITIC Bank International Limited and CITIC aiBank Corporation Limited, and chairman of CITIC Wealth Management Corporation Limited. Previously, Mr. Guo was vice president of Beijing Branch, president of Shenyang Branch, president of Tianjin Branch, general manager of Business Department of Head Office (currently Beijing Branch) the general manager of International Business Department, assistant vice president and chief audit officer of the Bank, and concurrently served as a director of CNCB (Hong Kong) Capital Limited and China UnionPay Co., Ltd. Mr. Guo has over 30 years of work experience in the Chinese banking industry. He graduated from Peking University with a master's degree in business administration. He is a senior economist.

Ms. Huang Fang   Chinese Nationality

Non-executive director of the Bank. Ms. Huang has served as a director of Xinhu Zhongbao Co., Ltd. since November 2015, a director of Zhejiang Xinhu Group Co., Ltd. since August 2013, and vice president and chief financial officer of Zhejiang Xinhu Group Co., Ltd. since July 2011. Previously, Ms. Huang worked at Agricultural Bank of China (ABC) where she successively served as deputy general manager of the international business department at the Zhejiang Provincial Branch business department, deputy general manager (presiding) of Hangzhou Baojiao sub-branch, deputy general manager of the corporate banking unit at the Zhejiang Provincial Branch business department, deputy general manager (presiding) and general manager of the personal finance unit at the Zhejiang Provincial Branch business department; and was vice president and chief financial officer of Xinhu Holdings Limited. Ms. Huang graduated from Zhejiang University with a bachelor's degree in law. She is an intermediate economist.

Mr. Wan Liming　Chinese Nationality

Non-executive director of the Bank. Mr. Wan has served as deputy inspector-general of the Institute of Economics (Policy Research Office) of the State Tobacco Monopoly Administration since June 2020. He has served multiple positions at Yunnan Tobacco Monopoly Administration (Company), including deputy chief and chief of the finance division, chief of the financial management and audit division, deputy chief accountant and chief of the financial management division; deputy director general, director general of the Financial Management and Supervision Division (Audit Division) of the State Tobacco Monopoly Administration; and deputy general manager (presiding) of China Shuangwei Investment Co., Ltd. Previously, Mr. Wan worked at Yunnan Finance and Trade College and Yunnan Tobacco Travel Company. Mr. Wan graduated from the Department of Industrial Economics at Renmin University of China with a bachelor's degree in economic management of capital construction. He is a senior accountant.

Mr. He Cao　Chinese Nationality

Independent non-executive director of the Bank. Mr. He used to be chairman, executive director and CEO of Franshion Properties (China) Co., Ltd., chairman of Jinmao Investment and Jinmao (China) Investment Holding Co., Ltd., president, vice chairman and chairman of China Jinmao (Group) Co., Ltd. and Assistant to the President of Sinochem Corporation (regarded as a vice president of Sinochem from 2013 onward). Previously, Mr. He once served as co-chair of the "China Hotel Owner Alliance" under the China Hotel Industry Association, and vice president of the All-China Real Estate Chamber of Commerce. In addition, he was a delegate to the 12nd and 13rd session of the Shanghai Municipal People's Congress and was named Shanghai's model worker and one of the economic figures in Shanghai Pudong's 20-year development and opening-up. Mr. He graduated from Renmin University of China with a degree in economics, and from the Graduate School of Political Economics in Jilin University, and obtained his MBA from the China Europe International Business School. He is a senior economist.

Ms. Chen Lihua   Chinese Nationality

Independent non-executive director of the Bank. Ms. Chen is a professor and Ph.D. tutor of the Management Science and Information System Department of Guanghua School of Management at Peking University, and also an executive director of the Center for Research of Circulation Economy and Management, director of Liantai Supply Chain Research and Development Center, and deputy dean of the China National Institute for Research of Development Strategy on Hi-Tech Industry Development Zone of Peking University. In addition, she is vice president of the China Society of Logistics, director of the Supply Chain and Logistics Committee of the China Management Science Society, an expert with special contribution to the logistics industry over the 40 years of China's reform and opening-up, a core expert in the National Strategy Research Group for Supply Chain Innovation and Application, and an expert on national high-tech zones engaged by the Ministry of Science and Technology. Ms. Chen is currently an independent director of CWT International Limited and Zhongrong Fund Management Co., Ltd., general manager of Beijing Jun Shi Century Information Technology Co., Ltd., and an independent director of Tiger, a Singaporean listed company. She received a Bachelor of Science degree and a Master of Science degree from Jilin University of Technology, got her doctoral degree in management science from the City University of Hong Kong, and did her post-doctoral studies at the Institute of Mathematics and Systems Science of the Chinese Academy of Sciences. In her capacity as leader or research backbone, Ms. Chen has participated in numerous international cooperation projects and key research and development projects sponsored by the National Natural Science Foundation, ministries and provincial governments in China. She also sits on the review and assessment panels of multiple domestic and foreign academic journals, and has published numerous papers on prestigious international publications.

Mr. Qian Jun   Chinese Nationality

Independent non-executive director of the Bank. Mr. Qian is a professor of finance and executive dean of Fanhai International School of Finance at Fudan University, a research fellow at the Wharton School of the University of Pennsylvania and an associate editor of the Frontiers of Economics in China, an international academic journal. Previously, Mr. Qian was a lifetime professor of finance at the Carroll School of Management of Boston College, a visiting associate professor at MIT's Sloan School of Management, a special-term professor of finance at the School of Economics and Management of Tsinghua University, a special-term professor, professor and Ph.D. tutor, co-director of the EMBA program, and co-director of the EMBA/DBA/EE program at Shanghai Advanced Institute of Finance (SAIF) of Shanghai Jiao Tong University, deputy dean of the China Academy of Financial Research of Shanghai Jiao Tong University, and an associate editor of the *Review of Finance*, an international academic journal. Mr. Qian obtained his B.S. degree from the University of Iowa and his Ph.D. from the University of Pennsylvania, and did his undergraduate program at the Department of International Economics of Fudan University. Mr. Qian's research interests span many topics of theoretical and empirical corporate finance and financial institutions, including commercial and investment banking, mutual and hedge funds, credit rating agencies, mergers and acquisitions, legal systems related to finance, comparison of financial systems in emerging markets, development of financial systems during China's economic transformation, and financial risk prevention and control. He published multiple research papers on top academic journals, and contributed chapters of several books on financial system development. His books recently finished include *Power of China's Finance*.

Yan Lap Kei Isaac   Chinese (Hong Kong) Nationality

Independent non-executive director of the Bank. Mr. Yan joined Arthur Young & Co. (UK) and KPMG Certified Public Accountants (UK), and served as assistant manager, manager, senior manager and partner at KPMG Certified Public Accountants (Hong Kong). He served as a partner at KPMG Huazhen Certified Public Accountants LLP and established the quality control and risk management department of KPMG (China). Mr. Yan used to serve as a consulting expert of the former China Banking Regulatory Commission, an accounting standards consulting expert of the PRC Ministry of Finance, a consultant to the Accounting Department of the China Securities Regulatory Commission (full-time for a year), a member of the Delisting Committee of the Shenzhen Stock Exchange, and a member of the China Technical Professionals Group, Professional Standards Supervisory Committee and Risk Management Committee of the Hong Kong Institute of Certified Public Accountants. He was a visiting professor at Beijing National Accounting Institute and Shanghai National Accounting Institute. He also participated in the review of the first draft of the audit and accounting standards issued by the PRC Ministry of Finance and the English translation work of the audit standards. Mr. Yan graduated from Liverpool University with an (accounting) Bachelor of Arts degree, and has the chartered accountant qualification in England and Wales as well as the Hong Kong Institute of Certified Public Accountants fellowship. Mr. Yan has abundant experience in aspects such as accounting, audit and risk management, and used to participate many times in the public listing and annual audit of state-owned large and medium-sized enterprises in industries including finance, telecommunications, electricity and manufacturing. He enjoys a wealth of practical experience in merger, acquisition, restructuring and public listing projects in the Chinese mainland and Hong Kong capital markets.

8.2.2 Supervisors

Mr. Liu Cheng   Chinese Nationality

Deputy secretary of the Party committee, chairman of the Board of Supervisors and employee representative supervisor of the Bank. Mr. Liu used to be a secretary at the division chief level, a secretary at the deputy director general level and a secretary at the director general level at the General Office of the State Council; and an official at the division chief level, a first Secretary, a researcher and deputy division chief of Division One of the Second Secretary Bureau at the General Office of the State Council. Previously, he was an assistant researcher and researcher of the Finance Division under the Finance Department of the National Development and Reform Commission. Mr. Liu graduated from the Finance Department of the Central College of Finance and Economics (now Central University of Finance and Economics), and the School of Finance at Renmin University of China, and obtained a bachelor's degree, a master's degree and a doctoral degree in economics.

Mr. Jia Xiangsen   Chinese Nationality

External supervisor of the Bank. Mr. Jia is currently an external supervisor of Bank of China Limited and an independent director of China Life Insurance Company Limited. He used to be vice president of Beijing Branch of Agricultural Bank of China ("ABC"), general manager of the corporate banking department of ABC Head Office, president of ABC Guangdong Branch, director general of the audit bureau at ABC Head Office, and chief audit executive and director general of the audit bureau at ABC Head Office. Prior to that, Mr. Jia worked at PBOC Beijing Branch. Mr. Jia graduated from the graduate school of the Chinese Academy of Social Sciences majoring in monetary banking with a master's degree of economics.

Mr. Zheng Wei   Chinese Nationality

External supervisor of the Bank. Mr. Zheng is the dean, professor and Ph.D. tutor at the risk management and insurance science department of School of Economics of Peking University, and concurrently serves as independent director of Xinhua Life Insurance Co., Ltd., independent director of Donghai Shipping Insurance Co., Ltd., independent director of PICC Reinsurance Co., Ltd., and board director of Shanghai Nanyan Information Technology Co., Ltd. Mr. Zheng graduated from the School of Economics of Peking University majoring in finance with a doctoral degree in economics.

Mr. Wei Guobin   Chinese Nationality

External supervisor of the Bank. Mr. Wei served as a board director of BOC Hong Kong Investment Co., Ltd. and chairman of the board of supervisors of Zhongyi Shanyuan (Beijing) Technology Co., Ltd. Prior to that, he worked at Bank of China Limited and served successively as assistant president and deputy president of Hebei Branch, president of Shanxi Branch, general manager of the Personal Banking Department of the Head Office, and president of Hunan Branch. Mr. Wei is a senior economist, and graduated from Hebei Banking School with a degree in finance.

Ms. Li Rong   Chinese Nationality

Employee representative supervisor of the Bank. Ms. Li is currently the general manager of the Compliance Department of the Bank. Previously, she served as general manager of Retail Banking Department, assistant president and vice president of the Bank's Chongqing Branch, and general manager of the Interbank Business Department of the Bank. Prior to that, Ms. Li worked at the Chongqing Branch of China Merchants Bank Co., Ltd., serving successively as deputy director of the General Office, general manager of the Personal Banking Department, general manager of the Business Department, general manager of the Retail Banking Department, etc. Ms. Li graduated from Chongqing University with a master's degree of business administration.

Mr. Li Gang　Chinese Nationality

Employee representative supervisor of the Bank. Mr. Li is currently the general manager of the Bank's Audit Department. Previously, he served as assistant general manager and deputy general manager of the Budget and Finance Department of the Bank; general manager of the Bank's Compliance and Audit Department; general manager of the Audit Department; and president of the Bank's Hefei Branch. Prior to that, he worked at the Business Department of the Bank's Head Office (now the Beijing Branch) and CITIC Daxie Development Limited. Mr. Li graduated from Peking University with a degree of executive master of business administration.

Mr. Chen Panwu　Chinese Nationality

Employee representative supervisor of the Bank. Mr. Chen serves as general manager of the Bank's Culture and Labor Union Department, and executive vice chairman of the labor union of the Bank. Prior to that, he was general manager of the personnel department, assistant president and concurrently general manager of the human resources department of the Bank's Hangzhou Branch; deputy general manager and general manager of the Human Resources Department of the Bank's Head Office; and general manager of the Culture, Labor Union Office & Security Department of the Bank's Head Office. Mr. Chen graduated from Suzhou University with a doctoral degree in finance.

Ms. Zeng Yufang　Chinese Nationality

Employee representative supervisor of the Bank. Ms. Zeng serves as vice president of the Bank's Guangzhou Branch. Earlier, she was deputy general manager and general manager of the accounting department of the Bank's Shenzhen Branch, and assistant president and vice president of the branch. Prior to that, she was assistant chief of the finance and accounting division of State Development Bank Shenzhen Branch. Ms. Zeng graduated from East-West University of the USA with a master's degree in business administration.

8.2.3 Senior Management Members

Mr. Fang Heying　Chinese Nationality

Secretary of the Party Committee, executive director, President and Chief Financial Officer of the Bank. Please refer to "Directors" in this chapter for Mr. Fang's resume.

Mr. Guo Danghuai　Chinese Nationality

Party Committee member, executive director and Vice President of the Bank. Please refer to "Directors" in this chapter for Mr. Guo's resume.

Mr. Hu Gang　Chinese Nationality

Party Committee member, Vice President and Chief Risk Officer of the Bank. Mr. Hu used to be deputy head of the preparatory team for the establishment of the Bank's Changsha Branch, Party committee member and vice president of Changsha Branch; Party committee member, vice president, secretary of Party committee and president of the Bank's Chongqing Branch; secretary of Party committee and president of the Bank's Shanghai Branch; head of the wholesale business and Chief Risk Officer of the Bank. Prior to that, he successively worked for the Political Department of Hunan Provincial Procuratorate, and served as deputy section chief at the personnel department of Hunan Provincial Party Committee Office, Assistant General Manager and General Manager of Beihaixiang Properties Development Company, Vice Chairman of the company's affiliated Hongdu Enterprise Company(both affiliated to Hunan Zhongli Industrial Group Co., Ltd.,) and Chairman of Changsha Xiangcai Urban Credit Cooperative in Hunan Province. Mr. Hu graduated from Hunan University with a doctoral degree in economics. He has over 20 years of experience in the Chinese banking industry and is a senior economist.

Mr. Xie Zhibin　Chinese Nationality

Party Committee member and Vice President of the Bank. Mr. Xie serves as a director of China UnionPay Co., Ltd. Previously, he was a Party Committee member and assistant general manager of China Export Credit Insurance Corporation (during which he temporarily worked as a standing member of the Party Committee and Deputy Mayor of Hohhot City in Inner Mongolia Autonomous Region); and Secretary of the Committee for Disciplinary Inspection and Party Committee member of China Everbright Group Co., Ltd. Prior to that, Mr. Xie served as assistant general manager, deputy general manager and general manager of the human resources department (assistant director, deputy director and director of the organization department under the Party Committee) of China Export Credit Insurance Corporation, Party committee secretary of the company's Shenzhen branch, and person in charge, Party committee secretary and general manager of the company's Hebei provincial branch. Mr. Xie graduated from Renmin University of China with a doctorate degree in economics. He is a senior economist.

Mr. Xiao Huan　Chinese Nationality

Party Committee member and Secretary of the Committee for Disciplinary Inspection of the Bank. Mr. Xiao once worked at CITIC Group, and served as head of the Organization Division of the Organization Department (Human Resources and Education Department) of the Party Committee of CITIC Group; deputy chief and chief of the Organization Division and assistant director of the Party Affairs Department of CITIC Group; deputy secretary (temporary post) and deputy secretary of the Committee for Disciplinary Inspection and general manager of Department for Disciplinary Inspection and Supervision of China CITIC Bank; director of the Party Affairs Department and executive deputy secretary of Party committee directly under CITIC Group. Prior to that, he was a teacher at the Moral Education Office of PLA Medical College and an officer at the Political Department of Beijing Military Medical College. Mr. Xiao graduated from PLA Nanjing Institute of Political Sciences with a bachelor's degree in law.

Mr. Lu Wei Chinese Nationality

Party Committee member and Business Director of the Bank. Mr. Lu serves as secretary of Party committee and president of the Bank's Shenzhen Branch, deputy head of the preparatory team for the establishment of the Bank's Hong Kong Branch, and a board director of JSC Altyn Bank. Previously, Mr. Lu was deputy general manager of the Business Department of the Bank's Head Office (currently Beijing Branch), general manager of the Budget and Finance Department, general manager of the Asset and Liability Department, Board Secretary, Company Secretary and authorized representative of the Bank and a board director of CITIC aiBank Corporation Limited. Prior to that, he worked for Beijing Youth Industrial Group Corporation. Mr. Lu graduated from Deakin University in Australia with a master's degree in accounting. He is a certified public accountant of PRC, Hong Kong SAR and Australia, with over 20 years' experience in the Chinese banking industry.

Mr. Lü Tiangui Chinese Nationality

Party Committee member and Business Director of the Bank. Mr. Lü serves as secretary of Party committee of the Bank's Credit Card Center, and concurrently as board director of CITIC aiBank Corporation Limited and a core member of the China Ageing Finance Forum (CAFF50). Previously, Mr. Lü served as president of the Bank's Credit Card Center, general manager of the Bank's Retail Banking Department and Private Banking Department of the Bank. Earlier, he was deputy chief of the risk management division at Jilin Branch of Bank of China Limited. Mr. Lü has 27 years' practicing experience in the Chinese banking industry. Mr. Lü graduated from Sichuan University with a master's degree in business administration. He holds qualifications such as senior accountant, Certificated Internal Auditor (CIA) and PRC certified public accountant (CPA).

Mr. Lu Jingen Chinese Nationality

Business Director of the Bank. Mr. Lu serves as secretary of Party committee and president of Nanjing Branch of the Bank. Prior to that, he served as deputy head of the corporate loan division, head of the asset preservation division, general manager of the Asian Games Village sub-branch, general manager of the Olympic Village sub-branch, general manager of the CITIC International Building sub-branch, and assistant general manager and Party committee member of the Business Department of the Head Office of the Bank (currently Beijing Branch); assistant general manager (presiding) of the corporate banking department of the Bank; secretary of Party committee, vice president (presiding) and president of the Bank's Kunming Branch; and secretary of Party committee and president of the Bank's Changsha Branch. Mr. Lu has over 20 years' experience in the Chinese banking industry. He graduated from Harbin Engineering University with a bachelor's degree in mechatronics, received his master's degree in economics from Renmin University of China and obtained his EMBA degree from Peking University. He is a senior economist.

Ms. Zhang Qing   Chinese Nationality

Board Secretary and Company Secretary of the Bank. Ms. Zhang serves as the head of the Organizing Department of the Party Committee and general manager of the Human Resources Management Department of the Bank, and is concurrently a board director of CITIC Financial Leasing Co., Ltd. and CNCB (Hong Kong) Investment Limited. Prior to that, Ms. Zhang served as assistant general manager, deputy general manager (presiding), and general manager of the Credit Management and Approval Department of the Bank's Xi'an branch, assistant president, Party committee member and vice president of the branch, and general manager of the Credit Management Department of the Bank. Prior to that, she worked at the Shaanxi branch of Industrial and Commercial Bank of China, successively working on the accounting, planning, credit management in the sub-branch and project review in the branch. She has 28 years of professional experience in the Chinese banking industry. She graduated from Xi'an University of Technology (formerly "Shaanxi Institute of Mechanical Engineering") with a master's degree in engineering. Ms. Zhang is a senior economist.

Mr. Liu Honghua   Chinese Nationality

Business Director of the Bank. Mr. Liu is secretary of Party committee and president of the Bank's Beijing Branch. He once worked for the Business Department of the Head Office of the Bank (currently Beijing Branch), and held various positions including president of the Bank's Fuhua Sub-branch, general manager of the Corporate Banking Department, assistant general manager, Party committee member and deputy general manager of the Business Department. He also served as secretary of Party committee and president of Taiyuan Branch of the Bank, general manager of the Asset Custody Department and the Corporate Banking Department of the Bank. Prior to that, Mr. Liu worked at China International Trust Investment Company, and successively served as assistant manager, deputy manager and manager of the Business Department II, assistant manager of China Leasing Co., Ltd. and manager, deputy general manager of the Administrative Management Division at China Leasing Co., Ltd. He has nearly 20 years of professional experience in the Chinese banking industry. He graduated from Peking University with a degree of executive master of business administration. He is a senior economist.

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

8.3.1 Directors

On 30 October 2020, the 2nd Extraordinary General Meeting of 2020 elected Mr. Wang Yankang as a non-executive director of the 5th Session of the Board of Directors with effect from the date when his qualification is approved by regulatory authority.

In March 2021, Ms. Li Qingping resigned as Chairperson and Executive Director of the Bank and Chairperson and member of the Strategic Development Committee of the Board of Directors due to work rearrangements, with effect from 15 March 2021. In order to ensure the normal operation of the Board of Directors, in accordance with the *Company Law of the People's Republic of China* and other laws and regulations as well as the Articles of Association of the Bank, the Board of Directors agreed to appoint executive director and President Mr. Fang Heying to perform the duties of the Chairperson of the Bank, with effect from the effective date of the resignation of Ms. Li Qingping to the date when the new Chairperson takes office.

On 15 March 2021, the 43rd meeting of the 5th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, nominating Mr. Zhu Hexin as non-executive director candidate of the Bank, electing Mr. Zhu Hexin as Chairman of the 5th Session of the Board of Directors, electing Mr. Fang Heying as the Vice Chairman of the 5th Session of the Board of Directors. Mr. Zhu Hexin will take office as non-executive director after the general meeting of the Bank elects him to serve as a non-executive director of the Bank and the regulatory authority approves his qualifications for the Bank's non-executive director, and take office as Chairman after the general meeting of the Bank elects him to serve as a non-executive director of the Bank and the regulator approves his qualifications for the Bank's non-executive director and Chairman. Mr. Fang Heying will take office after the regulatory authority approves his qualifications for the Bank's Vice Chairman.

8.3.2 Supervisors

In January 2020, Ms. Wang Xiuhong resigned as external supervisor of the Bank, and chairperson of the Nomination Committee of the Board of Supervisors of the Bank after completing her six years' term as external supervisor of the Bank. In order to ensure the Board of Supervisors of the Bank meets the requirement that the proportion of external supervisors is no less than one third of the number of supervisors, Ms. Wang Xiuhong's resignation took effect on 20 May 2020 namely when the new external supervisor elected by the 2019 Annual General Meeting of the Bank took office.

On 20 May 2020, the 2019 Annual General Meeting elected Mr. Wei Guobin as an external supervisor of the 5th Session of the Board of Supervisors of the Bank. On 22 May 2020, as considered and approved at the 22nd meeting of the 5th Session of the Board of Supervisors, the Bank elected supervisor Mr. Wei Guobin as a member of the Nomination Committee of the 5th Session of the Board of Supervisors of the Bank, and supervisor Mr. Zheng Wei as a member of the Nomination Committee of the 5th Session of the Board of Supervisors of the Bank. On 29 May 2020, as considered at the 5th meeting of the Nomination Committee of the 5th Session of the Board of Supervisors, Mr. Wei Guobin was elected to serve as Chairman of the Nomination Committee of the 5th Session of the Board of Supervisors of the Bank.

In December 2020, the Bank's shareholder representative supervisor Mr. Deng Changqing resigned as the Bank's shareholder representative supervisor and member of the Nomination Committee of the Board of Supervisors due to work rearrangement, with effect from 1 December 2020.

On 14 January 2021, upon the review and approval at the 1st Extraordinary General Meeting of 2021, Ms. Li Rong serves as a shareholder representative supervisor of the 5th Session of the Board of Supervisors of the Bank. On 27 January 2021, the 30th meeting of the 5th Session of the Board of Supervisors of the Bank approved relevant proposal and elected Ms. Li Rong as a member of the Nomination Committee of the Board of Supervisors.

8.3.3 Senior Management Members

In September 2020, Mr. Yang Yu resigned as Vice President of the Bank due to work rearrangement, with effect from 22 September 2020.

On 24 November 2020, the 36th Meeting of the 5th Session of the Board of Directors of the Bank reviewed and approved relevant proposal, appointing Mr. Lu Wei and Lü Tiangui as the Bank's Vice Presidents, with effect from the date when their qualifications are approved by the CBIRC.

8.4 Remunerations of Directors, Supervisors and Senior Management Members

The scheme of remunerations for the Bank's directors and senior management members shall be drafted by the Nomination and Remuneration Committee under the Board of Directors and reviewed and approved by the Board of Directors. Thereafter the scheme of remunerations for the Bank's directors shall be submitted to the general meeting for approval. The scheme of remunerations for the Bank's supervisors shall be drafted by the Nomination Committee under the Board of Supervisors, and after its approval by the Board of Supervisors shall be submitted to the general meeting for approval. The Bank offers directors, supervisors and senior management members who are at the same time employees of the Bank remunerations corresponding to their positions and remunerations include salary, bonus, subsidy, employee welfare and insurance contributions, housing provident fund and annuity. The remuneration of independent directors and external supervisors consists of basic remuneration, floating remuneration and allowance and shall be decided according to *the Proposal on the Improvement of the Remuneration Management of Independent Directors* and *the Proposal on the Improvement of the Remuneration Management of External Supervisors* approved at 2019 Annual General Meeting, the 1st A Shareholders Class Meeting of 2020 and the 1st H Shareholders Class Meeting of 2020. The Bank does not pay any salary or allowance to any other directors or supervisors. Pursuant to relevant PRC laws and regulations, the Bank has joined various mandatory contributory retirement schemes set out in PRC laws and regulations for all employees (including the executive directors, supervisors, and senior management members that are also employees of the Bank). Actual pre-tax remunerations paid to the directors, supervisors and senior management members (both incumbent and non-incumbent) who received remunerations from the Bank were in the amount of RMB27.299 million for the reporting period. As at the end of the reporting period, the Bank had not provided any share incentives to directors, supervisors or senior management members.

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

As at the end of the reporting period, none of the Bank's directors, supervisors or senior management members held any share options or restrictive shares of the Bank. Please refer to "8.1 Basic Information on Directors, Supervisors and Senior Management Members of the Bank" for their holding of shares of the Bank as at the end of the reporting period.

The table below sets out the interests in the shares of the Bank held by directors, supervisors and chief executives of the Bank as at the end of the reporting period as recorded in the register that the Bank maintained pursuant to Section 336 of the *Securities and Futures Ordinance*:

Name	Position	Class of shares	Identity	Number of shares held	Shareholding percentage of the issued shares of the same class (%)	Shareholding percentage of the total issued ordinary shares (%)
Li Qingping	then Chairperson, Executive Director	H share	Beneficiary owner	150,000 (L)	0.0010	0.0003
Fang Heying	Executive Director, President, Chief Financial Officer	H share	Beneficiary owner	715,000 (L)	0.0048	0.0015
Guo Danghuai	Executive Director & Vice President	H share	Beneficiary owner	636,000 (L)	0.0043	0.0013
Zeng Yufang	Employee Representative Supervisor	H share	Beneficiary owner	188,000 (L)	0.0013	0.0004

Notes: (1) (L) — long position, (S) — short position.

(2) The above disclosure is made mainly on the basis of the information released on SEHK (www.hkexnews.hk).

8.6 Interests of Directors and Supervisors in Material Contracts

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

8.7 Service Contracts of Directors and Supervisors

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

8.8 Relationships among Directors, Supervisors and Senior Management Members

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

8.9 Interests of Directors in Businesses Competing with the Bank

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

8.10 Liability Insurance for Directors, Supervisors and Senior Management Members

In 2020, the Bank bought liability insurance for all of its directors, supervisors and senior management members. In 2020, no director of the Bank has been benefited by any permitted indemnity provisions that had been or were in force.

8.11 Information on Staff and Affiliates

8.11.1 Number and Mix of Employees, Number of Retirees and Affiliates

As at the end of the reporting period, the Group had 58,879 employees, including 57,600 under labor contracts with the Group and 1,279 dispatched to the Group or hired with letters of engagement by the Group. The Group had 1,860 retirees. The Bank had 55,154 employees, of which 11,789 served as managerial function, 40,131 as professional function and 3,234 as supporting function, accounting for 21.38%, 72.76% and 5.86% respectively. 13,550 employees, 24.57% of the total, held post-graduate degrees or above; 39,111 employees, 70.91% of the total, held bachelor's degrees; and 2,493 employees, 4.52% of the total, held junior diplomas and qualifications below junior diploma level.

The Bank's Affiliates List (subsidiaries not included)

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Headquarters	Head Office	Address: 6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing Postal Code: 100020	1	1,969	2,683,691
	Credit Card Center	Address: CITIC Bank Building, No. 121 Fuhua 1st Road, Futian Street, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	1	5,518	479,599
Bohai Rim	Beijing Branch	Address: Building C, 1/F Building E and Room A 1/F Building F of Fuhua Building, No. 8 Chaoyangmen North Street, Dongcheng District, Beijing Postal Code: 100027	75	3,066	1,226,509
	Tianjin Branch	Address: A5 No. 162 Zhangzizhong Road, Heping District, Tianjin Postal Code: 300020	36	1,015	101,232
	Shijiazhuang Branch	Address: CITIC Tower, No. 10, Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei Province Postal Code: 050000	62	1,771	96,125
	Jinan Branch	Address: CITIC Plaza, No. 150, Luoyuan Street, Jinan, Shandong Province Postal Code: 250002	46	1,557	115,743
	Qingdao Branch	Address: No. 22, Hong Kong Middle Road, Qingdao, Shandong Province Postal Code: 266071	53	1,681	115,178
	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116011	24	820	59,956

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Yangtze River Delta	Shanghai Branch	Address: B1, Room 102-109 1/F, 201-2 2/F, 302-4 3/F, 9-15/F, No. 112 & 138 Expo Road, Pudong New Area, Shanghai Postal Code: 200126	52	1,734	411,707
	Nanjing Branch	Address: CITIC Tower, No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	84	3,294	399,307
	Suzhou Branch	Address: West Building, Business Center, Financial Harbor, No. 266 East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province Postal Code: 215028	27	1,103	156,701
	Hangzhou Branch	Address: No. 9 Jiefang East Road, Jianggan District, Hangzhou, Zhejiang Province Postal Code: 310016	91	3,524	521,299
	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	27	862	108,783
Pearl River Delta and West Strait	Fuzhou Branch	Address: Hengli Financial Center, No. 6, Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350000	53	1,473	89,285
	Xiamen Branch	Address: 334-101, 201, 301, 401, Hubin South Road, Siming District, Xiamen, Fujian Province Postal Code: 361000	16	476	22,288
	Guangzhou Branch	Address: CITIC Plaza, No. 233, Tianhe North Road, Guangzhou, Guangdong Province Postal Code: 510613	101	3,280	365,149
	Shenzhen Branch	Address: 5-10/F, North Tower, Phase II Time Square, No. 8 Third Central Road, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	47	1,560	402,885
	Haikou Branch	Address: Banshan Garden, No. 1 Jinmao Middle Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	11	338	12,655

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Middle China	Hefei Branch	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	40	1,115	106,780
	Zhengzhou Branch	Address: CITIC Bank Building, No. 1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	82	2,327	225,268
	Wuhan Branch	Address: CITIC Tower, No. 747 Jianshe Avenue, Hankou, Wuhan, Hubei Province Postal Code: 430000	44	1,426	161,510
	Changsha Branch	Address: No. 1500 Third Section of Xiangjiang North Road, Kaifu District, Changsha, Hunan Province Postal Code: 410011	40	1,192	99,637
	Nanchang Branch	Address: Tower A, No. 16, Hengmao International Mansion, No. 333, Guangchang South Road, Nanchang, Jiangxi Province Postal Code: 330003	20	686	75,402
	Taiyuan Branch	Address: 1-4/F, Building A Wangfu Mansion, No. 9 Fuxi Street, Xinghualing District, Taiyuan, Shanxi Province Postal Code: 030002	30	919	52,127

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
West China	Chongqing Branch	Address: No. 5 Jiangbeicheng West Avenue, Jiangbei District, Chongqing Postal Code: 400021	30	1,041	124,929
	Nanning Branch	Address: No. 36-1, Shuangyong Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	18	551	51,132
	Guiyang Branch	Address: North Second Tower, BL Zone, Guizhou Financial City, Changling North Road, Guanshanhu District, Guiyang, Guizhou Province Postal Code: 550081	14	430	39,510
	Hohhot Branch	Address: CITIC Tower, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010010	34	874	49,203
	Yinchuan Branch	Address: No. 160 Beijing Middle Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	8	244	18,932
	Xining Branch	Address: No. 1 Jiaotong Lane, Chengxi District, Xining, Qinghai Province Postal Code: 810008	9	224	13,965
	Xi’an Branch	Address: No. 1, Middle Section of Zhuque Road, Xi’an, Shaanxi Province Postal Code: 710061	39	1,105	78,226
	Chengdu Branch	Address: La Defense Tower, No.1480 North Section of Tianfu Avenue, High-Tech Zone, Chengdu, Sichuan Province Postal Code: 610042	45	1,297	143,475
	Urumqi Branch	Address: CITIC Bank Tower, No. 165, Xinhua North Road, Urumqi, Xinjiang Uygur Autonomous Region Postal Code: 830002	11	371	24,547
	Kunming Branch	Address: Fulin Square, Baoshan Street, Wuhua District, Kunming, Yunnan Province Postal Code: 650021	32	834	60,736
	Lanzhou Branch	Address: No. 9 Minzhu West Road, Chengguan District, Lanzhou, Gansu Province Postal Code: 730000	14	332	17,185
	Lhasa Branch	Address: No. 22 Jiangsu Road, Lhasa, Tibet Autonomous Region Postal Code: 850000	2	128	5,614

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Northeast China	Harbin Branch	Address: No. 236, Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150000	18	509	36,519
	Changchun Branch	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130000	19	477	44,471
	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	51	1,384	52,266
Overseas	London Branch	5th Floor, 99 Gresham Street, London, EC2V 7NG,UK	1	30	7,720
	Sydney Representative Office	Level 27, Gateway, 1 Macquarie Place, Sydney, NSW 2000, Australia	1	6	–

Notes: (1) In addition to the data listed in the above table, the Bank's staff also included 2,607 employees at its Data Center and Software Development Center; as well as four employees seconded to JSC Altyn Bank.

(2) The Credit Card Center mentioned in the above table had 75 sub-centers which consisted of 43 tier-one sub-centers and 32 tier-two sub-centers.

(3) The "total assets" in the above chart did not deduct the offset balance between affiliates.

8.11.2 Human Resources Management

During the reporting period, the Bank focused on strategy implementation, continuously improved the human resources governance system, and adjusted the organizational structure and responsibilities. It allocated human resources in a differentiated manner, and continuously improved the personnel structure. It focused on strengthening the building of the management team and talent teams such as FinTech personnel, placed a focus on cultivating the digital thinking ability of managers and employees, and reinforced the incentive and constraint mechanism, so as to provide organizational support and talent reserve for high-quality and sustainable development of the Bank. Meanwhile, the Bank adhered to a remuneration concept featuring position value, performance contribution and business competence. In accordance with the principle of combining effective incentives with strict constraints, the Bank strengthened assessment and guidance, expanded the scope of differentiated remuneration, implemented the policy of deferred bonus payment, and improved the mechanism of remuneration distribution that is compatible with competitiveness raising, risk control and steady development.

8.11.3 *Human Resources Training and Development*

During the reporting period, the Bank carried out training centering on the strategic plan of "8100 Project"[43], and held 3,411 sessions of training throughout the year, recording 550,000 person-times participation (including video training). During the pandemic, the Bank gave full play to the advantages of digital learning, actively disseminated epidemic prevention knowledge, and continued to provide online training on new products, new systems and new policies, ensuring "continuous learning during suspension of training" of all employees. Grasping the opportunity of the window period of pandemic relieve, the Bank pressed ahead with the training of senior and medium-level management personnel through face-to-face "pre-service and on-the-job" training and the cultivation of four teams of "Double Hundred Double Thousand" talents with a focus on providing special training on digital transformation. At the same time, the Bank persisted in holding the bank-wide qualification certification training and examination, launched the pre-service training for "three types of new staff members"[44] to ensure prior certification of all employees. With its outstanding performance in talent and training in recent years, the Bank was awarded the "Benchmarking Institution Award" of the 11th China Talent Development Excellence Award by the *Training* magazine.

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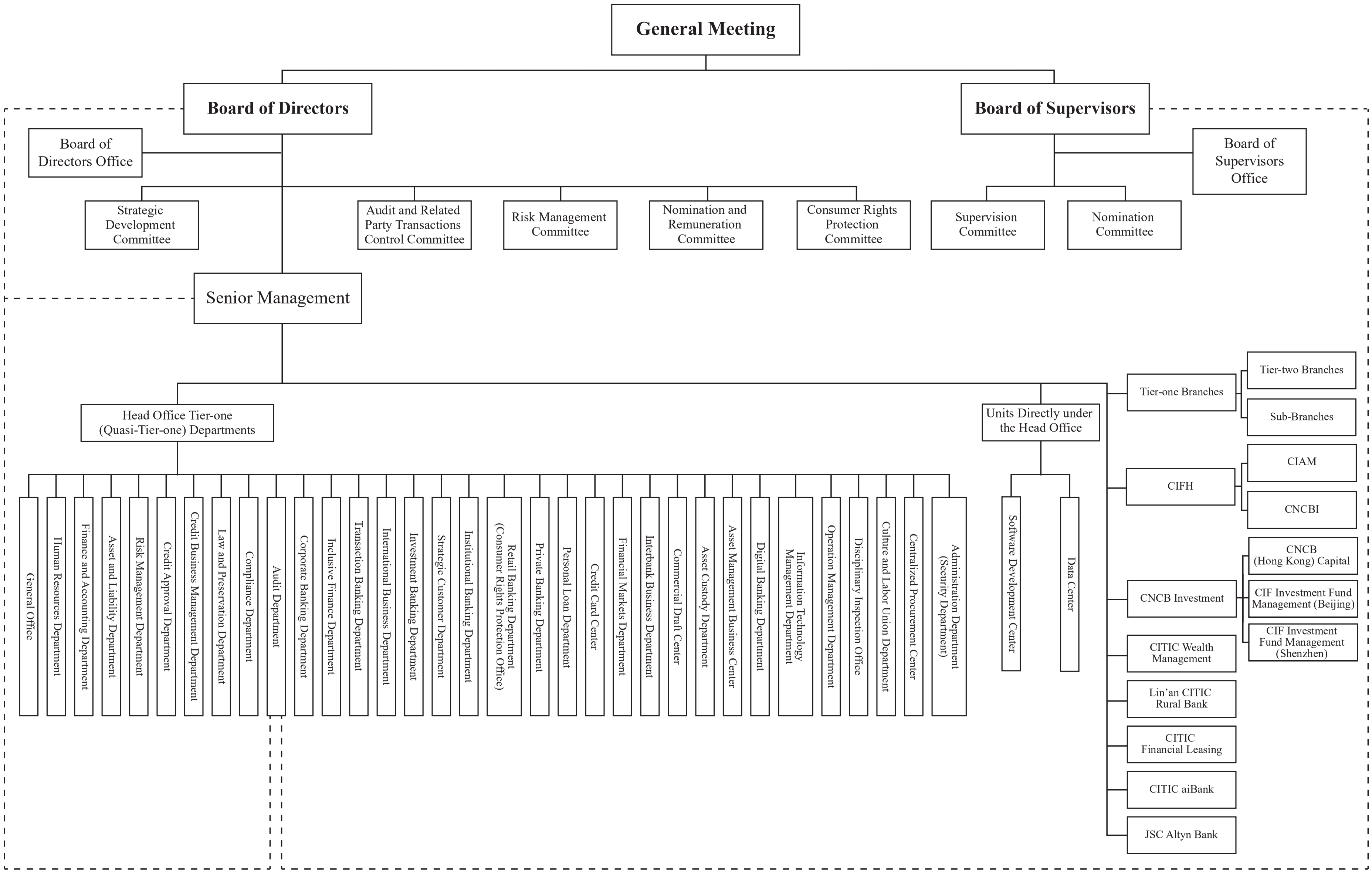
43 The "8100 Project" refers to the detailed breakdown arrangements that the Bank used to promote the implementation of the 2018-2020 plan. "8" refers to the "eight major projects", namely, the eight major measures of the development plan for 2018-2020, including the regional differentiated development project, the "One Body Two Wings" transformation project, the integrated internationalized operation project, the financial technology innovation project, the "Safe CITIC Bank" project, the refined management project, the human resources reform project, and the Party building and corporate culture fostering project. "100" refers to the "100 key tasks", i.e., the 100 major breakdown tasks to promote the implementation of the "eight major projects".

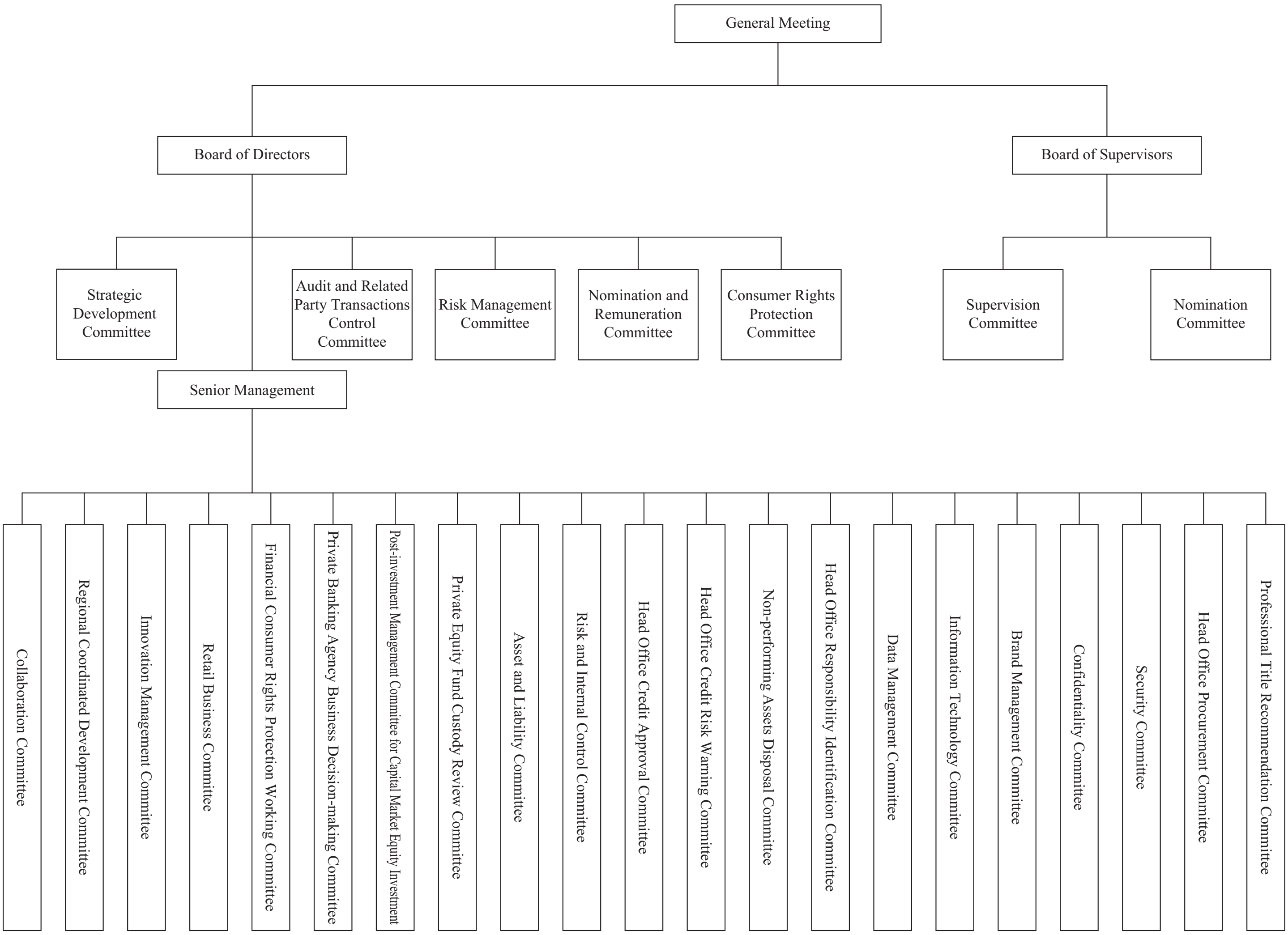
44 "Three types of new staff members" mean new hires, newly transferred staff members and newly promoted officers. New hires include new employees hired on campus and other hired off campus; newly transferred staff members mean in-service employees transferred to new position in a different business line; newly promoted officers mean ordinary employees promoted to officer positions in different profession series or business lines or in-service officers promoted to higher positions in different profession series or business lines.

8.11.4 Organizational Chart



CHAPTER 9 CORPORATE GOVERNANCE REPORT

9.1 Corporate Governance Structure



9.2 Overall Profile of Corporate Governance

Sound corporate governance is an important cornerstone ensuring banks' high-quality development. During the reporting period, the Bank resolutely implemented the state's decisions and plans and regulators' requirements, actively explored the corporate governance mode in line with its own characteristics, strengthened the building of the governance system, and accelerated the improvement of its governance capacity, thereby improving its governance efficiency in an all-round way. Through the integration of strengthening the Party's leadership and establishing a modern enterprise system, the Bank further improved its corporate governance structure, and made the governance mechanism more reasonable, balanced and smoother where the information communication between governance bodies became more adequate. The Board of Directors, the Board of Supervisors and their specialized committees effectively performed their functions, the channels for the directors and supervisors to perform their duties were further broadened, the methods for them to perform their duties were improved, and their capabilities of performing their duties were further enhanced. Furthermore, the Bank attached great importance to the roles of independent directors and external supervisors, fully safeguarded their legal rights such as the right to know and to make decisions, and actively gave play to the incentive role of relevant mechanisms.

The Board of Directors continued to strengthen its self-improvement, voluntarily accepted the supervision of the Board of Supervisors and other parties, and leveraged its role in strategic decision-making to reinforce the duty performance regarding risk prevention. While going all out to win the battle against COVID-19 and the battle for poverty alleviation with financial services, the Bank pushed forward the financial supply-side structural reform, actively supported and integrated into the domestic and international circulations, and fully bolstered the development of the real economy. In face of the complex and severe challenges brought by the external environment such as the COVID-19 pandemic, the Board of Directors put risk prevention and control in a very prominent position, strengthened the concept of prudent operation, and accelerated the building of the risk management system. As a result, it made risk management more professional and effective, and comprehensively improved the effectiveness of internal control and compliance. Besides, the Board of Directors strengthened comprehensive supervision and dynamic assessment, completed the 2018-2020 development plan of the Bank, reasonably prepared the 2021-2023 development plan, and thereby comprehensively improved the quality and efficiency of its operation and management. It also deepened business transformation, enhanced the value of transformation towards capital-light development, accelerated digital transformation, and thus developed a more coordinated and consolidated business structure.

During the reporting period, the Bank organized the directors, supervisors and the board secretary to participate in training by external organizations such as the SSE and China Securities Regulatory Commission Beijing Bureau ("CSRC Beijing Bureau") and invited experts form PBOC to give lectures, recording 35 person-times participation. And the Bank carried out surveys of 38 person-times at its affiliates and subsidiaries, further improving its survey quality and effectiveness.

There was no significant difference between the set-up and operation of the Bank's corporate governance bodies and the relevant requirements of the *PRC Company Law*, the CSRC and the SEHK; neither were there major corporate governance issues that the regulatory authorities required to resolve but remained outstanding.

9.3 General Meeting

9.3.1 General Meeting and Shareholders' Rights

Responsibilities of the general meeting

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

Annual general meeting

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

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

Extraordinary general meeting

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

Submitting proposals to the general meeting

Ordinary shareholders (including preference shareholders with restored voting rights) that individually or collectively hold 3% or more of the Bank's shares may produce their ad hoc proposals and submit them in writing to the convener of the general meeting 10 days prior to the date of the meeting. Within 2 days after the receipt of such proposals, the convener shall issue supplementary notices for the general meeting to announce the contents of the ad hoc proposals and submit such proposals to the general meeting for deliberation.

Convening of extraordinary meetings of the Board of Directors

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

Making inquiries to the Board of Directors

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

9.3.2 Convening of General Meetings

During the reporting period, the Bank convened 1 annual general meeting, 2 extraordinary general meetings, 1 A shareholders class meeting and 1 H shareholders class meeting, where 20 proposals were adopted after deliberation. These meetings were all convened in compliance with the procedures specified in the Articles of Association of the Bank. Relevant resolutions of these meetings were disclosed by the Bank on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com). For specific indexes and disclosure dates thereof, please refer to Chapter 4 "Report of Board of Directors – Information Disclosure Index" of this report.

On 20 May 2020, the Bank held its 2019 Annual General Meeting, the 1st A Shareholders Class Meeting of 2020 and the 1st H Shareholders Class Meeting of 2020. The then Chairperson and executive director Ms. Li Qingping presided over the meeting. Executive director, President, Chief Financial Officer Mr. Fang Heying, non-executive director Mr. Cao Guoqiang, executive director and Vice President Mr. Guo Danghuai, the non-executive director Mr. Wan Liming, independent non-executive directors Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Yan Lap Kei Isaac attended the meeting.

On 14 July 2020, the Bank held the 1st Extraordinary General Meeting of 2020. The then Chairperson and executive director Ms. Li Qingping presided over the meeting. Executive director, President, Chief Financial Officer Mr. Fang Heying, non-executive director Mr. Cao Guoqiang, executive director and Vice President Mr. Guo Danghuai, the non-executive director Mr. Wan Liming, independent non-executive directors Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Yan Lap Kei Isaac attended the meeting.

On 30 October 2020, the Bank held the 2nd Extraordinary General Meeting of 2020. The then Chairperson and executive director Ms. Li Qingping presided over the meeting. Non-executive director Mr. Cao Guoqiang, the non-executive director Mr. Wan Liming, independent non-executive directors Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Yan Lap Kei Isaac attended the meeting.

9.4 Board of Directors

9.4.1 Composition and Responsibilities of the Board of Directors

The Board of Directors is the decision-making body of the Bank. As at the disclosure date of this report, the 5th session of the Board of Directors comprised 9 members. For details thereof, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

As per the Articles of Association of the Bank, the principal responsibilities of the Board of Directors include the following: to convene the general meeting and make a work report to the meeting; to implement the resolutions adopted by the general meeting; to determine the development strategies, business plans and investment proposals of the Bank; to prepare the annual financial budget and final accounts of the Bank; to prepare the profit distribution plans and loss remedy plans of the Bank; in accordance with the Articles of Association and within the scope of authorization of the general meeting, to determine the plans for major investment, major assets acquisition and disposal and other major matters of the Bank; to prepare proposals for the amendment of the Bank's Articles of Association; to appoint or dismiss the President of the Bank and the board secretary and to determine matters relating to their remuneration, awards and punishment; according to the nomination of the President, to appoint or dismiss the Vice President, Business Directors and other senior management members who shall be appointed by the Board according to regulatory requirements, and to determine matters relating to their remuneration, awards and punishment; to review and establish the basic management rules and internal management structure of the Bank, etc. The Board of Directors should listen to the opinions of the Bank's Party Committee prior to making decisions on major issues of the Bank.

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

9.4.2 Meetings of the Board of Directors

During the reporting period, the Board of Directors convened 20 meetings (including 9 on-site meetings and 11 meetings for voting by correspondence). At the meetings, the Board of Directors deliberated and adopted 79 proposals, including the Bank's *2019 Annual Report*, *2019 Sustainable Development Report of China CITIC Bank*, *Proposal regarding the Issuance of Undated Capital Bonds*, *Proposal on the Amendment to the Rules of Procedures of the Strategic Development Committee under the Board of Directors*, and *Proposal on Adjustments to the Plan for Increasing Share Capital of CITIC aiBank Corporation Limited*. In addition, the Board of Directors listened to 50 presentations respectively the report the Bank's comprehensive risk management in 2019, report on internal control and compliance and anti-money laundering work in 2019, report on innovation work in 2019, report on prevention and control of the COVID-19 pandemic, cooperation with the top ten loan customers (group) for the full year of 2019 and in the first half of 2020, report on information technology risk management in 2019, etc. Significant events were all submitted to the on-site board meetings for deliberation to assure compliance. Matters requiring voting by correspondence and eligible for the same as per the corporate governance rules were deliberated at the meetings for voting by correspondence. The attendance records of the directors at the board meetings in the reporting period are set out in the table below.

Directors	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Li Qingping	18/20	2/20
Fang Heying	16/20	4/20
Cao Guoqiang	18/20	2/20
Guo Danghuai	18/20	2/20
Huang Fang	19/20	1/20
Wan Liming	18/20	2/20
He Cao	20/20	0/20
Chen Lihua	20/20	0/20
Qian Jun	20/20	0/20
Yan Lap Kei Isaac	19/20	1/20

9.4.3 Responsibility Statement of the Directors on the Financial Report

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

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

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

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

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

The independent non-executive directors of the Bank highly valued the continuous enhancement of their own capacity for performance of duties. Among others, they communicated with the management for better understanding of relevant presentations and proposals prior to each board meeting. They also participated in various training sessions organized by the regulators to understand regulatory trends and requirements, deepen their learning and understanding of regulatory policies, and improve their capacity for performance of duties.

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

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

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

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

9.4.6 The Board of Directors' Deliberation of the Sustainable Development Report

The Board of Directors deliberated the *2020 Sustainable Development Report of China CITIC Bank* as a separate proposal and had no objections to the content of the report.

9.5 Specialized Committees under the Board of Directors

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

9.5.1 Strategic Development Committee

As at the end of the reporting period, the Strategic Development Committee of the 5th session of the Board of Directors comprised 4 directors, with the then Chairperson and executive director Ms. Li Qingping as committee chairperson, and executive director Mr. Fang Heying, non-executive director Mr. Cao Guoqiang and independent non-executive director Mr. Qian Jun as committee members. Its principal responsibilities include: to study the Bank's operation and management targets, long-term development strategies, and special strategic development plans respectively regarding human resources, information technology development and other areas, and make recommendations thereon to the Board of Directors; to study programs on major cooperation, investment, financing, and merger and acquisition, and make recommendations thereon to the Board of Directors; and to supervise and examine the implementation of annual business plans and investment programs as authorized by the Board of Directors.

During the reporting period, the Strategic Development Committee convened 2 meetings in total where it deliberated and adopted 13 proposals, including the Bank's 2019 profit distribution plan, 2020 business plan, adjustment scheme on the 2020 business plan, issue of undated capital bonds, report on equity management of substantial shareholders in 2019, adjustments to the plan for increasing share capital of CITIC aiBank Corporation Limited, amendments to the *Measures for Equity Investment Management of China CITIC Bank Corporation Limited* and amendment to the *Rules of Procedures of the Strategic Development Committee under the Board of Directors of China CITIC Bank Corporation Limited*. The attendance records of the Strategic Development Committee members at the committee meetings during the reporting period are set out in the table below.

Members	**In-person attendance/ number of meetings**	**Attendance by proxy/ number of meetings**
Li Qingping	2/2	0/2
Fang Heying	2/2	0/2
Cao Guoqiang	2/2	0/2
Qian Jun	2/2	0/2

9.5.2 Audit and Related Party Transactions Control Committee

As at the end of the reporting period, the Audit and Related Party Transactions Control Committee of the 5th session of the Board of Directors comprised 4 directors, with independent non-executive director Mr. Yan Lap Kei Isaac as chairperson, and independent non-executive directors Mr. He Cao, Ms. Chen Lihua and Mr. Qian Jun as members. The principal responsibilities of the Audit and Related Party Transactions Control Committee include the following: to inspect the risk profile and compliance status, accounting policies and practices, financial reporting procedures and financial position of the Bank; to review the Bank's regulations on financial monitoring, internal control and risk management; and to study the regulations on related party transactions, make recommendations thereon to the Board of Directors, and supervise the implementation of such regulations.

During the reporting period, the Audit and Related Party Transactions Control Committee convened 13 meetings in total. At the meetings, the committee reviewed and adopted 29 proposals, including the Bank's periodic reports, engagement of accounting firms for 2020 and their fees, amendments to the internal audit charter, and credit extension to related parties, and listened to 10 presentations respectively regarding the Bank's operating results for the full year of 2019 and for the 1st quarter, first half and 3rd quarter of 2020, and report on internal control and compliance and anti-money laundering work in 2019. The attendance records of the Audit and Related Party Transactions Control Committee members at the committee meetings during the reporting period are set out in the table below.

Members	**In-person attendance/ number of meetings**	**Attendance by proxy/ number of meetings**
Yan Lap Kei Isaac	13/13	0/13
He Cao	13/13	0/13
Chen Lihua	9/9	0/9
Qian Jun	12/13	1/13

Note: On 26 March 2020, the meeting of Board of Directors reviewed and adopted related proposals, electing Ms. Chen Lihua, the independent non-executive director as member of the Audit and Related Party Transactions Control Committee of the Board of Directors.

During the preparation and audit of the Bank's 2020 Annual Report, the Audit and Related Party Transactions Control Committee reviewed the audit time frame and progress schedule of the external auditors and checked on and supervised external auditors' work by means of listening to presentations and arranging symposiums. The committee reviewed the Bank's financial statements for twice. In addition, the committee carried out multiple rounds of adequate communication with the CPAs responsible for the annual audit. The Audit and Related Party Transactions Control Committee convened a meeting on 19 March 2021, opining that the financial statements of the Bank gave a true, accurate and complete view of the overall situation of the Bank. Based on its review of the external auditor's summary report on the annual audit plus its comprehensive objective assessment of the performance and professionalism of the annual audit assignment, the committee gave the consent that the Bank continued to engage PricewaterhouseCoopers Zhong Tian LLP as its domestic auditor and PricewaterhouseCoopers as its overseas auditor for 2021, and decided to submit these matters to the Board of Directors for deliberation.

9.5.3 Risk Management Committee

As at the end of the reporting period, the Risk Management Committee of the 5th session of the Board of Directors of the Bank comprised 4 directors, with executive director Mr. Fang Heying as chairperson, and executive director Mr. Guo Danghuai, independent non-executive directors Mr. Qian Jun and Mr. Yan Lap Kei Isaac as members. The principal responsibilities of the committee include the following: to supervise the senior management's control of credit risk, liquidity risk, market risk, operational risk, compliance risk and reputational risk; to evaluate risk preference, credit policy, policies on management of liquidity risk, market risk, operational risk, compliance risk and reputational risk, lawfulness and compliance of business operation, risk management profile and risk tolerance of the Bank on a regular basis; to advise the Board of Directors on how to improve risk management and internal control of the Bank; to comprehensively manage the risk of money laundering across the Bank, guide the whole bank on how to fulfill its anti-money laundering duties and obligations, review and identify the overall situation of money laundering risks, report the same to the Board of Directors and put forward opinions on how to handle major anti-money laundering matters.

During the reporting period, the Risk Management Committee convened 7 meetings where it deliberated and adopted 16 proposals, including the Bank's 2019 Report on Management of Capital Adequacy Ratios, 2019 Report on Internal Assessment of Capital Adequacy, and amendment to 2020 Risk Preference Statement; and the committee listened to 24 presentations including the Bank's comprehensive risk management for the full year of 2019 and that for the 1st quarter, first half and 3rd quarter of 2020, report on the Group's execution of financial statements consolidation management in 2019, internal control and compliance and anti-money laundering work in 2019, information technology risk management report for 2019 and report on the impact of COVID-19 on the Bank's credit granting business. The attendance records of the Risk Management Committee members at the committee meetings during the reporting period are set out in the table below.

Members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Fang Heying	5/7	2/7
Guo Danghuai	6/7	1/7
Qian Jun	6/7	1/7
Yan Lap Kei Isaac	7/7	0/7

9.5.4 Nomination and Remuneration Committee

As at the end of the reporting period, the Nomination and Remuneration Committee of the 5th session of the Board of Directors of the Bank comprised 3 directors, with independent non-executive director Mr. Qian Jun as chairperson, and non-executive director Ms. Huang Fang and independent non-executive director Mr. Yan Lap Kei Isaac as members. Principal responsibilities of the Nomination and Remuneration Committee are the following: to assist the Board of Directors in formulating the procedures and standards for selecting and appointing board directors and senior management members; to advise the Board of Directors on candidates for independent non-executive directors; to deliberate the remuneration management rules and policies of the Bank; to formulate the performance evaluation methods and remuneration schemes for directors and senior management members, and to make recommendations on the remuneration schemes to the Board of Directors and supervise the implementation of such schemes.

The Bank believes that diversity of board members is conducive to enhancing its operational quality and is a key factor in its efforts to attain strategic goals, maintain competitive advantages and achieve sustainable development. In setting the composition of the board membership, the Bank considers the diversity of board members in a number of ways, including but not limited to talent, skill, knowledge, industry experience and expertise, cultural and educational backgrounds, gender, age and ethnicity. The appointment of all board members should be made after comprehensive consideration of the talents, skills, knowledge, experiences, cultural and educational backgrounds required for the overall operation of the Board.

When reviewing candidates for board directorship and making recommendations to the Board, the Nomination and Remuneration Committee under the Board of Directors will consider candidates based on their respective objective conditions, and consider the benefits of board member diversity in all aspects, taking into comprehensive account of the talents, skills, knowledge, experiences, cultural and educational backgrounds of board members. At any given time, the Nomination and Remuneration Committee may recommend the Board to seek improvement to its diversity in one or more aspects in order to maintain an appropriate and balanced composition of the Board in the light of the Bank's business development.

The current session of the Board of Directors of the Bank comprises members of different genders, ages, cultures, educational backgrounds and professional experiences. For relevant information about the directors, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

During the reporting period, the Nomination and Remuneration Committee convened 5 meetings where it deliberated and adopted 10 proposals, including the appointment of Mr. Lu Wei and Mr. Lü Tiangui as Vice Presidents of the Bank, the report on assessment of the directors' performance of duties in 2019, the duty performance of the Nomination and Remuneration Committee regarding information disclosure in the 2019 annual report, the 2020 work plan of the Nomination and Remuneration Committee of the Board of Directors, and the 2019 plan for performance appraisal of and payment of remunerations to senior management members. The attendance records of the Nomination and Remunerations Committee members at the committee meetings during the reporting period are set out in the table below.

Members	**In-person attendance/ number of meetings**	**Attendance by proxy/ number of meetings**
Qian Jun	4/5	1/5
Huang Fang	5/5	0/5
Yan Lap Kei Isaac	5/5	0/5

During the reporting period, the Nomination and Remuneration Committee studied and reviewed the remuneration scheme for the Bank's senior management and supervised its implementation. The committee was of the view that the senior management of the Bank performed its fiduciary duties and due diligence, resolutely implemented the plans and decisions of the CPC Central Committee and the central government as well as and regulators' requirements, pursued development amid transformation, maintained stable progress in operating results, and achieved sound development in

2020, within its scope of mandate as specified in relevant laws and regulations and the Bank's Articles of Association, and as guided and authorized by the Board of Directors and supervised by the Board of Supervisors. Upon review, the committee held that the remunerations for directors, supervisors and senior management members as disclosed by the Bank were consistent with relevant remuneration policies and schemes and in compliance with applicable information disclosure standards required for listed issuers by domestic and overseas regulators. The committee confirmed that the Bank did not have any share incentive scheme in effect as at the end of the reporting period.

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

9.5.5 Consumer Rights Protection Committee

As at the end of the reporting period, the Consumer Rights Protection Committee of the 5th session of the Board of Directors of the Bank comprised 3 directors, with non-executive director Ms. Huang Fang as chairperson, and independent non-executive directors Mr. He Cao and Ms. Chen Lihua as members. Principal responsibilities of the Consumer Rights Protection Committee include the following: to formulate the Bank's strategies, policies and objectives on consumer rights protection work; to urge the senior management to effectively implement and practice relevant work of consumer rights protection; and to supervise and assess the Bank's consumer rights protection work regarding its comprehensiveness, timeliness and effectiveness, and the senior management's performance of duties.

During the reporting period, the Consumer Rights Protection Committee convened 5 meetings where it deliberated and adopted 2 proposals regarding amendments to the *Measures for Consumer Rights Protection Management of China CITIC Bank Corporation Limited* and its 2020 annual work plan, and the committee listened to 6 presentations respectively regarding the Bank's consumer rights protection work for the full year of 2019, the complaint management work in 2019 and key points in No.5 document of 2020 of the People's Bank of China. The attendance records of the Consumer Rights Protection Committee members at the committee meetings during the reporting period are set out in the table below.

Members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Huang Fang	5/5	0/5
He Cao	5/5	0/5
Chen Lihua	5/5	0/5

9.6 Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank accountable to the general meeting. As at the disclosure date of this report, the Board of Supervisors of the Bank comprised 8 members. For details thereof, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

According to the Bank's Articles of Association, the principal responsibilities of the Board of Supervisors of the Bank include the following: to supervise the performance of the duties by and due diligence of the directors and senior management members; to examine and supervise the financial activities of the Bank; to verify the financial information such as financial reports, business reports and profit distribution plan and regular reports that the Board of Directors intends to submit to the general meeting; to audit the business decision-making, risk management and internal control of the Bank, if necessary, and to provide guidance and conduct supervision on the work of the internal audit department of the Bank; to supervise the establishment and implementation of the internal control by the Board of Directors; and to supervise the Board of Directors on its consolidation management of the Bank; among others.

For details on work carried out by the Board of Supervisors and its specialized committees during the reporting period, please refer to Chapter 10 "Report of the Board of Supervisors" of this report.

9.7 Senior Management

The senior management is the executive arm of the Bank accountable to the Board of Directors. There is a strict division of duties and separation of power between the Bank's senior management and the Board of Directors. As authorized by the Board of Directors, the senior management manages and makes decisions on business operation within its mandate. The Board of Directors evaluates the performance of the senior management members, the results of which shall be used as the basis for determining remunerations and other incentive arrangements for the senior management members. The senior management should truthfully report to the Board of Directors or the Board of Supervisors, on a regular basis or as required by the Board of Directors or the Board of Supervisors, information regarding the Bank's business performance, important contracts, financial positions, risk profiles, business outlooks and significant events. As at the disclosure date of this report, the Bank's senior management comprised 10 members. For details thereof, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

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

The Bank kept improving its mechanism for annual performance evaluation and incentive of the senior management members. During the reporting period, the Bank assessed the attainment of business targets and ability to perform duties of the senior management members, and results of the annual performance evaluation are closely linked to the senior management members' remunerations.

9.9 Chairperson and President

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

Due to work arrangement, Ms. Li Qingping resigned from her position as the chairperson and executive director of the Bank, and chairperson and member of the Strategic Development Committee of the Board in March 2021. To ensure the proper functioning of the Board, in accordance to the *PRC Company Law* and other laws and regulations as well as the Articles of Association of the Bank, the Board of Director nominated Mr. Zhu Hexin as a non-executive director candidate of the 5th session of the Board of Directors and elected Mr. Zhu Hexin as the chairperson of the 5th session of the Board of Directors, to be effective after the election of him as a non-executive director of the Bank on the General Meeting and on the date of the approval of his qualification to act as non-executive director and chairperson of the Bank from the supervisory institution. And the Board of Directors agreed that prior to Mr. Zhu Hexin taking office, in compliance with supervisory provisions, Mr. Fang Heying, executive director and President of the Bank, shall perform the duties of chairperson of the Bank from the effective date of Ms. Li Qingping's resignation, to the date when Mr. Zhu Hexin officially takes the office as non-executive director and Chairperson of the Bank.

9.10 Company Secretary as per the Hong Kong Listing Rules

As at the disclosure date of this report, the Bank engaged, externally, Ms. Kam Mei Ha Wendy (FCS, FCIS) as the joint company secretary of the Bank as per the Hong Kong Listing Rules; and the main contact person of Ms. Kam Mei Ha Wendy within the Bank was Ms. Zhang Qing, the board secretary and company secretary of the Bank. The contact information of Ms. Zhang Qing is Tel: +86-10-66638188, Fax: +86-10-65559255.

9.11 Explanations on Independence from the Controlling Shareholder

The Bank is fully independent from the controlling shareholder in terms of business, assets, institutional set-up and financials, and maintains its independent and complete business as well as the capability of independent business operation.

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

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

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

9.13 Development and Review of Corporate Governance Policies and Practices

The Board of Directors of the Bank attached great importance to the establishment and improvement of internal rules and regulations on corporate governance. During the reporting period, the Bank amended the *Measures for Consumer Rights Protection Management of China CITIC Bank Corporation Limited*, the *Rules of Procedures of the Board of Directors of China CITIC Bank Corporation Limited*, and the *Rules of Procedures of the Strategic Development Committee under the Board of Directors of China CITIC Bank Corporation Limited*, and formulated the *Measures for Performance Appraisal of Senior Management Members of China CITIC Bank Corporation Limited* in light of its own real situations and relevant regulatory requirements. These efforts further improved the Bank's corporate governance regulations and provided an important support for the Bank to carry out scientific operation of corporate governance and more standard management of shareholder rights and obligations.

The Board of Supervisors of the Bank continued to strengthen top-level design and improve its performance assessment policy system. During the reporting period, the Bank amended the *Rules of Procedures of the Board of Supervisors of China CITIC Bank Corporation Limited*, and formulated the *Detailed Rules for Assessment of Senior Management Members by the Board of Supervisors of China CITIC Bank Corporation Limited (Trial)* and the *Measures for Interview with Directors and Senior Management Members by the Board of Supervisors of China CITIC Bank Corporation Limited (Trial)* according to actual conditions of the Bank and regulatory requirements. These rules further refined the performance assessment standards, enriched the means of performance assessment, and improved the Board of Supervisors' policy system for supervision of duty performance.

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

The Board of Directors kept urging the directors and senior management members to participate in relevant training for better professional development in general and for the directors to enhance their comprehensive quality and competence for performance of duties in particular. During the reporting period, the Board of Directors and the Board of Supervisors organized the directors and the supervisors to participate in relevant training in accordance with the applicable requirements of the CSRC, Hong Kong Securities and Futures Commission, SEHK and CBIRC. The training achieved very good results.

The table below sets out the participation of the Bank's directors, supervisors, and board secretary in the reporting period in the training provided by relevant institutions.

Name	Title	Trainer	Training Model	Training Duration (day)
Li Qingping	then Chairperson, Executive director	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	3
Fang Heying	Executive director, President, Chief Financial Officer	CSRC Beijing Bureau,	Online training	2
Cao Guoqiang	Non-executive director	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1.5
Guo Danghuai	Executive director, Vice President	China CITIC Bank	On site lecturing	0.5
Huang Fang	Non-executive director	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1.5
Wan Liming	Non-executive director	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1
He Cao	Independent Non-executive director	SSE, China CITIC Bank	Online training On site lecturing	3
Chen Lihua	Independent Non-executive director	SSE, China CITIC Bank	Online training On site lecturing	3
Qian Jun	Independent Non-executive director	China CITIC Bank	On site lecturing	0.5
Yan Lap Kei Isaac	Independent Non-executive director	SSE, China CITIC Bank	Online training On site lecturing	1
Liu Cheng	Chairman of the Board of Supervisors, Employee Representative Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	2.5
Deng Changqing	then Shareholder Representative Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	2.5
Jia Xiangsen	External Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	2.5
Zheng Wei	External Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	2.5
Wei Guobin	External Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	2.5
Li Gang	Employee Representative Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	2.5
Chen Panwu	Employee Representative Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1.5
Zeng Yufang	Employee Representative Supervisor	CSRC Beijing Bureau,	Online training	1
Zhang Qing	Board Secretary	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	2

Ms. Zhang Qing, board secretary and company secretary of the Bank, participated in relevant professional training sessions organized by the regulators and other relevant organizations, completing more than 15 training hours during the reporting period, compliant with relevant regulatory requirements of SEHK.

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

Name	**Training on business, directors' duties and corporate governance**	**Monthly updates and other reading materials on latest developments in the Bank's business operation and the banking industry as well as relevant legal and regulatory requirements**
Li Qingping *(The then Chairperson, Executive director)*	✓	✓
Fang Heying *(Executive director, President, Chief Financial Officer)*	✓	✓
Cao Guoqiang *(Non-executive director)*	✓	✓
Guo Danghuai *(Executive director & Vice President)*	✓	✓
Huang Fang *(Non-executive director)*	✓	✓
Wan Liming *(Non-executive director)*	✓	✓
He Cao *(Independent non-executive director)*	✓	✓
Chen Lihua *(Independent non-executive director)*	✓	✓
Qian Jun *(Independent non-executive director)*	✓	✓
Yan Lap Kei Isaac *(Independent non-executive director)*	✓	✓

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

Under the guidance of the Board of Directors, the Bank continued to strengthen internal control and compliance management and improve the supervision, management and control system. It strengthened the protection of customer information in a well-targeted manner and the governance of problems in key internal control and compliance areas such as cross-financial risk prevention and control. The Bank intensified the whole-life-cycle management of policy building, ensured the effectiveness of policy design and implementation, and deepened policy governance. It stepped up the building of the employee behavior management system and implemented the 5C standardized management of internal control and compliance. What's more, the Bank deepened the rectification of irregularities in the credit field, and carried out internal control assessment of key control links. It also strengthened the duty performance of legal persons in terms of anti-money laundering, further improved the risk prevention and control system for money laundering and terrorist financing, enhanced the control synergy of anti-money laundering, and reinforced compliance management at its overseas institutions to ensure compliance with regulations. Furthermore, the Board of Directors periodically reviewed internal control and compliance reports, guided the comprehensive promotion of a compliance and risk culture, further elevated all-employee recognition of the value of compliance, and raised their awareness of compliant operation.

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

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the *Corporate Governance Code* set out in Appendix 14 to the Hong Kong Listing Rules throughout the year ended 31 December 2020, except for the following:

According to Code A.1.3 of the *Corporate Governance Code*, the meeting notice of the Board of Directors shall be given at least 14 days before each regular board meeting, while all directors and supervisors shall be notified in writing 10 days prior to a regular board meeting according to Article 179 of the Bank's Articles of Association. The Bank adopted the abovementioned latter notice practice for regular board meetings because a 10-day prior notice practice complies with applicable PRC laws and regulations, and reasonable time is deemed to have been given.

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

According to Article A.5.6 of the *Corporate Governance Code*, the Nomination Committee (or the Board of Directors) shall formulate a policy on diversity of board members, and disclose its policy or policy summary in the corporate governance report. Members of the current Board of Directors of the Bank include directors with different gender, age, cultural and educational backgrounds and professional experience. For details on directors, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report. The Board of Directors of the Bank has formulated the *Policy on Diversity of Board Members*, which meets the requirements of Article A.5.6 of the *Corporate Governance Code*.

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

9.17 Investor Relations

Attaching great importance to investor protection, the Bank built a multi-dimensional and multi-tier investor communication and service system. During the reporting period, in response to the severe situation of COVID-19 pandemic, the Bank communicated with investors and addressed their concerns through various approaches such as investor hotline, emails, SSE e-interaction platform, online results briefing and online explanation meetings on cash dividends. The Bank also intensified efforts in the promotion and publicity among domestic investors by actively promoting the implementation of its 2018-2020 Development Plan and publicizing its business strategies and achievements in accelerating business transformation, strengthening risk prevention and control and consolidating its development foundation, and hence increased investor recognition of the Bank's investment value. After disclosing its interim report, annual report and other important periodic reports, taking full consideration of the requirements for pandemic prevention and control, the Bank carried out road shows in Beijing, Shanghai, Shenzhen etc. and held symposiums and exchange meetings for domestic and overseas institutional investors for continuous survey and exchange on the capital market, to make timely accurate reports on relevant important information to the senior management and regulatory authorities. These efforts conveyed useful market opinions to the Bank and facilitated the sound interaction between business operation and capital market. In addition, the Bank adopted new communication methods by participating in the collective reception day for investors in companies in Beijing and carrying out special activities such as "Care for Investors, Act Together — Study and Implement the New *Securities Law*". Making full use of online communication platforms, the Bank strengthened the communication and interaction with minority investors, gained continuous attention from the market, and achieved better communication effect. In terms of equity management, the Bank continued to implement the *Interim Measures for Equity Management of Commercial Banks* and supporting regulatory requirements thereof promulgated by the CBIRC, maintained close communication with its substantial shareholders to improve equity management, and implemented the measures for equity pledge management of the Bank, further enhancing its equity management. During the reporting period, the Bank accumulatively communicated with more than 1,600 person-time capital market participants and more than 350 domestic and overseas institutional investors, effectively meeting the needs of domestic and foreign investors for communication and winning the Bank the "2020 Commercial Bank with Highest Investment Value" from investorchina.cn.

9.18 Information Disclosure and Management of Insider Information

During the reporting period, strictly following the principles of truthfulness, accuracy, completeness, timeliness and fairness, abiding by laws and regulations, and considering the information needs of investors, the Bank published over 400 periodic reports, interim announcements and other documents at the SSE and the SEHK, totaling more than 4.2 million words. Meanwhile, the Bank kept improving the framework and contents of its periodic reports to make it more concise and easier to understand, increased disclosures regarding market concerns, constantly improved the pertinence and effectiveness of information disclosure, and provided investors with timely, sufficient and effective information to effectively protect investors' right to know.

During the reporting period, the Bank kept pace with regulatory developments to develop internal policies and procedures in line with the latest regulatory rules. Pursuant to the *Securities Law of the People's Republic of China (Revised in 2019)*, the *Guidelines of Shanghai Stock Exchange on Reporting of Insiders of Listed Companies* and other relevant laws and regulations as well as regulatory provisions, the Bank revised 9 policies including the *Administrative Measures for Information Disclosure* and its companion rules, further fortifying the compliance foundation for information disclosure. At the same time, the Bank kept improving its management mechanism for insider information, actively carried out relevant training, raised the compliance awareness of insiders, and properly registered insider information and insiders at critical time points, so as to prevent the risks of insider information divulgence and insider trading. During the reporting period, through self-investigation, the Bank was not aware of any circumstance where any insider traded the Bank's shares by virtue of insider information.

9.19 Management of Related Party Transactions

During the reporting period, the Bank continued to attach great importance to the management of related party transactions pursuant to the policy trends and management requirements of the CBIRC, the CSRC, the SSE and the SEHK. It optimized its rules and mechanism for such management, raised the awareness for compliance of related party transactions, accelerated the IT application in related party transactions, and enhanced the efficiency and degree of refinement of the management of related party transactions. The Bank also promoted the creation of synergistic value and shareholder value under the premise of compliance, and effectively protected the interests of shareholders and investors.

The Bank upheld its management system that featured decision making by the Board of Directors, supervision by the Board of Supervisors, execution by the senior management, and division of duties among business units. The Bank effectively performed their obligations of reviewing and disclosing related party transactions, submitted material related party transactions to the Audit and Related Party Transactions Control Committee for review and to the Board of Directors for deliberation on a case-by-case basis, and disclosed such transactions and filed them with the CBIRC and the Board of Supervisors of the Bank for record, in strict compliance with relevant requirements on the management of related party transactions. The Audit and Related Party Transactions Control Committee under the Board of Directors consisted fully of independent non-executive directors who carried out preliminary review of material related party transactions and expressed independent opinions thereabout on behalf of minority shareholders to ensure that such transactions were made pursuant to internal approval procedures and in a fair manner on terms no more favorable than those available to independent third parties and in the overall interests of the Bank and all of its shareholders.

During the reporting period, guided by the concept of "returning to original purposes of regulation and creating value through compliance" and considering policy trends and regulatory requirements, the Bank managed related party transactions more effectively through a further standardized process to enhance the IT application and automation of related party transactions management and to ensure compliance and orderly conduct of related party transactions. It further streamlined the scope of related individuals managed, pursued automatic collection of information on related individuals in the human resources system, thus ensuring more timely acquisition of information on related individuals. The Bank further improved the management of non-credit related party transactions. Annual review was conducted over the validity of upper limits granted for ongoing related party transactions with related parties of shareholders during 2018-2020, with the annual amounts of non-credit transactions with related parties of shareholders estimated in detail and brought as major related party transactions through the procedures for deliberation by the Board of Directors, disclosure and filing with the CBIRC and the Board of Supervisors. The Bank strengthened the overall planning for transactions with related parties of shareholders, and completed the application for upper limits of continued related party transactions for 2021-2023 with such related parties based on actual needs and on the prerequisite of compliance first. It also further optimized the review and reporting mechanism for related party transactions by the Board of Directors by enhancing the depth, breadth and refinement of reporting, which enhanced the assessment of transaction reasonableness and avoided improper transfer of interests. In the meantime, a regular reporting mechanism was established for risk monitoring to ensure timely and effective identification and mitigation of risks. The Bank further improved the related party transactions management system. Based on the integration of information on related parties and related party transactions, the system was connected to the human resources system, business systems and external data platforms, thus continuously increasing the automated collection and statistical processing of information. In addition, the Bank further deepened the awareness of related party transaction compliance, strengthened supervision and guidance on day-to-day related party transaction management through multiple methods such as preparing manuals and promoting compliance publicity screensaver, thereby ensuring that its related party transactions were made in an orderly and compliant manner.

9.20 Internal Control Assessment

The purpose of the Bank's internal control is to reasonably ensure the lawfulness and compliance of business and management, safety of assets, and truthfulness and completeness of financial reports and other relevant information, improve business efficiency and effectiveness, and promote the implementation of the development strategy. The Board of Directors authorized the internal audit function to self-assess the effectiveness of the internal control design and operation of the Bank in accordance with relevant requirements such as the *Basic Standards for Enterprise Internal Control*, *Guidelines for Assessment of Enterprise Internal Control* and *Guidelines for Internal Control of Commercial Banks*, and in combination with the Bank's rules and assessment measures on internal control. The internal audit function produced the *2020 Internal Control Assessment Report of China CITIC Bank Corporation Limited* ("the *Internal Control Assessment Report*"), holding that the Bank's internal control was valid as at 31 December 2020 (record date). In the course of the self-assessment exercise, the Bank was not aware of any material defects in its internal control. The Board of Supervisors of the Bank reviewed the *Internal Control Assessment Report* and had no objections to the content of the report.

Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www. hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this report for the *Internal Control Assessment Report* (including the statements of the Board of Directors and the Board of Supervisors on their respective responsibilities in relation to internal control).

9.21 Development of Internal Control and Major Measures Adopted

The Bank always follows the overarching principle of pursuing progress while ensuring stability and upholds the business philosophy that "compliance creates profits". It keeps strengthening the internal control and compliance management mechanism, endeavoring to fulfill the management objective of "Safe CITIC Bank" by enhancing the capability of compliance risk management, cementing the foundation for compliance governance and boosting the efficiency of compliance governance.

At the same time, the Bank emphasized the management requirements for a tier-one legal person across the Bank. It put the annual authorization under the further "differentiated, standardized and meticulous" management, further advocated granting of differentiated authorization to branches located in three major regions. It revised authorization rules, established and improved the review mechanism for exercise of delegated powers at Head Office and branch levels, refined the rules for exercise of power and discharge of duties, strengthened the responsibility for follow-up supervision over the exercise of delegated power, clarified the authorization management mechanism for subsidiaries and continued to improve the authorization management rules. It also brought discipline to authorization management at all levels of institutions and made timely and dynamic adjustment to authorization to further standardize management and increase business efficiency.

The Bank carried out "review" of rectification of irregularities on the market across the board, reviewed the rectification results of previous years, and conducted a comprehensive and in-depth self-inspection according to the rectification priorities for 2020. It thoroughly investigated the problems and potential risks in operation and management, conducted strict self-inspection and self-correction, and conducted accountability according to law. Thanks to all of these efforts, the Bank managed to conduct internal control more effectively and execute related policies more efficiently.

In the in-depth governance of policies, the Bank organized all employees to find out problems in policies and put forward governance suggestions, and urged the Head Office departments to assess suggestions and examine policies in line with the requirements of deepening compliance, controlling risks, optimizing processes, strengthening connection and facilitating implementation. As a result, the Bank revised and formulated 506 policies, issued 60 normative documents and optimized 53 system functions, effectively preventing and controlling risks at the source.

Meanwhile, the Bank continuously improved the fraud case prevention and behavior management system. In line with regulatory requirements and risk priorities, the Bank revised and issued a number of policies on case prevention and employee behavior management, released risk alerts for problems identified in internal and external inspections, and conducted regular investigation and monitoring of abnormal employee behaviors. The Bank cooperated with all business lines and departments to carry out bank-wide warning education, and continuously standardized and deepened the fraud case prevention and employee behavior management across the Bank.

In the campaign of risk compliance culture season themed on "Upholding Honesty and Integrity • Safe CITIC Bank" in 2020, the Bank promoted "compliance-first, risk-oriented" concept and built a compliance culture publicity and implementation system integrating training, examination, tour lecture and warning through series activities of discussion and reflection, tour and warning, risk screening, rectification, and examination following learning. Through these efforts, the Bank raised the risk compliance awareness of all employees, improved their risk and compliance management skills, and boosted the high-quality development of the Bank.

Additionally, the Bank continued to build a multi-tier, practical compliance training and examination system, provide compliance both online and offline training through multiple channels, and strengthened the building of the compliance trainer team. The Bank harnessed the off-site support role of the 5C platform, and launched feature programs of "Jointly Fight the COVID-19 Pandemic through 5C Platform" and "Policy and Problem Governance, Securing Behavior and Credit Management". And the Bank summarized the employees' must-know knowledge in key areas including employee behavior management, customer information protection, anti-money laundering and organized 53,000 people for the compliance test. The Bank established pre-taking-office training and examination system for "three types of new staff members" and organized 7 sessions of training and exams covering 8,799 people, taking good control on qualification before taking office.

9.22 Internal Audit

In accordance with its work objective of "promoting audit transformation and enhancing auditing value", pursuant to the overall arrangements set out in the "2018-2020 Development Plan" and the "8100 Project"[45], and with the guidance of the *Audit Department's Implementation Program for the New Three-year Plan (2018-2020)*, the Bank's internal audit earnestly fulfilled its duties of audit supervision, endeavored to build related capabilities, improved auditing technologies and means on all fronts, strengthened audit supervision and evaluation, and promoted the application of audit findings, resulting in more independent and effective audit.

During the reporting period, the Bank revised the *Internal Audit Charter of China CITIC Bank Corporation Limited (Version 5.0, 2020)*, strengthened the Board of Supervisors' guidance on audit and its supervisory duties, enhanced the requirements on "strengthening audit with technology" and specified the requirements for tracing and auditing of state policy implementation. During the reporting period, the Bank allocated more resources for offsite audit in response to the COVID-19 pandemic, and prioritized national policy implementation, regulatory focuses and requirements of the Head Office's Party Committee, directors, supervisors and senior management members in its audit and supervision, taking into account the new situation and new changes. Towards the five work objectives of "increasing the proportion of regulator-identified problems uncovered earlier", "enhancing the ability to forestall major risks", "strengthening the audit supervision of key minorities", "stepping up the detection of frauds" and "strengthening follow-up on rectification", the Bank intensified the supervision over key institutions, key risk fields, key links of business management and staff in key positions. What's more, the Bank conducted special audits over corporate credit, personal loans, centralized procurement, implementation of annual credit policy, tracing of rectification of problems identified in external inspections etc. and overall audits over branches and major subsidiaries, kept track of internal control risks in a complicated business environment and managed to promote the healthy development of business management activities of the Bank.

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45 The "8100 Project" refers to the detailed breakdown arrangements that the Bank used to promote the implementation of the 2018-2020 plan. "8" refers to the "eight major projects", namely, the eight major measures of the development plan for 2018-2020, including the regional differentiated development project, the "One Body Two Wings" transformation project, the integrated internationalized operation project, the financial technology innovation project, the "Safe CITIC Bank" project, the refined management project, the human resources reform project, and the Party building and corporate culture fostering project. "100" refers to the "100 key tasks", i.e., the 100 major breakdown tasks to promote the implementation of the "eight major projects".

9.23 External Audit of Internal Control

During the reporting period, the Bank engaged PricewaterhouseCoopers Zhong Tian LLP to audit the effectiveness of its internal control over financial reporting as at 31 December 2020 in accordance with the relevant requirements of the *Guidelines on Audit of Enterprise Internal Control* and the practicing standards for PRC certified public accountants. Based on the audit findings, PricewaterhouseCoopers Zhong Tian LLP presented to the Bank its audit report on internal control. For details thereof, please refer to the announcement published by the Bank on the websites of SSE (http://www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

In its audit opinion on internal control over financial reporting of the Bank, PricewaterhouseCoopers Zhong Tian LLP was of the view that the Bank maintained effective internal control over financial reporting in all material aspects in accordance with the *Basic Standards for Enterprise Internal Control* and relevant regulations as at 31 December 2020.

9.24 Auditors and Their Remunerations

With regard to the auditors engaged by the Bank for the reporting period and their remunerations, please refer to Chapter 4 "Report of the Board of Directors – Engagement of Auditors" of this report for details thereof.

PricewaterhouseCoopers was the overseas auditor engaged by the Bank for the reporting period. Its statement of reporting obligation in respect of the consolidated financial statements is set out in Chapter 11 "Independent Auditor's Report and Audited Financial Statements" of this report.

9.25 Responsibility Statement of the Board of Directors on Risk Management, Internal Control and Compliance Management

The Board of Directors bears the ultimate responsibility for the Bank's risk management, internal control and compliance management and is responsible for reviewing the effectiveness of the regulations thereon. In consideration that the abovementioned risk management and internal control systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, the Board of Directors can only provide reasonable instead of absolute assurance that the above-mentioned systems and internal control can prevent any material misstatement or loss. For details on the Bank's risk management, please refer to Chapter 3 "Management Discussion and Analysis – Risk Management" of this report.

CHAPTER 10 REPORT OF THE BOARD OF SUPERVISORS

10.1 Information on the Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors convened 12 meetings (including 10 onsite meetings and 2 meetings via written resolutions) where it deliberated 28 proposals, including those respectively regarding the Bank's periodic reports, profit distribution plan, internal control assessment report, sustainable development report, annual assessment report on the performance of duties, and internal assessment of capital adequacy being studied and reviewed; and the Board of Supervisors listened to 42 presentations, including those respectively regarding the Bank's report on operating results, report on comprehensive risk management, report on internal control and compliance, rectification of regulatory issues, consumer protection, anti-money laundering work, and fraud case prevention. The Board of Supervisors mainly performs its supervisory function through holding meetings. Based on comments and suggestions of supervisors, the Board of Supervisors issued 6 Supervision Work Letters in the year to relevant business units for research and feedback, and submitted them to the Board of Directors and the senior management, which helped further improve the closed-loop management mechanism for meetings, making the meeting-related work of the Board of Supervisors more standardized and effective, and enhancing the interaction of bodies involved in corporate governance. In addition, the Board of Supervisors attended all on-site meetings of the Board of Directors and some of the meetings of the specialized committees of the Board of Directors as non-voting delegates to ensure adequate supervision over the decision-making process on the Bank's significant events. Meanwhile, it carried out supervisory inspections of the Bank's operation and management activities by attending senior management meetings as non-voting delegates and reviewing various documents and materials submitted by the management.

During the reporting period, the Board of Supervisors actively explored new working methods, broadened the channels for performing its supervisory functions, and promoted the transformation towards "proactive and dynamic supervision". In line with the requirements of the CPC Central Committee and the regulatory orientation, the Board of Supervisors adopted Supervision Reminder Letter to timely convey the supervisory opinions and suggestions of the Board of Supervisors concerning key supervision areas and the Bank's priority tasks to the Board of Directors and the senior management. In 2020, the Board of Supervisors issued four Supervision Reminder Letters, and played a sound supervisory and reminding role by proposing the following supervisory suggestions to the Board of Directors and the senior management: increasing support for the development of the manufacturing industry, focusing on improving the financial services for small and micro enterprises, effectively strengthening the management of real estate business, advancing capital replenishment and strengthening capital management, properly managing and controlling liquidity risk. Meanwhile, the Board of Supervisors conducted thematic surveys on the operation and management and corporate governance of subsidiaries, rectification of problems identified in internal and external inspections, asset quality, and the prevention and control of fraud case risk, covering a total of 8 branches and subsidiaries. The Board of Supervisors further improved the effectiveness of surveys by reasonably planning the survey topic selection, continuously improving the survey mode, and reinforcing the transformation of survey value. As for common or trending issues and other major issues found in surveys, the Board of Supervisors developed special reports and put forward systematic and pertinent opinions and suggestions for the reference of the Party Committee, the Board of Directors and the management of the Bank.

During the reporting period, the Board of Supervisors further strengthened the top-level design, and kept improving system and mechanism development by revising the *Rules of Procedures of the Board of Supervisors of China CITIC Bank Corporation Limited, formulating the Measures for Interview on Duty Performance of Directors and Senior Management Members by the Board of Supervisors of China CITIC Bank Corporation Limited (Trial) and the Detailed Rules for Assessment of Senior Management Members by the Board of Supervisors of China CITIC Bank Corporation Limited (Trial)*, among other rules concerning duty performance assessment. In addition, the Board of Supervisors clarified the key supervisory responsibilities, developed *the List of Supervisory Responsibilities of the Board of Supervisors* which covers 39 responsibilities under 6 categories, for the more systematic and science-based supervision. It also elected new external supervisors, actively participated in various training, and further strengthened its own development.

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

Supervisors	**In-person attendance/ number of meetings**	**Attendance by proxy/ number of meetings**
Liu Cheng	12/12	0/12
Jia Xiangsen	12/12	0/12
Zheng Wei	11/12	1/12
Wei Guobin	8/8	0/8
Li Gang	12/12	0/12
Chen Panwu	12/12	0/12
Zeng Yufang	10/12	2/12

Notes: 1. During the reporting period, before his departure as supervisor, Mr. Deng Changqing attended 9 meetings in person and 2 meetings by proxy among the 11 total meetings taken place during his tenure.

2. During the reporting period, before her departure as supervisor, Ms. Wang Xiuhong attended 2 meetings in person and 2 meetings by proxy among the 4 total meetings taken place during her tenure.

3. From 20 May 2020 when Mr. Wei Guobin served as an external supervisor of the 5th session of the Board of Supervisors of the Bank to the end of the reporting period, the Bank held a total of 8 meetings of the Board of Supervisors.

During the reporting period, all the 3 external supervisors of the Bank were able to exercise their supervisory duties independently, and worked in the Bank for more than 15 working days, meeting regulatory requirements. By attending meetings of the Board of Supervisors, participating in the meetings of the Board of Directors and its specialized committees as non-voting attendees, and joining the thematic surveys of the Board of Supervisors and other activities, external supervisors actively learned about the Bank's operation and management status, carefully studied various proposals and special reports, made independent, professional and objective judgment on the Bank's affairs, and actively put forward suggestions at the meetings of the Board of Supervisors, playing an important role in fulfilling the supervisory responsibilities of the Board of Supervisors.

10.2 Specialized Committees under the Board of Supervisors

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

10.2.1 Supervision Committee

As at the end of the reporting period, the Supervision Committee of the Bank's Board of Supervisors comprised 4 supervisors, with Mr. Jia Xiangsen as chairman, and Mr. Zheng Wei, Mr. Li Gang and Ms. Zeng Yufang as members. Primary responsibilities of the committee include the following: to supervise the Board of Directors in the establishment of prudent business concepts and value propositions and the formulation of development strategies consistent with the Bank's real situations, and to carry out supervisory inspections of the Bank's business decisions, financial activities, risk management and internal control.

During the reporting period, the Supervision Committee under the Board of Supervisors convened 5 meetings which deliberated and adopted 12 proposals including those respectively regarding the Bank's periodic reports, profit distribution plan, internal control assessment report and sustainable development report, etc. The attendance records of the Supervision Committee members at the committee meetings during the reporting period are set out in the table below:

Members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Jia Xiangsen	5/5	0/5
Zheng Wei	5/5	0/5
Li Gang	5/5	0/5
Zeng Yufang	4/5	1/5

10.2.2 Nomination Committee

As at the end of the reporting period, the Nomination Committee of the Bank's Board of Supervisors comprised 3 supervisors, with Mr. Wei Guobin as chairman, and Mr. Zheng Wei and Mr. Chen Panwu as members. Principal responsibilities of the committee include the following: to draft procedures and standards on selecting and appointing candidate supervisors to be elected by the general meeting, and to carry out preliminary review of the qualifications for office of such candidate supervisors and put forward corresponding recommendations. The employee representative supervisors of the Bank are democratically elected or dismissed by employees of the Bank.

During the reporting period, the Nomination Committee of the Board of Supervisors convened 4 meetings which deliberated and adopted 9 proposals including the assessment report on duty performance of Board of Directors, Board of Supervisors and the senior management and their members by Board of Supervisors, the *Measures for Interview on Duty Performance of Directors and Senior Management Members by the Board of Supervisors of China CITIC Bank Corporation Limited (Trial) and the Detailed Rules for Assessment of Senior Management Members by the Board of Supervisors of China CITIC Bank Corporation Limited (Trial)*. The attendance records of the Nomination Committee members at the committee meetings during the reporting period are set out in the table below:

Members	**In-person attendance/ number of meetings**	**Attendance by proxy/ number of meetings**
Wei Guobin	3/3	0/3
Zheng Wei	2/3	1/3
Chen Panwu	4/4	0/4

Notes: 1. During the reporting period, before his departure as supervisor, Mr. Deng Changqing attended in person all 3 meetings taken place during his tenure.

2. During the reporting period, before her departure as supervisor, Ms. Wang Xiuhong attended in person the 1 meeting taken place during her tenure.

3. From 22 May 2020 when supervisor Mr. Wei Guobin and supervisor Mr. Zheng Wei served as members of the Nomination Committee of the 5th session of the Board of Supervisors of the Bank to the end of the reporting period, the Bank held a total of 3 meetings of the Nomination Committee of the Board of Supervisors.

10.3 Independent Opinions of the Board of Supervisors on Relevant Matters

10.3.1 Compliance of Business Operation

The Bank conducted its business according to relevant laws, and its decision-making process complies with relevant requirements of laws, regulations and the Bank's Articles of Association. Neither breach of laws, regulations or the Bank's Articles of Association nor behavior that would impair the interests of the Bank and shareholders were identified on part of the directors or senior management members in their duty performing.

10.3.2 Truthfulness of the Financial Report

The compilation and review process of the financial report is compliant with laws, administrative regulations and regulatory provisions and no misrepresentation, distortion or material defect was identified in the report.

10.3.3 *Acquisition or Disposal of Assets*

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

10.3.4 *Related Party Transactions*

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

10.3.5 *Implementation of Resolutions Adopted at the General Meetings*

The Board of Supervisors had no objections to the reports and proposals that the Board of Directors submitted to the general meetings for deliberation in 2020. The Board of Supervisors supervised the implementation of the resolutions adopted at the general meetings and held that the Board of Directors diligently implemented the relevant resolutions of the general meetings.

10.3.6 *Internal Control*

The Board of Supervisors deliberated and approved the 2020 Internal Control *Assessment Report of China CITIC Bank Corporation Limited.*

10.3.7 *Sustainable Development Report*

The Board of Supervisors deliberated and approved the *2020 Sustainable Development Report of China CITIC Bank Corporation Limited.*

10.3.8 *Profit Distribution Plan*

The Board of Supervisors deliberated and approved the *2020 Profit Distribution Plan of China CITIC Bank Corporation Limited*, and was of the opinion that the profit distribution plan, in compliance with laws, regulations and relevant requirements in the Bank's Articles of Association and strictly following related decision-making process, was reasonable, in line with *the 2018-2020 Shareholder Return Plan* as well as the interests of all shareholders and conducive to the long-term development of the Bank.

10.3.9 *Dividend Distribution Plan for Preference Shares*

The Board of Supervisors reviewed and approved the *2020 Dividend Distribution Plan for Preference Shares of China CITIC Bank Corporation Limited*, and deemed that the dividend distribution plan for preference shares of the Bank complied with applicable laws and regulations, the Bank's Articles of Association and the terms of issuance for the preference shares.

10.3.10 *Implementation of the Regulations on Management of Information Disclosure*

The Bank performed its information disclosure obligations in strict accordance with relevant regulatory requirements, earnestly implemented various regulations on the management of information disclosure matters, and disclosed information in a timely and fair manner. The information disclosed during the reporting period was truthful, accurate and complete.

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

China CITIC Bank Corporation Limited

(Incorporated in the People's Republic of China with Limited Liability)

Auditor’s Report and Consolidated Financial Statements
For the year ended 31 December 2020
(Prepared under International Financial Reporting Standards)

Independent Auditor's Report

To the Shareholders of China CITIC Bank Corporation Limited
(incorporated in the People's Republic of China with limited liability)
(This auditor's report is published in English and Chinese. In the event of any inconsistency between the two versions, the Chinese version shall prevail.)

Opinion

What we have audited

The consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 1 to 209, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments
- Consolidation of structured entities – Non-principal guaranteed wealth management products
- De-recognition of financial assets

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Measurement of expected credit losses for loans and advances to customers and financial investments	
Refer to Note 4(c), Note 5(i), Note 22 and Note 23 to the consolidated financial statements. As at 31 December 2020, gross loans and advances to customers and accrued interest included for the purpose of expected credit loss assessment, as presented in the Group's consolidated balance sheet, amounted to RMB 4,478,775 million, for which the management recognized an impairment allowance of RMB 126,251 million; total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB 1,697,310 million, for which the management recognized an impairment allowance of RMB 16,421 million. The balances of loss allowances for the loans and advances to customers and financial investments represent the management's best estimates at the balance sheet date of expected credit losses ("ECL") under International Financial Reporting Standard 9: Financial Instruments expected credit losses models.	We obtained an understanding of the management's internal control and assessment process of ECL for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated and tested the design and operating effectiveness of the internal controls relating to ECL for loans and advances to customers, and financial investments, primarily including: (1) Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models; (2) Internal controls relating to significant management judgments and assumptions, including the assess and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults or credit-impaired loans, forward-looking measurement, and management overlay adjustments; (3) Internal controls over the accuracy and completeness of key inputs used by the models; (4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and advances and financial investments in stage 3; (5) Internal controls over the information systems for ECL measurement;

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
The management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For stages 1 and 2 financial assets, the management assesses impairment allowance using risk parameter model that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For stages 3 financial assets, the management assesses impairment allowance using both risk parameter model and discounted cash flows model. The models of ECL involves significant management judgments and assumptions, primarily including: (1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; (2) Criteria for determining whether or not there was a significant increase in credit risk, or a default or credit-impaired;	(6) Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments. The substantive procedures we preformed primarily included: According to the risk characteristics of assets, we evaluated the segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also examined the coding for model measurement on a sample basis, to tested whether or not the models reflect the modelling methodologies documented by the management. We have examined the accuracy of data inputs for the ECL models, covering examination of supporting information on a sample basis, including contractual information, such as maturity dates, and other financial and non-financial information, such as the borrower's historical and reporting date information, which have been agreed with the underlying data used to generate probability of default and internal credit ratings; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts and assessment of the reasonableness of exposure at default and discounting rates.

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
(3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; (4) Management overlay adjustments due to significant uncertain factors not covered in the models; (5) The estimated future cash flows for corporate loans and advances and financial investments in stage 3. The Group established governance processes and controls for the measurement of ECL. The amount of impairment of the loans and advances to customers and financial investments is significant, and the measurement has a high degree of estimation uncertainty. For measuring ECL, the management adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions, and involved significant inherent risk. In view of these reasons, we identified this as a key audit matter.	We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired loans. For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of co-relation with the performance of the credit risk portfolios by using statistical techniques. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we performed sensitivity analysis of economic scenarios and weightings. In addition, based on considering the significant uncertain factors, we evaluated the rationality of management overlay adjustments, and examined the accuracy of the relevant mathematical calculations. For corporate loans and advances and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance. Based on our procedures performed, the models, key parameters and data, significant judgements and assumptions adopted in the ECL measurement together with the measurement results were considered acceptable.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products	
Refer to Note 4(a), Note 5(v), Note 23(a) and Note 59 to the consolidated financial statements. As at 31 December 2020, non-principal guaranteed wealth management products issued and managed by the group involved structured entities, and amounts for structured entities included in the consolidation scope and those not included were disclosed in Note 23(a) and Note 59 respectively. Management's decision on whether or not to consolidate structured entities was based on an assessment of the Group's power, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities. We focused on the consolidation assessment and judgment made by management involving the structured entities for non-principal guaranteed WMPs during our audit, as whether or not to consolidate these entities involved significant judgment.	We evaluated and tested the design and operating effectiveness of management's relevant controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included the review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities. We selected samples of structured entities for non-principal guaranteed WMPs and performed the following tests: • assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities; • performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; • assessed whether the Group acted as a principal or an agent through analysis of the scope of the Group's decision-making authority, its remuneration entitlement, other interests the Group held, and the rights held by other parties. • evaluated and examined on the appropriateness of disclosures relating to structured entities in the consolidated financial statements. Based on the procedures performed above, we found management's judgement relating to the consolidation and disclosure of structured entities for non-principal guaranteed WMPs acceptable in all material respects.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
De-recognition of Financial Assets	
Refer to Note 4(c), Note 5(iv) and Note 60 to the consolidated financial statements. During the year ended 31 December 2020, the Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, and transfers of non-performing loans. Management analysed the Group's contractual rights and obligations in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred by using models to determine whether the de-recognition criteria were met. Where necessary, the Group assessed whether it had relinquished its control over the transferred financial assets to determine whether the de-recognition criteria were met. The de-recognition assessment relating to the transfer of financial assets involved significant judgment from management, and as such, we focused our audit on the de-recognition of these financial assets.	We evaluated and tested the design and operating effectiveness of the relevant controls over transfers of financial assets, including the review and approval of the structure designs and contractual terms of the transactions, the approval of models for testing the transfer of risks and rewards of ownership and the key parameters and assumptions used in the models, as well as the review and approval of management's assessment results. We selected samples and read through transaction agreements to assess the contractual rights and obligations of the Group, and whether the Group transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows, to independent third parties. We took samples to analyze and evaluate the rationality of the models, parameters, assumptions and discount rates used in the management risk and reward transfer test and check the accuracy of the calculation of management risk and reward transfer. Based on the procedures performed above, we found management's assessment over de-recognition of transferred financial assets acceptable.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Kin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2021

China CITIC Bank Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*Year ended 31 December* *2020*	*2019*
Interest income		298,006	288,152
Interest expense		(147,491)	(141,227)
Net interest income	6	150,515	146,925
Fee and commission income		33,757	32,630
Fee and commission expense		(4,921)	(5,900)
Net fee and commission income	7	28,836	26,730
Net trading gain	8	3,354	5,229
Net gain from investment securities	9	11,935	8,629
Net hedging loss	10	(1)	(2)
Other operating income		760	370
Operating income		195,399	187,881
Operating expenses	11	(54,255)	(54,168)
Operating profit before impairment		141,144	133,713
Credit impairment losses	12	(82,477)	(76,679)
Impairment losses on other assets	13	(512)	(576)
Revaluation losses on investment properties		(69)	(15)
Share of (loss)/gain of associates and joint ventures		(229)	102
Profit before tax		57,857	56,545
Income tax expense	14	(8,325)	(7,551)
Profit for the Year		49,532	48,994
Net profit attributable to:			
Equity holders of the Bank		48,980	48,015
Non-controlling interests		552	979

China CITIC Bank Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
For the year ended 31 December 2020

(Amounts in millions of Renminbi unless otherwise stated)

		Year ended 31 December	
	Notes	*2020*	*2019*
Profit for the year		49,532	48,994
Other comprehensive income, net of tax:	15		
Items that will not be reclassified to profit or loss (net of tax):			
- Fair value changes on financial investments designated at fair value through other comprehensive income		(119)	(789)
- Others		51	-
Items that may be reclassified subsequently to profit or loss (net of tax):			
- Other comprehensive income transferable to profit or loss under equity method		8	-
- Fair value changes on financial assets at fair value through other comprehensive income		(5,204)	1,714
- Impairment allowance on financial assets at fair value through other comprehensive income		841	685
- Exchange difference on translating foreign operations		(2,741)	592
Other comprehensive income, net of tax	15	(7,164)	2,202
Total comprehensive income for the year Total		42,368	51,196
Total comprehensive income attribute to:			
Equity holders of the Bank		41,728	50,107
Non-controlling interests		640	1,089
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	16	0.94	0.95
Diluted earnings per share (RMB)	16	0.86	0.89

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

China CITIC Bank Corporation Limited
Consolidated Statement of Financial Position
As at 31 December 2020

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*31 December* 2020	*31 December* 2019
Assets			
Cash and balances with central banks	17	435,169	463,158
Deposits with banks and non-bank financial institutions	18	133,392	121,297
Precious metals		6,274	6,865
Placements with and loans to banks and non-bank financial institutions	19	168,380	204,547
Derivative financial assets	20	40,064	17,117
Financial assets held under resale agreements	21	111,110	9,954
Loans and advances to customers	22	4,360,196	3,892,602
Financial investments	23	2,092,732	1,873,596
- at fair value through profit or loss		405,632	317,546
- at amortised cost		959,416	924,234
- at fair value through other comprehensive income		724,124	628,780
- designated at fair value through other comprehensive income		3,560	3,036
Investments in associates and joint ventures	24	5,674	3,672
Investment properties	26	386	426
Property, plant and equipment	27	33,868	22,372
Right-of-use assets	28	11,556	12,390
Intangible assets		2,544	1,874
Goodwill	29	860	912
Deferred tax assets	30	41,913	32,095
Other assets	31	67,043	87,556
Total assets		7,511,161	6,750,433

China CITIC Bank Corporation Limited
Consolidated Statement of Financial Position (continued)
As at 31 December 2020

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*31 December 2020*	*31 December 2019*
Liabilities			
Borrowings from central banks		224,391	240,298
Deposits from banks and non-bank financial institutions	33	1,163,641	951,122
Placements from banks and non-bank financial institutions	34	57,756	92,539
Financial liabilities at fair value through profit or loss		8,654	847
Derivative financial liabilities	20	39,809	16,836
Financial assets sold under repurchase agreements	35	75,271	111,838
Deposits from customers	36	4,572,286	4,073,258
Accrued staff costs	37	20,333	20,924
Taxes payable	38	8,411	8,865
Debt securities issued	39	732,958	650,274
Lease liabilities		10,504	10,896
Provisions	40	7,208	6,116
Deferred tax liabilities	30	11	10
Other liabilities	41	29,890	34,086
Total liabilities		6,951,123	6,217,909

China CITIC Bank Corporation Limited
Consolidated Statement of Financial Position (continued)
As at 31 December 2020

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*31 December 2020*	*31 December 2019*
Equity			
Share capital	42	48,935	48,935
Other equity instruments	43	78,083	78,083
Capital reserve	44	59,216	58,977
Other comprehensive income	45	109	7,361
Surplus reserve	46	43,786	39,009
General reserve	47	90,819	81,535
Retained earnings	48	223,625	203,411
Total equity attributable to equity holders of the Bank		544,573	517,311
Non-controlling interests	49	15,465	15,213
Total equity		560,038	532,524
Total liabilities and equity		7,511,161	6,750,433

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

Approved and recognized for issue by the board of directors on 25th March 2021.

Fang Heying
Executive Director
President and Chief Financial Officer

Guo Danghuai
Executive Director
Vice President in charge of finance function

Xue Fengqing
General Manager of Finance Department

Company stamp

China CITIC Bank Corporation Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							*Non-controlling interests*		
	Notes	*Share capital*	*Other Equity instruments*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Ordinary equity holders*	*Other equity instruments holders*	*Total equity*
As at 1 January 2020		48,935	78,083	58,977	7,361	39,009	81,535	203,411	8,546	6,667	532,524
(i) Net profit		-	-	-	-	-	-	48,980	170	382	49,532
(ii) Other comprehensive income	15	-	-	-	(7,252)	-	-	-	88	-	(7,164)
Total comprehensive income		-	-	-	(7,252)	-	-	48,980	258	382	42,368
(iii) Investor capital											
- Additional investments in joint ventures		-	-	239	-	-	-	-	-	-	239
(iv) Profit appropriations											
- Appropriations to surplus reserve	46	-	-	-	-	4,777	-	(4,777)	-	-	-
- Appropriations to general reserve	47	-	-	-	-	-	9,284	(9,284)	-	-	-
- Dividend distribution to ordinary shareholders of the Bank	48	-	-	-	-	-	-	(11,695)	-	-	(11,695)
- Dividend distribution to non-controlling interests		-	-	-	-	-	-	-	(6)	-	(6)
- Dividend distribution to preference shareholders	48	-	-	-	-	-	-	(1,330)	-	-	(1,330)
- Interest paid to holders of perpetual bonds	43/49	-	-	-	-	-	-	(1,680)	-	(382)	(2,062)
As at 31 December 2020		48,935	78,083	59,216	109	43,786	90,819	223,625	8,798	6,667	560,038

China CITIC Bank Corporation Limited
Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2019

(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							*Non-controlling interests*		
	Notes	*Share capital*	*Other Equity instruments*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Ordinary equity holders*	*Other equity instruments holders*	*Total equity*
As at 1 January 2019		48,935	34,955	58,977	5,269	34,450	74,255	179,820	7,933	8,492	453,086
(i) Net profit		-	-	-	-	-	-	48,015	509	470	48,994
(ii) Other comprehensive income	15	-	-	-	2,092	-	-	-	110	-	2,202
Total comprehensive income		-	-	-	2,092	-	-	48,015	619	470	51,196
(iii) Issuing of other equity instruments											
- Convertible corporate bonds		-	3,135	-	-	-	-	-	-	-	3,135
- Perpetual bonds		-	39,993	-	-	-	-	-	-	-	39,993
- Redemption of other equity instruments		-	-	-	-	-	-	-	-	(1,825)	(1,825)
(iv) Profit appropriations											
- Appropriations to surplus reserve	46	-	-	-	-	4,559	-	(4,559)	-	-	-
- Appropriations to general reserve	47	-	-	-	-	-	7,280	(7,280)	-	-	-
- Dividend distribution to ordinary shareholders of the Bank	48	-	-	-	-	-	-	(11,255)	-	-	(11,255)
- Dividend distribution to non-controlling interests		-	-	-	-	-	-	-	(6)	-	(6)
- Dividend distribution to preference shareholders	48	-	-	-	-	-	-	(1,330)	-	-	(1,330)
- Interest paid to holders of perpetual bonds	49	-	-	-	-	-	-	-	-	(470)	(470)
As at 31 December 2019		48,935	78,083	58,977	7,361	39,009	81,535	203,411	8,546	6,667	532,524

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

China CITIC Bank Corporation Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2020

(Amounts in millions of Renminbi unless otherwise stated)

	Year ended 31 December	
	2020	*2019*
Operating activities		
Profit before tax	57,857	56,545
Adjustments for:		
- revaluation (gain)/loss on investments, derivatives and investment properties	(250)	373
- investment gain	(10,558)	(7,829)
- net gain on disposal of property, plant and equipment, intangible assets and other assets	(142)	(3)
- unrealised foreign exchange loss/(gain)	858	(323)
- credit impairment losses	82,477	76,679
- impairment losses on other assets	512	576
- depreciation and amortisation	2,992	2,791
- interest expense on debt securities issued	21,606	22,186
- dividend income from equity investment	(20)	(65)
- depreciation of right-of-use assets and interest expense on lease liabilities	3,845	3,823
- income tax paid	(17,468)	(13,503)
Subtotal	141,709	141,250
Changes in operating assets and liabilities:		
(Increase)/decrease in balances with central banks	(12,824)	44,865
Decrease/ (increase) in deposits with banks and non-bank financial institutions	35,874	(70,522)
Increase in placements with and loans to banks and non-bank financial institutions	(4,923)	(18,513)
(Increase)/decrease in investments in financial assets held for trading purposes	(5,243)	29,279
(Increase)/decrease in financial assets held under resale agreements	(101,166)	788
Increase in loans and advances to customers	(551,929)	(440,025)
Increase in deposits from banks and non-bank financial institutions	211,850	170,271
Decrease in borrowings from central banks	(13,808)	(44,840)
Decrease in placements from banks and non-bank financial institutions	(33,604)	(23,227)
Increase/(decrease) in financial liabilities at fair value through profit or loss	7,596	(243)
Decrease in financial assets sold under repurchase agreements	(36,544)	(8,467)
Increase in deposits from customers	504,563	417,812
Decrease/(increase) in other operating assets	4,576	(71,776)
Increase/(decrease) in other operating liabilities	10,736	(9,683)
Subtotal	15,154	(24,281)
Net cash flows from operating activities	156,863	116,969

China CITIC Bank Corporation Limited
Consolidated Statement of Cash Flows
(continued)
For the year ended 31 December 2020

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*Year ended 31 December* 2020	2019
Investing activities			
Proceeds from disposal and redemption of investments		2,570,954	1,940,528
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		368	399
Cash received from equity investment income		416	373
Payments on acquisition of investments		(2,783,341)	(2,190,629)
Payments on acquisition of property, plant and equipment, land use rights and other assets		(4,619)	(4,056)
Net cash paid for acquisition of associates and joint ventures	24	(2,027)	-
Net cash received from disposal of associates		-	321
Net cash flows used in investing activities		(218,249)	(253,064)
Financing activities			
Cash received from debt securities issued	39	807,022	586,270
Cash received from other equity instruments issued	43	-	39,993
Cash paid for redemption of debt securities issued		(720,194)	(486,792)
Interest paid on debt securities issued		(22,319)	(22,829)
Dividends paid		(15,094)	(13,052)
Principle and interest paid for leasing liabilities		(3,443)	(3,011)
Net cash flows from financing activities		45,972	100,579
Net decrease in cash and cash equivalents		(15,414)	(35,516)
Cash and cash equivalents as at 1 January		342,449	376,009
Effect of exchange rate changes on cash and cash equivalents		(7,469)	1,956
Cash and cash equivalents as at 31 December	50	319,566	342,449
Cash flows from operating activities include:			
Interest received		306,814	291,967
Interest paid		(117,290)	(119,236)

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

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 6-30F and 32-42F No.10 Guanghua Road, Chaoyang District, Beijing , China. The Bank listed its A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively on 27 April 2007.

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

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

As at 31 December 2020, the Group mainly operates in Mainland China with branches covering 31 provinces, autonomous regions and municipalities. In addition, the Bank’s subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC (“Hong Kong”) and other overseas countries and regions.

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

The consolidated financial statements were approved by the Board of Directors of the Bank on 25 March 2021.

2 Basis of preparation

These consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements for the year ended 31 December 2020 comprise the Bank and its subsidiaries, associates and joint ventures.

(a) Accounting year

The accounting year of the Group is from 1 January to 31 December.

2 Basis of preparation (continued)

(b) Functional currency and presentation currency

The functional currency of the Bank is Renminbi ("RMB"). The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the consolidated financial statements according to Note 4(b)(ii). The consolidated financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.

3 Principle accounting policies

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and at fair value through other comprehensive income, and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(a) Standards and amendments effective in 2020 relevant to and adopted by the Group

In the current year, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current year. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2020.

(1)	Amendments to IFRS 3	(i)	Definition of a business
(2)	Amendments to IAS 1 and IAS 8	(ii)	Definition of material
(3)	Amendments to IFRS 9, IAS 39 and IFRS 7	(iii)	Interest rate benchmark reform

Adoption of the above standards and amendments has no significant impact on the operating results, comprehensive income or financial position of the Group.

3 Principle accounting policies (continued)

(a) Standards and amendments effective in 2020 relevant to and adopted by the Group(continued)

(i) Amendments to IFRS 3- definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

(ii) Amendments to IAS 1 and IAS 8- definition of material.

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

(iii) Amendments to IFRS 9, IAS 39 and IFRS 7- Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting requirements, and the effect that IBOR reform would not result in discontinuation of hedge accounting if the hedge meets other hedge accounting criteria. However, any hedge ineffectiveness should continue to be recorded in the income statement.

(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies (continued)

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

The Group has not adopted the following new and revised IFRSs and IFRS interpretations that have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee but are not yet effective.

				Effective for annual periods beginning on or after
(1)	Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	(i)	Interest rate benchmark (IBOR) reform	1 January 2021
(2)	Amendments to IAS 1	(ii)	Classification of Liabilities as Current or Non-current	1 January 2022
(3)	Amendments to IFRS 3	(iii)	Reference to the Conceptual Framework	1 January 2022
(4)	Amendments to IAS 37	(iv)	Cost of Fulfilling a Contract	1 January 2022
(5)	Amendments to IAS 16	(v)	Proceeds before Intended Use	1 January 2022
(6)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	(vi)	IASB Annual Improvements 2018 - 2020 cycle	1 January 2022
(7)	Amendments to IFRS 10 and IAS 28	(vii)	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.

3 Principle accounting policies (continued)

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

(i) Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark (IBOR) reform

The IASB has issued IBOR Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR), including: 1. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. 2. Require an entity to prospectively cease to apply the Phase 1 reliefs to a noncontractually specified risk component at the earlier of when changes are made to the noncontractually specified risk component, or when the hedging relationship is discontinued. 3. Additional temporary exceptions from applying specific hedge accounting requirement. 4. Additional IFRS 7 disclosure requirements related to IBOR reform. The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(ii) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).

- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect classification.

3 Principle accounting policies (continued)

(c) Standards and amendments relevant to the Group that are not yet effective in the current year and have not been adopted before their effective dates by the Group (continued)

(ii) Amendments to IAS 1: Classification of Liabilities as Current or Non-current (continued)

- The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The amendment changes the guidance for the classification of liabilities as current or non-current. It could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. All entities should reconsider their existing classification in the light of the amendment and determine whether any changes are required. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iii) Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

3 Principle accounting policies (continued)

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

(iv) Amendments to IAS 37: Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Cost of Fulfilling a Contract. The amendments clarify the meaning of 'costs to fulfil a contract', they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(v) Amendments to IAS 16: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(vi) Annual improvements 2018-2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements 2018-2020 cycle, which include fees included in the 10% test for derecognition of financial liabilities, illustrative examples accompanying IFRS 16, 'Leases', subsidiary as a first-time adopter and taxation in fair value measurements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

3 Principle accounting policies (continued)

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

(vii) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

4 Summary of significant accounting policies

(a) Consolidated financial statements

(i) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities assumed are measured based on their carrying amounts in the financial statements of the acquiree at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against share premium in the capital reserve with any excess adjusted against retained earnings. The issuance costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. The combination date is the date on which one combining enterprise obtains control of other combining enterprises.

(ii) Business combinations not involving entities under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before the business combination. Where (i) the aggregate of the acquisition date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (ii) the acquirer's interest in the acquisition date fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill (Note 4(j)). If (i) is less than (ii), the difference is recognized in the consolidated statement of profit or loss for the current period. The issuance costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed as incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognized in the consolidated statement of profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognized by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognized as investment income for the current period; the amount recognized in other comprehensive income relating to the previously-held equity interest in the acquire will be reclassified to profit or loss.

4 Summary of significant accounting policies (continued)

(a) Consolidated financial statements (continued)

(iii) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries, as well as structured entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Bank has power, only substantive rights (held by the Bank and other parties) are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest is presented separately in the consolidated statement of financial position within owners' equity. Profit or loss and total comprehensive income attributable to non-controlling equity holders are presented separately in the consolidated statement of profit or loss and other comprehensive income.

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of equity holders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances, transactions and cash flows, and any recognized profits arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated only limited to the extent that this is no evidence of impairment.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore, the opening balances and the comparative figures of the consolidated financial statements are restated.

Where a subsidiary was acquired during the reporting period, through a business combination not involving enterprises under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

4 Summary of significant accounting policies (continued)

(a) Consolidated financial statements (continued)

(iii) Consolidated financial statements (continued)

The difference between the costs of long-term investments newly acquired by the Bank by acquiring minority interests and the fair value of the Bank's share of the net identifiable assets of its subsidiaries calculated based on the increased shareholding, and the difference between the proceeds the Bank obtained from partial disposal of its equity investments in its subsidiaries without ceasing control over the subsidiaries and its share of the net assets of the subsidiaries that corresponds to the disposed long-term equity investments, shall both be recognized as adjustments to reduce the capital reserve (share premium) of the consolidated statement of financial position, and if the capital reserve (share premium) is not sufficient to cover the reductions, the excess is charged to the retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group recognized assets, liabilities, non-controlling interests and other related items in equity holders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognized as investment income for the current period when the control is lost.

If there is a difference between the accounting entity of a Group and the accounting entity of the bank or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

4 Summary of significant accounting policies (continued)

(b) Foreign currency translations

(i) Translation of foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated into Renminbi by applying the spot exchange rates at the dates of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the reporting date. The resulting exchange differences are recognised in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rate at the date the fair value is determined. The differences arising from the translation of financial assets at fair value through other comprehensive income is recognised in other comprehensive income. Changes in the fair value of monetary assets denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognised in the consolidated statement of profit or loss, and other changes in the carrying amount are recognised in other comprehensive income. The translation differences resulting from other monetary assets and liabilities are recognised in the consolidated statement of profit or loss.

4 Summary of significant accounting policies (continued)

(b) Foreign currency translations (continued)

(ii) Translation of financial statements denominated in foreign currency

Financial statements denominated in foreign currency are translated into Renminbi for the preparation of consolidated financial statements. The assets and liabilities in the financial statements denominated in foreign currency are translated into Renminbi at the spot exchange rates prevailing at the reporting date. The equity items, except for "retained earnings", are translated to Renminbi at the spot exchange rates at the dates on which such items arose. Income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. The resulting exchange differences are recognized in other comprehensive income.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognized in equity holders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows.

(c) Financial instruments

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and classification of financial instruments

Financial assets

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

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

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

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

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets(continued)

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

Debt Instruments

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

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

- Amortised cost: Assets that are held for collection of contractual cashflows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost.
- Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets(continued)

Equity instruments

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

i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity investments of the Group are measured at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than trading. After designation, the fair value change is recognized in the other comprehensive income and it is not allowed to subsequently reclassify to profit or loss (including upon disposal). Impairment loss and reversal of impairment is not presented separately in the financial statement and is included in the fair value change. Dividend income as the return from investments is recognized by the Group when the right to receive is formed

Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortised cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities(continued)

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel.

(ii) Measurement of financial assets

Initial measurement

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

Subsequent measurement

Subsequent measurement of financial assets depends on the categories:

Financial assets and financial liabilities measured at amortised cost

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Measurement of financial assets (continued)

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

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

i) a POCI financial asset, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to its amortised cost; and

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

For floating-rate financial assets and floating-rate financial liabilities, periodic re-estimation of cash flows to reflect the movements in the market rates of interest alters the effective interest rate. If a floating-rate financial asset or a floating rate financial liability is recognized initially at an amount equal to the principal receivable or payable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or the liability.

If the Group revises its estimates of payments or receipts, the difference between the gross carrying amount of the financial asset or amortised cost of a financial liability calculated from revised estimated contractual cash flows and the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate should be recognized in profit or loss.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Measurement of financial assets (continued)

Financial assets at fair value through other comprehensive income

Debt instruments

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

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

Equity instruments

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

Financial assets at fair value through profit or loss

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Measurement of financial assets (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and
- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period.

(iii) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with exposure arising from loan commitments, financial guarantee contracts and lease receivables.

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

The Group measures ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Detailed information about ECL in the above areas is set out in note 55(a).

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

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

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

At the reporting date, the Group only recognized the cumulative changes in lifetime ECL since initial recognition as a loss allowance for POCI financial assets. At each reporting date, the Group recognized in profit or loss the amount of the changes in lifetime ECL as an impairment gain or loss.

(iv) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Modification of loans(continued)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a ‘new’ asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(v) Derivatives and hedges

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Derivatives and hedges (continued)

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments for fair value hedges.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Derecognition of financial assets

Financial assets

The Group recognized a financial asset only when (1) the contractual rights to the cash flows from the asset expire, or (2) when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, or (3) when it transfers the financial asset and gives up the control of the transferred assets though the Group neither transfers nor retains substantially all the risks and rewards of ownership.

Where a transfer of a financial asset in its entirety meets the criteria for de-recognition, the difference between the two amounts below is recognized in the consolidated statement of profit and loss:

– the carrying amount of the financial asset transferred；

–the sum of the consideration received from the transfer and the cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognized an associated liability.

Financial liabilities

Financial liabilities are recognized when the related obligation is discharged, is cancelled or expires. An agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability recognized and the consideration paid and payable is recognized in the consolidated statement of profit and loss.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(vii) Securitization

As part of its operations, the Group securities financial assets, generally through the sale of these assets to structured entities which issue securities to investors. When the recognized of financial assets that qualify for de-recognition, the relevant financial assets are de-recognised in their entirety and a new financial asset or liabilities is recognized regarding the interest in the unconsolidated recognized vehicles that the Group acquired. When the recognized of financial assets that do not qualify for de-recognition, the relevant financial assets are not recognized, and the consideration paid by third parties are recorded as a financial liability. When the recognized of financial assets that partially qualify for de-recognition, where the Group has not retained control, it recognized these financial assets and recognized separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

(viii) Sales of assets on condition of repurchase

De-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not recognized the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will recognized the financial asset.

(ix) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the consolidated statement of financial position and are not offset. However, financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only if the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by recognize the asset and settling the liability simultaneously.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(x) Financial assets held under resale and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions which the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions which the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

Cash advanced or received is recognized as amounts held under resale and repurchase agreements on the consolidated statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognized in the consolidated statement of financial position.

The difference between the resale and repurchase consideration, and that between the purchase and sale consideration, should be expired over the period of the respective transaction using the effective interest method and are included in interest expense and interest income, respectively.

(xi) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognized in equity. Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from equity holder’s equity.

(d) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are not related to the Group’s precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes and precious metals leasing are initially measured at fair value and subsequent changes in fair value are recorded in the consolidated statement of profit or loss.

4 Summary of significant accounting policies (continued)

(e) Interests in subsidiaries

In the Bank's consolidated statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (see Note 4 (l)). Cost includes direct attributable costs of investment. Dividends declared by subsidiaries are recognized in investment income.

Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(f) Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

When acquiring associates and joint ventures, the Group recognises as initial investment cost in the principle which: for the investments obtained by making payment in cash, the Group recognises the purchase cost which is actually paid as initial investment costs; for the investments obtained by equity securities, the Group recognises the fair value of the equity securities issued as initial investment cost.

An investment in an associate or a joint venture is accounted for using the equity method, unless the investment is classified as held for sale.

4 Summary of significant accounting policies (continued)

(f) Interests in associates and joint ventures (continued)

The Group adopts the following accounting treatments when using the equity method:

- Where the initial investment cost of an associate or joint venture exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

- After the acquisition of the investment, the Group recognized its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognized in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

- The Group recognized its share of investee's profits or losses, other comprehensive income and other changes in equity holders' equity after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures. When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

- The Group discontinues recognized its share of net losses of investees after the carrying amount of investment to the associates and joint ventures and any long-term interest that in substance forms part of the Group's net interest in the associates and joint ventures are reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate. Where profits are subsequently made by the associates and joint ventures, the Group resumes recognized its share of those profits only after its share of the profits equals the share of losses not recognized.

4 Summary of significant accounting policies (continued)

(f) Interests in associates and joint ventures(continued)

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

The Group makes provisions for impairment of interests in associates and joint ventures in accordance with the principles described in Note 4 (l).

(g) Property, plant and equipment

Property, plant and equipment is asset held by the Group for the conduct of business and is expected to be used for more than one year. Construction-in-progress, an item of property, represents property under construction and is transferred to property when ready for its intended use.

(i) Cost

Property, plant and equipment is stated at cost upon initial recognition. Costs of a purchased property, plant and equipment comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of the self-constructed property, plant and equipment comprise construction materials, direct labor costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent to initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs

The Group recognized in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the consolidated statement of profit or loss as an expense when incurred.

4 Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated to write off the cost, less residual value if applicable, of property, plant and equipment and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

	Estimated useful lives	*Estimated residual value*	*Depreciation rate*
Buildings	30 – 35 years	5%	2.71%-3.17%
Computer equipment and others	3 – 10 years	5%	9.50%-31.67%

No depreciation is provided in respect of construction in progress.

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

(iv) Impairment

Impairment losses on property, plant and equipment are accounted for in accordance with the accounting policies as set out in Note 4 (l).

(v) Disposal and retirement

Gains or losses arising from the disposal or retirement of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss on the date of disposal or retirement.

4 Summary of significant accounting policies (continued)

(h) Intangible assets

Intangible assets are initially recognized at cost. The cost less estimated net residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment loss on intangible assets is accounted for in accordance with the accounting policies as set out in Note 4 (l). Impaired intangible assets are amortised net of accumulated impairment losses.

Intangible assets which are not yet available for use should be estimated at least at each financial year-end, even if there was no indication that the assets were impaired.

(i) Investment properties

Investment properties are land and/or buildings which are owned and/or held under a leasehold interest to earn rental income and/or for capital appreciation.

The Group's investment properties are accounted for using the fair value model for subsequent measurement when either of the following conditions is met:

- There is an active property market in the location in which the investment property is situated;

- The Group can obtain the market price and other relevant information regarding the same type of or similar properties from the property market, so as to reasonably estimate the fair value of the investment property.

Investment properties are stated at fair value in the consolidated statement of financial position. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in the consolidated statement of profit or loss.

When there is a change in use of properties from owner-occupation to earn rentals or for capital appreciation, the investment property transferring from property, plant and equipment or intangible assets is measured at fair value on the date of transfer. If the fair value on the transferred investment property is lower than the carrying amount of property, plant and equipment or intangible assets on the date of transfer, the difference is recognized in profit or loss, otherwise in the comprehensive income.

When an investment property is sold, transferred, retired or damaged, the Group recognized the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated statement of profit and loss.

4 Summary of significant accounting policies (continued)

(j) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or a group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs impairment test on goodwill annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in the consolidated statement of profit or loss.

On disposal of the related CGU or a group of CGUs, any attributable amount of the purchased goodwill net of allowance for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted in accordance with the accounting policies as set out in Note 4 (l).

(k) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value and any taxes that are directly attributable to the assets, and other expenses incurred for collecting the repossessed assets.

When the fair value less costs to sell is lower than a repossessed asset's carrying amount, an impairment loss is recognised in the consolidated statement of profit or loss. Repossessed assets are recognised at the carrying value, net of allowance for impairment losses.

The repossessed assets are disposed after acquisition and cannot be used without authorisation. The repossessed assets that are transferred to own use are treated as newly purchased property, plant and equipment.

Any gain or loss arising from the disposal of the repossessed assets is included in the consolidated statement of profit or loss in the period in which the item is disposed.

4 Summary of significant accounting policies (continued)

(l) Allowance for impairment of non-financial assets

(i) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset other than goodwill such as investments in associates and joint ventures, property, plant and equipment, investment properties, intangible assets and other assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognized as an impairment loss in the consolidated statement of profit or loss.

(ii) Impairment of goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or the group of CGUs that is expected to benefit from the synergies of the combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that is largely independent of the cash flows from other assets or groups of assets.

4 Summary of significant accounting policies (continued)

(l) Allowance for impairment of non-financial assets (continued)

(ii) Impairment of goodwill (continued)

The CGU or the group of CGUs to which goodwill has been allocated is tested for impairment by the Group annually, or whenever there is an indication that the CGU or the group of CGUs are impaired, by comparing the carrying amount of the CGU or the group of CGUs, including the goodwill, with the recoverable amount of the CGU or the group of CGUs. The recoverable amount of the CGU or the group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or the group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or a group of the CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognized any impairment loss for that asset before testing for impairment on the CGU or group of the CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of the CGUs containing the goodwill. In such circumstances, the Group tests the CGU for impairment first, and recognized any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or the group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or the group of CGUs, pro rata on the basis of the carrying amount of each asset. The carrying amount of an asset should not be reduced below the highest of its fair value less costs of disposal (if measurable); its value in use (if determinable) and zero.

An impairment loss in respect of goodwill is not reversed.

4 Summary of significant accounting policies (continued)

(m) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique (Note 57).

(n) Employee benefits

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses, labor union expenses and employee education expenses, social insurance such as medical insurance, work-related injury insurance and maternity insurance, as well as housing provident funds, which are all calculated based on the regulated benchmark and ratio.

(ii) Post-employment benefits: Defined contribution plans

Pursuant to the relevant laws and regulations in the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are charged to profit or loss when the related services are rendered by the employees.

In addition to the statutory provision plan, the Bank's employees have joined its annuity scheme (the "scheme") which was established by the CITIC Group Corporation ("CITIC Group") in accordance with policies regarding the state-owned enterprise annuity policy. The Bank has made annuity contributions in proportion to its employee's gross salaries which are expensed in the consolidated statement of profit or loss when the contributions are made.

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss as and when the contribution fall due.

4 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

(iii) Post-employment benefits: Defined benefit plans

The defined benefit plans of the Group are supplementary retirement benefits provided to the domestic employees.

The Group adopts the projected unit credit actuarial cost method, using unbiased and mutually compatible actuarial assumptions to estimate the demographic and financial variables, to measure the obligation associated in the defined benefits plan. The discounted present value of the defined benefit obligation is recognised as the liabilities of the defined benefit plans.

The Group recognises the obligation of defined benefit plans in the accounting period in which the employees render the related services. Past-service costs are recognised immediately in the consolidated statement of profit or loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Re-measurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(o) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of “capital reserve” are dealt with as capital contributions, and not regarded as government grants.

Government grants are recognised when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants. Government grants are measured at the amount received or will be received when recognised as monetary assets. Government grants are measured at fair value when recognised as non-monetary assets.

4 Summary of significant accounting policies (continued)

(o) Government grants (continued)

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in the consolidated statement of profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in the consolidated statement of profit or loss immediately. The Group uses the same statement method for similar government grants.

The prime based loan of the Group is calculated based on actual incoming loan as entry value and preferential interest rate. The direct interest charges against the cost of loan.

(p) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit and loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

4 Summary of significant accounting policies (continued)

(q) Provisions and contingent liabilities

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The Group recognize the loss allowance of financial guarantee contracts measured by ECL as a provision.

A contingent liability is (a) a possible obligation that arises from past events and whose existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or (b) a present obligation that arises from past events and it is not probable that an outflow of economic benefits is required to settle the obligation; or the amount of the obligation cannot be measured reliably. Such liability is disclosed as contingent liabilities under Note 51.

(r) Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated financial statements as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) at the instruction of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

4 Summary of significant accounting policies (continued)

(s) Income recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from owners. Revenue is recognized when the controls of related products or services is obtained and satisfy the other conditions for different type of revenues as below.

(i) Interest income

Interest income of financial assets is calculated using the effective interest method and included in the profit and loss.

The accounting policies about interest income of financial assets measured at amortised cost refer to note 4(c)(ii).

(ii) Fee and commission income

Fee and commission income is recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognized as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan or anticipating will not, the fee is recognized as revenue on expiry.

(iii) Dividend income

Dividend income is recognized in the consolidated statement of profit or loss on the date when the Group's right to receive payment is established.

(iv) Rental income from operating lease

Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated statement of profit or loss as an integral part of the aggregate net lease payments receivable.

(v) Finance income from finance lease and hire purchase contract

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period.

4 Summary of significant accounting policies (continued)

(t) Income tax

Current tax and deferred tax are recognized in the consolidated statement of profit or loss except to the extent that they relate to a business combination or items recognized directly in equity (including other comprehensive income).

Current income tax is the expected tax payables on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payables in respect of previous periods. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences also arise from unused tax losses and unused tax credits. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be recognize.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be recognize.

At the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is recognize or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of recognized and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and meet the additional conditions that deferred tax assets and liabilities relate to income taxes levied by the same authority on the same taxable entity.

4 Summary of significant accounting policies (continued)

(u) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturity of three months or less at acquisition.

(v) Profit distribution

Proposed dividends for ordinary shares which are declared and approved after the end of each reporting period are not recognized as a liability in the consolidated statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the notes to the consolidated financial statements. Dividends payable are recognized as liabilities in the period in which they are approved.

As recognized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved.

(w) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

(x) Operating segments

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group considers the business from different perspectives including products and services and geographic areas. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

4 Summary of significant accounting policies (continued)

(x) Operating segments(continued)

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

5 Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit recognition (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 55(a).

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

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- Management overlay for asset portfolios whose non-linear risk characteristics cannot be adequately reflected through impairment models; and
- Discounted cash flows model is applicable to assets related to corporate client in stage 3.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 55(a).

5 Critical accounting estimates and judgements (continued)

(ii) Classification of financial assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include evaluation and reporting of financial asset performance to key management personnel, risks affecting the performance of financial assets and their management methods, and related business management personnel. The way to get paid, etc.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; Whether interests is only included currency time value, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

(iii) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management’s best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(iv) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements and etc., the Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

5 Critical accounting estimates and judgements (continued)

(iv) De-recognition of financial assets (continued)

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgment is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

5 Critical accounting estimates and judgements (continued)

(v) Consolidation of structured entities

The Group makes significant judgment to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

- assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

- performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

- assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

(vi) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be recognized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(Amounts in millions of Renminbi unless otherwise stated)

6 Net interest income

	Year ended 31 December	
	2020	*2019*
Interest income arising from (Note (i)):		
Deposits with central banks	6,048	5,949
Deposits with banks and non-bank financial institutions	2,470	1,741
Placements with and loans to banks and non-bank financial institutions	4,931	6,326
Financial assets held under resale agreements	782	753
Loans and advances to customers		
- corporate loans	110,823	110,144
- personal loans	113,092	104,401
Financial investments		
- at amortised cost	37,722	38,238
- at fair value through other comprehensive income	22,134	20,584
Others	4	16
Subtotal	298,006	288,152
Interest expense arising from:		
Borrowings from central banks	(5,796)	(8,118)
Deposits from banks and non-bank financial institutions	(24,092)	(24,868)
Placements from banks and non-bank financial institutions	(2,494)	(3,577)
Financial assets sold under repurchase agreements	(2,239)	(1,679)
Deposits from customers	(90,778)	(80,272)
Debt securities issued	(21,606)	(22,207)
Lease liabilities	(481)	(500)
Others	(5)	(6)
Subtotal	(147,491)	(141,227)
Net interest income	150,515	146,925

Note:

(i) Interest income from impaired financial assets is RMB 515 million for the year ended 31 December 2020 (2019: RMB 361 million).

(Amounts in millions of Renminbi unless otherwise stated)

7 Net fee and commission income

	Year ended 31 December	
	2020	*2019*
Fee and commission income:		
Bank card fees (Note (i))	14,714	15,146
Agency fees and commission (Note (ii))	7,527	7,345
Commission for custodian business and other fiduciary	5,450	3,835
Guarantee and advisory fees	4,802	4,898
Settlement and clearance fees	1,172	1,322
Others	92	84
Total	33,757	32,630
Fee and commission expense	(4,921)	(5,900)
Net fee and commission income	28,836	26,730

Note:

(i) According to the requirement of "Notice on Strictly Implementing Accounting Standards and Effectively Strengthening 2020 Annual Reports Work" issued by the Ministry of Finance (MOF), State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and China Securities Regulatory Commission, the Group recognized credit card installment income, which originally accounted in fee and commission income, as interest income and restated the comparatives.

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

8 Net trading gain

	Year ended 31 December	
	2020	*2019*
Debt securities and certificates of interbank deposit	1,633	2,783
Foreign currencies	2,092	2,194
Derivatives and related exposures	(371)	252
Total	3,354	5,229

(Amounts in millions of Renminbi unless otherwise stated)

9 Net gain from investment securities

	Year ended 31 December	
	2020	*2019*
Financial investments		
- at fair value through profit or loss	8,090	7,329
- at amortised cost	443	188
- at fair value through other comprehensive income	(137)	(1,878)
- Investments in financial assets designated at fair value other comprehensive income	5	-
Revaluation gain on transfer out of equity at disposal	2,876	2,187
Forfaiting resale gains	261	241
Net gain from bills rediscounting	510	560
Net gain/(loss) from securitisation of financial assets	2	(7)
Others	(115)	9
Total	11,935	8,629

10 Net hedging loss

	Year ended 31 December	
	2020	*2019*
Net loss of fair value hedge	(1)	(2)

(Amounts in millions of Renminbi unless otherwise stated)

11 Operating expenses

	Year ended 31 December	
	2020	*2019*
Staff costs		
- salaries and bonuses	22,165	21,886
- welfare expenses	1,266	1,262
- social insurance	1,544	1,490
- housing fund	1,396	1,250
- labour union expenses and employee education expenses	475	462
- housing allowance	4	8
- other short-term benefits	307	521
- post-employment benefits – defined contribution plans	2,414	2,679
- post-employment benefits – defined benefit plans	1	(14)
- other long-term benefits	107	92
Subtotal	29,679	29,636
Property and equipment expenses		
- depreciation of right-of-use assets	3,364	3,275
- depreciation of property, plant and equipment	1,986	1,742
- rent and property management expenses	1,314	1,492
- maintenance	1,251	728
- amortisation expenses	1,006	1,049
- electronic equipment operating expenses	444	547
- others	415	405
Subtotal	9,780	9,238
Tax and surcharges	2,024	1,854
Other general operating and administrative expenses (Note (i))	12,772	13,440
Total	54,255	54,168

Note:

(i) Included in other general operating and administrative expenses were audit fees of RMB 18 million for the year ended 31 December 2020 (2019: RMB 21 million) and non-audit fees of RMB 4 million for the year ended 31 December 2020 (2019: RMB 8 million).

(Amounts in millions of Renminbi unless otherwise stated)

11 Operating expenses (continued)

(a) Individuals with highest emoluments

For the year ended 31 December 2020, of the 5 individuals with the highest emoluments in the Group, there was no director (2019: Nil) and no supervisor (2019: Nil). The aggregate of the emoluments before individual income tax in respect of the other five (2019: five) highest paid individuals of the Group were as follows:

	Year ended 31 December	
	2020	*2019*
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	19,256	24,897
Discretionary bonuses	15,982	19,804
Contribution to pension scheme	628	1,761
Total	35,866	46,462

The emoluments before individual income tax of the five individuals of the Group with the highest emoluments are within the following bands:

	Year ended 31 December	
	2020	*2019*
RMB 5,000,001 – RMB 10,000,000	4	3
RMB 10,000,001 – RMB 15,000,000	1	2

No inducement fee and compensation for loss of office was paid to the five highest paid individuals for the year ended 31 December 2020 (2019: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

12 Credit impairment losses

	31 December 2020	*31 December 2019*
Deposits with banks and non-bank financial institutions	(10)	67
Placements with and loans to banks and non-bank financial institutions	19	(84)
Financial assets held under resale agreements	9	43
Interest receivables	3,305	2,103
Loans and advances to customers	69,285	68,793
Financial investments		
- at amotised cost	7,436	3,589
- at fair value through other comprehensive income	1,057	678
Other receivables	270	390
Off-balance sheet items	1,106	1,100
Total	82,477	76,679

13 Impairment losses on other assets

	31 December 2020	*31 December 2019*
Other assets-repossessed assets	512	576

(Amounts in millions of Renminbi unless otherwise stated)

14 Income tax

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

	Note	*Year ended 31 December* *2020*	*2019*
Current tax			
- Mainland China		16,245	16,073
- Hong Kong		52	501
- Overseas		28	33
Deferred tax	30	(8,000)	(9,056)
Total		8,325	7,551

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 rate of taxation prevailing in the regions in which the Group operates respectively.

(b) Reconciliation between income tax expense and accounting profit

	Year ended 31 December *2020*	*2019*
Profit before tax	57,857	56,545
Income tax calculated at PRC statutory tax rate	14,464	14,136
Effect of different tax rates in other regions	(90)	(263)
Tax effect of non-deductible expenses (Note(i))	2,207	282
Tax effect of non-taxable income		
- interest income arising from PRC government bonds and local government bonds	(6,108)	(4,893)
- the dividends of funds	(1,585)	(1,620)
- others	(563)	(91)
Income tax	8,325	7,551

Note:

(i) It mainly includes the non-deductible write-off losses that the Bank assesses and confirms item by item, and the tax impact of business entertainment expenses and labor insurance expenses that exceed the pre-tax deductible limit.

(Amounts in millions of Renminbi unless otherwise stated)

15 Other comprehensive income, net of tax

	Year ended 31 December	
	2020	*2019*
Items that will not be reclassified subsequently to profit or loss		
Fair value changes on financial asset designated at fair value through other comprehensive income, net of tax		
- net changes in fair value recognized during the year before tax	(142)	(1,052)
- income tax	23	263
Others		
- net changes during the year before tax	51	-
Subtotal	(68)	(789)
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income transferable to profit or loss under equity method		
- net changes during the year	8	-
Fair value changes on financial assets at fair value through other comprehensive income, net of tax (Note(i))		
- net changes during the year before tax	(4,078)	4,425
- net amount transferred to profit or loss	(2,924)	(2,187)
- Income tax	1,798	(524)
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note(ii))		
- net changes during the year	1,110	927
- Income tax	(269)	(242)
Exchange differences on translation	(2,741)	592
Subtotal	(7,096)	2,991
Other comprehensive income, net of tax	(7,164)	2,202

Note:

(i) Fair value changes on financial assets at fair value through other comprehensive income include those of financial assets (Note 23(a)) and loans and advances to customers (Note 22(a)) at fair value through other comprehensive income.

(ii) Credit impairment allowance include financial assets (Note 23(a)) and loans and advances to customers (Note 22(b)) at fair value through other comprehensive income.

(Amounts in millions of Renminbi unless otherwise stated)

16 Earnings per share

Earnings per share information for the year ended 31 December 2020 and 2019 is computed by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the year.

The Bank issued non-cumulative preference shares during the year ended 31 December 2016, under the terms and conditions as detailed in Note 43(i). The Bank declared and paid cash dividends of RMB 1,330 million of non-cumulative preference shares for the year of 2020 (2019: 1,330 million).

The Bank issued RMB 40 billion write-down undated capital bonds (the "Bonds") in 2019, with terms and conditions disclosed in detail in Note 43(ii) under perpetual Bonds. The Bank declared and paid RMB 1,680 million in interests on the perpetual bonds in 2020.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2020, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

The diluted earnings per share is calculated on the assumption that the RMB40 billion A-share convertible corporate bonds publicly issued by the Bank on 4 March 2019 are deemed to have all been converted to ordinary shares upon issuance, and by dividing, after adjustments for the interest expenses of the convertible corporate bonds for the period, the net profit of the year attributable to ordinary shareholders of the Bank, by the adjusted weighted average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2020	*2019*
Profit for the year attributable to equity holders of the Bank	48,980	48,015
Less: Equity attributable to holders of other equity instruments of the Bank	3,010	1,330
Profit for the year attributable to ordinary shareholders of the Bank	45,970	46,685
Weighted average number of shares (in million shares)	48,935	48,935
Basic earnings per share (in RMB)	0.94	0.95
Diluted earnings per share (in RMB)	0.86	0.89

(Amounts in millions of Renminbi unless otherwise stated)

17 Cash and balances with central banks

	Notes	*31 December 2020*	*31 December 2019*
Cash		5,951	6,345
Balances with central banks			
- statutory deposit reserve funds	(i)	367,592	354,074
- surplus deposit reserve funds	(ii)	57,211	97,602
- fiscal deposits	(iii)	1,049	1,890
- foreign exchange reserve	(iv)	3,200	3,080
Accrued interest		166	167
Total		435,169	463,158

Notes:

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

As at 31 December 2020, the statutory deposit reserve funds placed with the PBOC was calculated at 9% (as at 31 December 2019: 9.5%) of eligible Renminbi deposits for domestic branches of the Bank and at 9% (as at 31 December 2019: 9.5%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 5% (as at 31 December 2019: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

As at 31 December 2020, the statutory RMB deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited in mainland China, a subsidiary of the Group, was at 6% (as at 31 December 2019: 7.5%).

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

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

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

(Amounts in millions of Renminbi unless otherwise stated)

17 Cash and balances with central banks (continued)

(iv) The foreign exchange reserve is maintained with the PBOC in accordance with the related notice issued by the PBOC. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month for the period of application. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the Notice.

18 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	*31 December 2020*	*31 December 2019*
In Mainland China			
- banks		65,836	89,740
- non-bank financial institutions		3,040	5,188
Subtotal		68,876	94,928
Outside Mainland China			
- banks		63,556	25,785
- non-bank financial institutions		629	11
Subtotal		64,185	25,796
Accrued interest		461	715
Gross balance		133,522	121,439
Less: Allowances for impairment losses	32	(130)	(142)
Net balance		133,392	121,297

(Amounts in millions of Renminbi unless otherwise stated)

18 Deposits with banks and non-bank financial institutions (continued)

(b) Analysed by remaining maturity

	Note	*31 December 2020*	*31 December 2019*
Demand deposits (Note (i))		76,347	39,638
Time deposits with remaining maturity			
- within one month		6,954	1,620
- between one month and one year		49,760	79,466
Subtotal		133,061	120,724
Accrued interest		461	715
Gross balance		133,522	121,439
Less: Allowances for impairment losses	37	(130)	(142)
Net balance		133,392	121,297

Note:

(i) As at 31 December 2020, the carrying amount of pledged deposits with banks and other financial institutions was RMB 501 million (as at 31 December 2019: RMB 849 million). These deposits were mainly maintenance margin with a regulatory body.

(Amounts in millions of Renminbi unless otherwise stated)

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

(a) Analysed by types and locations of counterparties

	Note	*31 December 2020*	*31 December 2019*
In Mainland China			
- banks		17,242	22,773
- non-bank financial institutions		87,500	119,330
Subtotal		104,742	142,103
Outside Mainland China			
- banks		62,377	61,306
Subtotal		62,377	61,306
Accrued interest		1,358	1,219
Gross balance		168,477	204,628
Less: Allowances for impairment losses	32	(97)	(81)
Net balance		168,380	204,547

(Amounts in millions of Renminbi unless otherwise stated)

19 Placements with and loans to banks and non-bank financial institutions (continued)

(b) Analysed by remaining maturity

	Note	*31 December 2020*	*31 December 2019*
Within one month		86,315	126,867
Between one month and one year		74,604	62,092
Over one year		6,200	14,450
Accrued interest		1,358	1,219
Gross balance		168,477	204,628
Less: Allowances for impairment losses	32	(97)	(81)
Net balance		168,380	204,547

(Amounts in millions of Renminbi unless otherwise stated)

20 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in foreign exchange, precious metals, interest rate and credit derivatives related to trading, asset and liability management and customer initiated transactions. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to offer risk management solutions to match individual customer needs. These positions are actively managed through hedging transactions with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments (Note 20(c)), are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

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

	31 December 2020			*31 December 2019*		
	Nominal amount	*Assets*	*Liabilities*	*Nominal amount*	*Assets*	*Liabilities*
Hedging instruments (Note 20(c))						
- interest rate derivatives	-	-	-	2,890	15	17
Non-Hedging instruments						
- interest rate derivatives	3,058,057	9,395	9,138	2,883,406	5,188	5,159
- currency derivatives	1,977,918	30,363	30,588	1,513,070	11,700	10,928
- precious metal derivatives	19,245	306	83	12,715	214	732
Total	5,055,220	40,064	39,809	4,412,081	17,117	16,836

(a) Nominal amount analysed by remaining maturity

	31 December 2020	*31 December 2019*
Within three months	1,953,495	1,746,119
Between three months and one year	2,054,168	1,753,923
Between one year and five years	1,020,240	896,911
Over five years	27,317	15,128
Total	5,055,220	4,412,081

(Amounts in millions of Renminbi unless otherwise stated)

20 Derivatives (continued)

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBIRC in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 31 December 2020, the total amount of credit risk weighted amount for counterparty was RMB 23,184 million (as at 31 December 2019: RMB 14,631 million).

(c) Fair value hedge

A subsidiary of the Group utilises fair value hedge to eliminate the effect of fair value changes of financial assets and financial liabilities caused by market interest rate fluctuations. Interest rate swap contracts are used for hedging interest risks arising from debt securities at fair value through other comprehensive income, certificates of deposit and subordinated bonds issued.

21 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	*31 December 2020*	*31 December 2019*
In Mainland China			
- banks		60,598	10,001
- non-bank financial institutions		50,409	-
Subtotal		111,007	10,001
Outside Mainland China			
- banks		146	-
Accrued interest		13	-
Gross balance		111,166	10,001
Less: Allowance for impairment losses	32	(56)	(47)
Net balance		111,110	9,954

(Amounts in millions of Renminbi unless otherwise stated)

21 Financial assets held under resale agreements (continued)

(b) Analysed by types of collateral

		31 December 2020	*31 December 2019*
Debt securities		109,655	10,001
Discounted bills		1,498	-
Subtotal		111,153	10,001
Accrued interest		13	-
Gross balance		111,166	10,001
Less: Allowance for impairment losses	32	(56)	(47)
Net balance		111,110	9,954

(c) Analysed by remaining maturity

As at 31 December 2020 and 31 December 2019, the financial assets held under resale agreements of the Group all mature within one month.

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers

(a) Analysed by nature

	Notes	*31 December 2020*	*31 December 2019*
Loans and advances to customers at amortised cost			
Corporate loans and advances			
- loans		2,124,014	1,911,597
- discounted bills		2,300	3,787
- finance lease receivables and payment for resale arrangement		43,690	43,000
Subtotal		2,170,004	1,958,384
Personal loans and advances			
- residential mortgages		916,320	776,657
- credit cards		485,600	514,657
- business loans		284,174	227,102
- personal consumption		198,682	205,483
Subtotal		1,884,776	1,723,899
Accrued interest		12,592	10,104
Gross balance		4,067,372	3,692,387
Less: Allowances for impairment losses on loans	32		
- principal		(125,552)	(115,403)
- interest		(151)	(86)
Loans and advances to customers at amortised cost, net		3,941,669	3,576,898
Loans and advances to customers at fair value through other comprehensive income			
- loans		2,696	922
- discounted bills		408,707	307,867
Carrying amount of loans and advances at fair value through other comprehensive income		411,403	308,789
- fair value changes through other comprehensive income		(5)	(48)
Loans and advances to customers at fair value through profit or loss			
Personal loans and advances			
- residential mortgages		7,124	6,915
Total		4,360,196	3,892,602
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	32	(548)	(467)

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers (continued)

(b) Analysed by assessment method of allowance for impairment losses

	31 December 2020			
	Stage one	*Stage two*	*Stage three (Note (i))*	Total
Gross loans and advances to customers at amortised costs	3,874,406	101,971	78,403	4,054,780
Accrued interest	10,899	1,513	180	12,592
Less: Allowance for impairment losses	(43,196)	(29,523)	(52,984)	(125,703)
Carrying amount of loans and advances to customers measured at amortised cost	3,842,109	73,961	25,599	3,941,669
Carrying amount of loans and advances to customers at fair value through other comprehensive income	411,313	81	9	411,403
Total	4,253,422	74,042	25,608	4,353,072
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	(538)	(4)	(6)	(548)

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers (continued)

(b) Analysed by assessment method of allowance for impairment losses (continued)

	31 December 2019			
	Stage one	*Stage two*	*Stage three (Note (i))*	Total
Gross loans and advances to customers at amortised costs	3,516,330	96,397	69,556	3,682,283
Accrued interest	9,320	773	11	10,104
Less: Allowance for impairment losses	(35,562)	(26,088)	(53,839)	(115,489)
Carrying amount of loans and advances to customers measured at amortised cost	3,490,088	71,082	15,728	3,576,898
Carrying amount of loans and advances to customers at fair value through other comprehensive income	308,712	48	29	308,789
Total	3,798,800	71,130	15,757	3,885,687
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	(453)	-	(14)	(467)

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers (continued)

(b) Analysed by assessment method of allowance for impairment losses (continued)

Notes:

(i) Stage 3 loans are loans and advances to customers that have incurred credit impairment.

	31 December 2020	*31 December 2019*
Secured portion	50,165	41,596
Unsecured portion	28,247	27,989
Gross balance	78,412	69,585
Allowance for impairment losses	(52,990)	(53,853)

As at 31 December 2020, the maximum exposure covered by pledge and collateral held of secured portion is RMB 48,629 million (as at 31 December 2019: RMB 40,206 million).

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers (continued)

(c) Overdue loans analysed by overdue period

	31 December 2020				
	Overdue within three months	*Overdue between three months and one year*	*Overdue between one year and three years*	*Overdue over three years*	*Total*
Unsecured loans	16,475	9,231	453	449	26,608
Guaranteed loans	3,536	7,703	2,713	305	14,257
Loans with pledged assets					
- loans secured by collateral	9,276	17,006	11,050	1,007	38,339
- pledged loans	8,998	663	1,803	292	11,756
Total	38,285	34,603	16,019	2,053	90,960

	31 December 2019				
	Overdue within three months	*Overdue between three months and one year*	*Overdue between one year and three years*	*Overdue over three years*	*Total*
Unsecured loans	17,173	10,511	1,507	144	29,335
Guaranteed loans	10,353	6,350	4,191	230	21,124
Loans with pledged assets					
- loans secured by collateral	23,901	11,134	10,810	2,012	47,857
- pledged loans	2,439	1,865	1,288	101	5,693
Total	53,866	29,860	17,796	2,487	104,009

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

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers (continued)

(d) Finance lease receivables and Payment for resale arrangement

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

	31 December 2020	*31 December 2019*
Within one year (including one year)	11,128	11,619
One year to two years (including two years)	10,207	9,935
Two years to three years (including three years)	7,933	6,689
Over three years	14,422	14,757
Gross balance	43,690	43,000
Less: Allowance for impairment losses		
- stage one	(738)	(690)
- stage two	(1,204)	(1,153)
- stage three	(1,180)	(150)
Net balance	40,568	41,007

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments

(a) Analysed by types

	Note	*31 December 2020*	*31 December 2019*
Financial assets at fair value through profit or loss			
Investment funds		286,800	218,491
Debt securities		55,394	42,870
Certificates of deposit		49,934	46,792
Equity instruments		9,105	8,424
WMPs and investments through structured entities		4,399	952
Trust investment plans		-	17
Net balance		405,632	317,546
Financial assets at amortised cost			
Debt securities		702,435	574,644
Investment management products managed by securities companies		70,038	186,217
Trust investment plans		190,517	160,248
Subtotal		962,990	921,109
Accrued interest		10,196	9,901
Less: Allowance for impairment losses	32	(13,770)	(6,776)
- principles		(13,737)	(6,758)
- accrued interests		(33)	(18)
Net balance		959,416	924,234
Financial assets at fair value through other comprehensive income (Note(i))			
Debt securities		678,886	616,794
Targeted Asset Management Plan		34,298	-
Certificates of deposit		4,370	4,866
Subtotal		717,554	621,660
Accrued interest		6,570	7,120
Net balance		724,124	628,780
Allowances for impairment losses on financial investments at fair value through other comprehensive income	32	(2,651)	(1,631)
Financial assets designated at fair value through other comprehensive income (Note(i))		3,560	3,036
Total		2,092,732	1,873,596

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments (continued)

(a) Analysed by types (continued)

Notes:

(i) Financial investments at fair value through other comprehensive income

	Note	31 December 2020 Equity instruments	Debt security instruments	Total
Costs/Amortised cost		4,798	716,980	721,778
Fair value change on accumulated into other comprehensive income		(1,238)	574	(664)
Fair value		3,560	717,554	721,114
Allowance for impairment losses	32		(2,651)	(2,651)

	Note	31 December 2019 Equity instruments	Debt security instruments	Total
Costs/Amortised cost		4,140	614,035	618,175
Fair value change on accumulated into other comprehensive income		(1,104)	7,625	6,521
Fair value		3,036	621,660	624,696
Allowance for impairment losses	32		(1,631)	(1,631)

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments (continued)

(b) Analysed by location of counterparties

	Note	*31 December 2020*	*31 December 2019*
In Mainland China			
- governments		821,990	653,797
- policy banks		118,751	98,832
- banks and non-bank financial institutions		974,913	916,083
- policy entity		27	-
- corporates		89,309	102,415
Subtotal		2,004,990	1,771,127
Outside Mainland China			
- governments		18,432	20,986
- banks and non-bank financial institutions		36,682	42,069
- public entities		1,967	340
- corporates		27,665	28,829
Subtotal		84,746	92,224
Accrued interest		16,766	17,021
Total		2,106,502	1,880,372
Less: Impairment allowance for financial assets at amotised cost	32	(13,770)	(6,776)
Net balance		2,092,732	1,873,596
Listed in Hong Kong		49,355	44,990
Listed outside Hong Kong		1,702,808	1,436,126
Unlisted		340,569	392,480
Total		2,092,732	1,873,596

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

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments (continued)

(c) Analysed by assessment method of allowance for impairment losses

		31 December 2020			
	Notes	*Stage one*	*Stage two*	*Stage three*	*Total*
Financial assets at amortised costs		930,932	4,120	27,938	962,990
Accrued interest		9,998	198	-	10,196
Less: Allowance for impairment losses	32	(3,378)	(500)	(9,892)	(13,770)
Net Balance		937,552	3,818	18,046	959,416
Financial assets at fair value through other comprehensive income		716,969	131	454	717,554
Accrued interest		6,536	1	33	6,570
Net Balance		723,505	132	487	724,124
Total carrying amount of financial assets affected by credit risk		1,661,057	3,950	18,533	1,683,540
Allowance for impairment losses of other debt instruments included in other comprehensive income		(1,503)	(1)	(1,147)	(2,651)

		31 December 2019			
	Note	*Stage one*	*Stage two*	*Stage three*	*Total*
Financial assets at amortised costs		901,695	10,716	8,698	921,109
Accrued interest		9,825	76	-	9,901
Less: Allowance for impairment losses	32	(3,614)	(334)	(2,828)	(6,776)
Net Balance		907,906	10,458	5,870	924,234
Financial assets at fair value through other comprehensive income		621,337	123	200	621,660
Accrued interest		7,120	-	-	7,120
Net Balance		628,457	123	200	628,780
Total carrying amount of financial assets affected by credit risk		1,536,363	10,581	6,070	1,553,014
Allowance for impairment losses of other debt instruments included in other comprehensive income		(1,331)	(3)	(297)	(1,631)

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures

	Note	*31 December 2020*	*31 December 2019*
Investments in joint ventures	(a)	5,044	2,914
Investments in associates	(b)	630	758
Total		5,674	3,672

(a) Investment in joint ventures

The details of the joint ventures as at 31 December 2020 were as follows:

Name of company	*Form of business structure*	*Place of incorporation*	*Effective percentage of shares*	*Principal activities*	*Nominal value of issued shares*
CITIC aiBank Corporation Limited ("CITIC aiBank")(Note(i))	Corporation	Mainland China	65.7%	Financial services	RMB 5.634 billion
JSC Altyn Bank Corporation Limited. ("JSC Altyn Bank ") (Note(ii))	Corporation	Kazakhstan	50.1%	Financial services	KZT 7.05 billion

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures (continued)

(a) Investment in joint ventures (continued)

Notes:

(i) On 23 November 2020, the CBIRC issued the Decisions regarding the Capital Increase Plan of CITIC aiBank and the Shareholder Qualifications to approve CITIC aiBank's plan to issue up to RMB 1.634 billion additional shares and engagement of Canada Pension Plan Investment Co., Ltd. as a new shareholder. The capital increase will increase CITIC aiBank's registered capital from RMB 4 billion to RMB 5.634 billion, and reduce the shareholding of CITIC Bank from 70% to 65.7%. According to the Articles of Association of CITIC aiBank, major events of CITIC aiBank shall be subject to the joint approval of the Bank and another shareholder Fujian Borui Network Technology Company Limited (hereinafter referred to as Fujian Borui).

(ii) According to the Articles of Association of JSC Altyn Bank, decisions regarding all major activities of JSC Altyn Bank shall be subject to the joint approval of the Bank and the other shareholder, the JSC Halyk Bank of Kazakhstan.

Financial statements of the joint ventures are as follow:

	As at or for the year ended 2020				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net (loss)/ gain*
CITIC aiBank	66,473	59,900	6,573	1,723	(388)
JSC Altyn Bank	9,250	8,134	1,116	460	266

	As at or for the year ended 2019				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net gain*
CITIC aiBank	58,865	55,620	3,245	2,373	20
JSC Altyn Bank	9,520	8,487	1,033	472	259

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures (continued)

(a) Investment in joint ventures (continued)

Movement of the Group's interests in the joint venture:

	Year ended 31 2020	*Year ended 31 2019*
Initial investment cost	5,256	3,229
As at 1 January	2,914	2,759
Additions	2,027	-
Other changes in equity	235	-
Share of net (loss)/gain of the joint ventures for the year	(131)	154
Exchange difference	(1)	1
As at 31 December	5,044	2,914

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 31 December 2020 was as follows:

Name of company	*Form of business structure*	*Place of incorporation*	*Effective percentage of shares and voting right held by the Group*	*Principal activities*	*Nominal value of issued shares*
CITIC International Assets Management Limited ("CIAM")	Corporation	Hong Kong	46%	Investment holding and assets management	HKD 2,218 million
Binhai (Tianjin) Financial Assets Exchange Company Limited ("BFAE")	Corporation	Mainland China	20%	Services and investment	RMB 500 million

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures (continued)

(b) Investment in associates (continued)

Financial statements of the associates are as follow:

	As at or for the year ended 2020				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net (loss)/ gain*
CIAM	1,246	144	1,102	42	(78)
BFAE	479	63	416	275	15

	As at or for the year ended 2019				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net loss*
CIAM	1,540	172	1,368	(38)	(133)
BFAE	428	26	402	150	(50)

Movement of the Group's interests in associates:

	Year ended 31 2020	*Year ended 31 2019*
Initial investment cost	1,168	1,168
As at 1 January	758	1,122
Changes in investment in associates	-	(321)
Share of net loss of associates for the year	(98)	(52)
Other changes in equity	4	-
Exchange difference	(34)	9
As at 31 December	630	758

(Amounts in millions of Renminbi unless otherwise stated)

25 Investment in subsidiaries

	Notes	*31 December 2020*	*31 December 2019*
Investment in subsidiaries			
- CITIC international financial holdings limited ("CIFH")	(i)	16,570	16,570
- CNCB (Hong Kong) Investment Limited ("CNCB Investment")	(ii)	1,577	1,577
- Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank")	(iii)	102	102
- CITIC financial leasing CO., LTD ("CFLL")	(iv)	4,000	4,000
- CITIC Wealth Management CO., LTD ("CITIC Wealth")	(v)	5,000	-
Total		27,249	22,249

Major subsidiaries of the Bank as at 31 December 2020 are as follows:

Name of entity	*Principal place of business*	*Place of incorporation*	*Particulars of the issued and paid up capital*	*Principal activities*	*% of ownership directly held by the Bank*	*% of ownership held by subsidiaries of the Bank*	*The Group's effective interest*
CIFH (Note (i))	Hong Kong	Hong Kong	HKD 7,503 million	Commercial banking and other financial services	100%	-	100%
CNCB Investment (Note (ii))	Hong Kong	Hong Kong	HKD 1,889 million	Investment and lending services	99.05%	0.71%	99.76%
Lin'an Rural Bank (Note (iii))	Mainland China	Mainland China	RMB 200 million	Commercial banking	51%	-	51%
CFLL (Note (iv))	Mainland China	Mainland China	RMB 4,000 million	Financial lease operations	100%	-	100%
CITIC Wealth (Note (v))	Mainland China	Mainland China	RMB 5,000 million	Wealth management	100%	-	100%

Notes:

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

25 Investment in subsidiaries (continued)

(ii) CNCB (Hong Kong) Investment Limited (CNCB Investment), founded in Hong Kong in 1984, formerly China Investment and Finance Limited, incorporated and operating in Hong Kong, holds a money lending licence issued by the Hong Kong Company Registry, and also the No.1, 4, 6 and 9 licenses from Hong Kong Securities Regulatory Commission through its wholly-owned subsidiary CNCB (Hong Kong) Capital Limited. The business scope of CNCB Investment includes investment banking, capital market investment, lending and other related services. The Bank holds 99.05% of the equity shares and voting rights in CNCB Investment, and CITIC International Financial Holding Limited (CIFH) holds the remaining 0.71% of the equity interests. Through indirect shareholding, the Bank effectively holds 99.76% of the equity shares in CNCB Investment.

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China in 2011 with a registered capital of RMB 200 million. Its principal activities are commercial banking related businesses. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

(iv) The Bank established CFLL in 2015 with a registered capital of RMB 4 billion. Its principal business activities are financial leasing. The Bank holds 100% of its shares and voting rights.

(v) CITIC Wealth was established in 2020 with a registered capital of RMB 5 billion. Its principal business operation is wealth management. The Bank holds 100% of its shares and voting rights.

(Amounts in millions of Renminbi unless otherwise stated)

26 Investment properties

	31 December 2020	*31 December 2019*
Fair value as at 1 January	426	443
Change in fair value	(69)	(15)
Transfers in/(out)	52	(10)
Exchange difference	(23)	8
Fair value as at 31 December	386	426

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties are located and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 31 December 2020.

All investment properties of the Group were revalued at 31 December 2020 by an independent firm of surveyors, Prudential Surveyors Hong Kong Limited, on an open market value basis. The fair value is in line with the definition of "*IFRS13 - Fair value measurement*". The revaluation surplus has been recognised in the profit or loss for the current year. Prudential Surveyors Hong Kong Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

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

(Amounts in millions of Renminbi unless otherwise stated)

27 Property, plant and equipment

	Buildings	*Construction in progress*	*Computer equipment and others*	*Total*
Cost or deemed cost:				
As at 1 January 2020	22,599	1,616	11,768	35,983
Additions (Note (i))	11,098	562	1,979	13,639
Transfer out in current year	(55)	-	-	(55)
Disposals	(63)	-	(804)	(867)
Exchange differences	(32)	-	(53)	(85)
As at 31 December 2020	33,547	2,178	12,890	48,615
Accumulated depreciation:				
As at 1 January 2020	(5,524)	-	(8,087)	(13,611)
Depreciation charges	(845)	-	(1,141)	(1,986)
Transfer in in current year	3	-	-	3
Disposals	31	-	756	787
Exchange differences	17	-	43	60
As at 31 December 2020	(6,318)	-	(8,429)	(14,747)
Net carrying value:				
As at 1 January 2020	17,075	1,616	3,681	22,372
As at 31 December 2020 (Note (ii))	27,229	2,178	4,461	33,868

(Amounts in millions of Renminbi unless otherwise stated)

27 Property, plant and equipment (continued)

	Buildings	*Construction in progress*	*Computer equipment and others*	*Total*
Cost or deemed cost:				
As at 1 January 2019	21,885	1,288	10,839	34,012
Additions	496	799	1,612	2,907
Transfer in/(out) in current year	471	(471)	-	-
Disposals	(263)	-	(702)	(965)
Exchange differences	10	-	19	29
As at 31 December 2019	22,599	1,616	11,768	35,983
Accumulated depreciation:				
As at 1 January 2019	(4,949)	-	(7,678)	(12,627)
Depreciation charges	(694)	-	(1,048)	(1,742)
Disposals	125	-	656	781
Exchange differences	(6)	-	(17)	(23)
As at 31 December 2019	(5,524)	-	(8,087)	(13,611)
Net carrying value:				
As at 1 January 2019	16,936	1,288	3,161	21,385
As at 31 December 2019 (Note (ii))	17,075	1,616	3,681	22,372

Notes:

(i) The Group purchased the 6th to 30th floors and 32nd to 42nd floors of the CITIC Tower from its related party CITIC Heye Investment Co., Ltd., and capitalized them in 2020 in the amount of RMB 10,842 million.

(ii) As at 31 December 2020, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB 11,899 million (as at 31 December 2019: RMB 1,211 million). The Group believes the incomplete registration procedure does not affect the rights of the Group as the legal successor to these buildings.

(Amounts in millions of Renminbi unless otherwise stated)

28 Right-of-use assets

	Buildings	*Land use right*	*Equipments*	*Vehicles and others*	*Total*
Cost or deemed cost:					
As at 1 January 2020	14,501	1,219	126	47	15,893
Additions	3,109	2	7	18	3,136
Reductions	(1,420)	-	(20)	(12)	(1,452)
Exchange differences	(44)	-	-	-	(44)
As at 31 December 2020	16,146	1,221	113	53	17,533
Accumulated depreciation:					
As at 1 January 2020	(3,186)	(267)	(39)	(11)	(3,503)
Accrual	(3,287)	(31)	(35)	(11)	(3,364)
Reductions	847	-	17	6	870
Exchange differences	20	-	-	-	20
As at 31 December 2020	(5,606)	(298)	(57)	(16)	(5,977)
Net carrying value:					
As at 1 January 2020	11,315	952	87	36	12,390
As at 31 December 2020	10,540	923	56	37	11,556

(Amounts in millions of Renminbi unless otherwise stated)

28 Right-of-use assets (continued)

	Buildings	*Land use right*	*Equipments*	*Vehicles and others*	*Total*
Cost or deemed cost:					
As at 31 December 2018	-	-	-	-	-
Change in accounting policy:	12,145	1,235	125	48	13,553
As at 1 January 2019	12,145	1,235	125	48	13,553
Additions	2,485	-	7	-	2,492
Reductions	(146)	(16)	(6)	(1)	(169)
Exchange differences	17	-	-	-	17
As at 31 December 2019	14,501	1,219	126	47	15,893
Accumulated depreciation:					
As at 31 December 2018	-	-	-	-	-
Change in accounting policy:	-	(242)	-	-	(242)
As at 1 January 2019	-	(242)	-	-	(242)
Accrual	(3,194)	(30)	(40)	(11)	(3,275)
Reductions	10	5	1	-	16
Exchange differences	(2)	-	-	-	(2)
As at 31 December 2019	(3,186)	(267)	(39)	(11)	(3,503)
Net carrying value:					
As at 1 January 2019	12,145	993	125	48	13,311
As at 31 December 2019	11,315	952	87	36	12,390

(i) As at 31 December 2020, the balance of the Group's lease liabilities amounted to RMB 10,504 million (as at 31 December 2019: RMB 10,896 million), including RMB 3,245 million (as at 31 December 2019: RMB 3,176 million) of lease liabilities that will mature within a year.

(ii) As at 31 December 2020, lease payments relating to lease contracts signed but yet to be executed amounted to RMB 157 million (as at 31 December 2019: RMB 113 million).

(iii) For the year ended 31 December 2020, the lease expense of short-term leases with a lease term of no more than 12 months and leases of assets with low values when new amounted to RMB 460 million (as at 31 December 2019: RMB 662 million).

(Amounts in millions of Renminbi unless otherwise stated)

29 Goodwill

	31 December 2020	*31 December 2019*
As at 1 January	912	896
Exchange difference	(52)	16
As at 31 December	860	912

Based on the result of impairment test, no impairment losses on goodwill were recognised as at 31 December 2020 (as at 31 December 2019: Nil).

30 Deferred tax assets/(liabilities)

	31 December 2020	*31 December 2019*
Deferred tax assets	41,913	32,095
Deferred tax liabilities	(11)	(10)
Net	41,902	32,085

(a) Analysed by nature and jurisdiction

	31 December 2020		*31 December 2019*	
	Deductible/ (taxable) temporary differences	*Deferred tax assets/ (liabilities)*	*Deductible/ (taxable) temporary differences*	*Deferred tax assets/ (liabilities)*
Deferred tax assets				
- allowance for impairment losses	159,950	39,870	129,678	32,209
- fair value adjustments	(4,555)	(1,103)	(11,559)	(2,865)
- employee retirement benefits and salaries payable	10,316	2,579	10,202	2,551
- others	2,347	567	985	200
Subtotal	168,058	41,913	129,306	32,095
Deferred tax liabilities				
- fair value adjustments	(63)	(11)	(56)	(10)
Net	167,995	41,902	129,250	32,085

(Amounts in millions of Renminbi unless otherwise stated)

30 Deferred tax assets/(liabilities) (continued)

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

As at 31 December 2020, the deferred tax assets/liabilities offset by the Group were RMB 1,483 million (31 December 2019: RMB 3,223 million).

(c) Movement of deferred tax

	Allowance for impairment losses	*Fair value adjustments*	*Employee retirement benefits and accrued staff cost*	*Others*	*Total deferred tax*
As at 1 January 2020	32,209	(2,875)	2,551	200	32,085
Recognised in profit or loss	7,679	(63)	28	356	8,000
Recognised in other comprehensive income	-	1,821	-	8	1,829
Exchange differences	(18)	3	-	3	(12)
As at 31 December 2020	39,870	(1,114)	2,579	567	41,902
As at 1 January 2019	23,729	(2,542)	1,857	114	23,158
Recognised in profit or loss	8,371	(72)	676	81	9,056
Recognised in other comprehensive income	103	(261)	18	6	(134)
Exchange differences	6	-	-	(1)	5
As at 31 December 2019	32,209	(2,875)	2,551	200	32,085

(Amounts in millions of Renminbi unless otherwise stated)

31 Other assets

	Notes	*31 December 2020*	*31 December 2019*
Advanced payments and settlement accounts		21,123	37,614
Prepayments for assets acquired for finance leases		8,833	4,466
Assets with continuing involvement		7,124	6,915
Precious metal leasing		6,687	3,071
Interest receivables	(i)	6,408	5,360
Fee and commission receivables		5,591	378
Assets transfer receivables		3,151	12,698
Repossessed assets	(ii)	1,367	2,326
Prepayments for properties and equipment		971	11,721
Leasehold improvements		638	663
Prepaid rent		14	45
Others	(iii)	5,136	2,299
Total		67,043	87,556

Notes:

(i) Interest receivable

Interest receivable represents interest on financial instruments due and receivable but not yet received as at the balance sheet date and is stated net of corresponding impairment allowances. The Group’s interest receivable net of impairment allowances was RMB 3,373 million.

(Amounts in millions of Renminbi unless otherwise stated)

31 Other assets(continued)

Notes:

(ii) Repossessed assets

	Notes	*31 December 2020*	*31 December 2019*
Premises		2,688	3,491
Others		2	3
Gross balance		2,690	3,494
Less: Allowance for impairment losses	32	(1,323)	(1,168)
Net balance		1,367	2,326

As at 31 December 2020, the Group intended to dispose all of the repossessed assets, and had no plan to transfer the repossessed assets for own use (as at 31 December 2019: None).

(iii) Others

Others include provisional legal costs for lawyers, other prepayments, other receivables, etc.

(Amounts in millions of Renminbi unless otherwise stated)

32 Movements of allowance for impairment losses

		Year ended 31 December 2020				
	Notes	*As at 1 January*	*Charge/(reversal) for the year*	*Write-offs /transfer out*	*Others*	*As at 31 December*
					Notes(i)	
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	18	142	(10)	-	(2)	130
Placements with and loans to banks and non-bank financial institutions	19	81	19	-	(3)	97
Financial assets held under resale agreements	21	47	9	-	-	56
Loans and advances to customers	22	115,870	69,285	(69,129)	10,074	126,100
Financial investments	23					
-at amortised cost		6,758	7,436	(453)	(4)	13,737
-at fair value through other comprehensive income		1,631	1,057	-	(37)	2,651
Other financial assets and accrued interest		4,048	3,575	(3,450)	807	4,980
Off balance sheet credit assets	40	5,646	1,106	-	(27)	6,725
Subtotal		134,223	82,477	(73,032)	10,808	154,476
Allowance for impairment losses on other assets						
Other assets - repossessed assets		1,168	512	(361)	4	1,323
Subtotal		1,168	512	(361)	4	1,323

(Amounts in millions of Renminbi unless otherwise stated)

32 Movements of allowance for impairment losses (continued)

		Year ended 31 December 2019				
	Notes	*As at 1 January*	*Charge/(reversal) for the year*	*Write-offs /transfer out*	*Others* *Notes(i)*	*As at 31 December*
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	18	74	67	-	1	142
Placements with and loans to banks and non-bank financial institutions	19	165	(84)	-	-	81
Financial assets held under resale agreements	21	4	43	-	-	47
Loans and advances to customers	22	101,154	68,793	(60,686)	6,609	115,870
Financial investments	23					
-at amortised cost		3,355	3,589	(186)	-	6,758
-at fair value through other comprehensive income		1,039	678	(90)	4	1,631
Other financial assets and accrued interest		12,072	2,493	(10,387)	(130)	4,048
Off balance sheet credit assets	40	4,543	1,100	-	3	5,646
Subtotal		122,406	76,679	(71,349)	6,487	134,223
Allowance for impairment losses on other assets						
Other assets - repossessed assets		725	576	(205)	72	1,168
Subtotal		725	576	(205)	72	1,168

The impairment losses of accrued interest of the financial instruments in this table and its changes are included in "Other financial assets and accrued interest".

Note:

(i) Others include recovery of loans written off, and effect of exchange differences during the year.

(Amounts in millions of Renminbi unless otherwise stated)

33 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2020	*31 December 2019*
In Mainland China		
- banks	306,923	288,439
- non-bank financial institutions	852,671	658,614
Subtotal	1,159,594	947,053
Outside Mainland China		
- banks	520	1,300
- non-bank financial institutions	19	59
Subtotal	539	1,359
Accrued interest	3,508	2,710
Total	1,163,641	951,122

34 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2020	*31 December 2019*
In Mainland China		
- banks	44,848	45,488
- non-bank financial institutions	1,291	35,562
Subtotal	46,139	81,050
Outside Mainland China		
- banks	11,408	11,109
Accrued interest	209	380
Total	57,756	92,539

(Amounts in millions of Renminbi unless otherwise stated)

35 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	31 December 2020	*31 December 2019*
In Mainland China		
- PBOC	39,213	65,329
- banks	36,058	46,486
Subtotal	75,271	111,815
Accrued interest	-	23
Total	75,271	111,838

(b) Analysed by type of collateral

	31 December 2020	*31 December 2019*
Discounted bills	68,295	76,229
Debt securities	6,976	35,586
Accrued interest	-	23
Total	75,271	111,838

The Group did not derecognise financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 31 December 2020, none of the legal title of the collateral pledged disclosed in Note 52 has been transferred to counterparties.

(Amounts in millions of Renminbi unless otherwise stated)

36 Deposits from customers

Analysed by nature:

	31 December 2020	*31 December 2019*
Demand deposits		
- corporate customers	1,906,208	1,668,449
- personal customers	327,110	275,526
Subtotal	2,233,318	1,943,975
Time and call deposits		
- corporate customers	1,674,846	1,485,727
- personal customers	611,177	602,644
Subtotal	2,286,023	2,088,371
Outward remittance and remittance payables	9,058	6,474
Accrued interest	43,887	34,438
Total	4,572,286	4,073,258

Guarantee deposits included in above deposits:

	31 December 2020	*31 December 2019*
Bank acceptances	223,387	172,075
Guarantees	11,277	21,390
Letters of credit	11,036	11,754
Others	104,839	93,315
Total	350,539	298,534

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs

		Year ended 31 December 2020			
	Notes	*As at 1 January*	*Additions during the year*	*Payments during the year*	*As at 31 December*
Short-term employee benefits	(a)	20,512	27,157	(27,454)	20,215
Post-employment benefits - defined contribution plans	(b)	318	2,414	(2,689)	43
Post-employment benefits - defined benefit plans	(c)	19	1	(2)	18
Other long-term benefits		75	107	(125)	57
Total		20,924	29,679	(30,270)	20,333

		Year ended 31 December 2019			
	Notes	*As at 1 January*	*Additions during the year*	*Payments during the year*	*As at 31 December*
Short-term employee benefits	(a)	19,548	26,879	(25,915)	20,512
Post-employment benefits - defined contribution plans	(b)	31	2,679	(2,392)	318
Post-employment benefits - defined benefit plans	(c)	35	(14)	(2)	19
Other long-term benefits		97	92	(114)	75
Total		19,711	29,636	(28,423)	20,924

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs (continued)

(a) Short-term employee benefits

	Notes	*Year ended 31 December 2020* *As at 1 January*	*Additions during the year*	*Payments during the year*	*As at 31 December*
Salaries and bonuses	(i)	19,731	22,165	(22,460)	19,436
Social insurance		65	1,544	(1,561)	48
Welfare expenses		1	1,266	(1,263)	4
Housing fund		9	1,396	(1,397)	8
Labour union expenses and employee education expenses		579	475	(486)	568
Housing allowance		54	4	(4)	54
Others		73	307	(283)	97
Total		20,512	27,157	(27,454)	20,215

	Notes	*Year ended 31 December 2019* *As at 1 January*	*Additions during the year*	*Payments during the year*	*As at 31 December*
Salaries and bonuses	(i)	18,560	21,886	(20,715)	19,731
Social insurance		45	1,490	(1,470)	65
Welfare expenses		2	1,262	(1,263)	1
Housing fund		8	1,250	(1,249)	9
Labour union expenses and employee education expenses		805	462	(688)	579
Housing allowance		54	8	(8)	54
Others		74	521	(522)	73
Total		19,548	26,879	(25,915)	20,512

Note:

(i) As at 31 December 2020, the deferred salaries and bonuses in relation to services provided to the Group and to be paid as planned amounted to RMB 7,901 million (31 December 2019: RMB 8,792 million).

As at 31 December 2020, the Group reclassified certain short-term employee benefit items and restated the comparatives.

37 Accrued staff costs (continued)

(b) Post-employment benefits - defined contribution plans

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

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group and managed by the CITIC Group. For the year ended 31 December 2020, the Bank has made annuity contributions at 7% (31 December 2019: 7%) of its employee's gross wages. For the year ended 31 December 2020, the Bank made annuity contribution amounting to RMB 1,369 million (year ended 31 December 2019: RMB 1,061 million).

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss when the contribution fall due.

(c) Post-employment benefits - defined benefit plans

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

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

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

(Amounts in millions of Renminbi unless otherwise stated)

38 Taxes payable

	31 December 2020	*31 December 2019*
Income tax	4,186	5,012
VAT and surcharges	4,216	3,830
Others	9	23
Total	8,411	8,865

39 Debt securities issued

	Notes	*31 December 2020*	*31 December 2019*
Long-term debt securities issued	(a)	35,218	80,351
Subordinated bonds issued:			
- by the Bank	(b)	109,970	81,475
- by CBI	(c)	3,253	5,591
Certificates of deposit issued	(d)	-	2,785
Certificates of interbank deposit issued	(e)	543,008	438,830
Convertible corporate bonds	(f)	38,730	37,730
Accrued interest		2,779	3,512
Total		732,958	650,274

(Amounts in millions of Renminbi unless otherwise stated)

39 Debt securities issued (continued)

(a) Long-term debt securities issued by the Group as at 31 December:

Bond Type	*Issue Date*	*Maturity Date*	*Annual Interest Rate*	*31 December 2020 Nominal Value*	*31 December 2019 Nominal Value*
				RMB	*RMB*
Fixed rate bond	17 April 2017	17 April 2020	4.200%	-	50,000
Fixed rate bond	24 May 2017	24 May 2020	4.400%	-	2,994
Fixed rate bond	21 May 2015	25 May 2020	3.980%	-	7,000
Fixed rate bond	17 November 2015	17 November 2020	3.610%	-	8,000
Floating rate bond	14 December 2017	14 December 2020	Three-month Libor +0.9%	-	4,877
Fixed rate bond	14 December 2017	14 December 2020	2.875%	-	2,090
Floating rate bond	14 December 2017	15 December 2022	Three-month Libor +1%	3,597	3,832
Fixed rate bond	14 December 2017	15 December 2022	3.125%	1,635	1,741
Fixed rate bond	18 March 2020	18 March 2023	2.750%	30,000	-
Total nominal value				35,232	80,534
Less: Unamortised issuance cost				(14)	(33)
Less: offset				-	(150)
Carrying value				35,218	80,351

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

	Notes	*31 December 2020*	*31 December 2019*
Subordinated fixed rate bonds maturing:			
- in May 2025	(i)	-	11,500
- in June 2027	(ii)	19,987	19,985
- in September 2028	(iii)	29,995	29,995
- in October 2028	(iv)	19,996	19,995
- in August 2030	(v)	39,992	-
Total		109,970	81,475

39 Debt securities issued (continued)

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

Notes:

(i) The Bank issued a fixed-rate subordinated bond on 28 May 2010 with a coupon rate of 4.30% per annum. The bond has been redeemed on 28 May 2020.

(ii) The Bank issued a fixed-rate subordinated bond on 21 June 2012 with a coupon rate of 5.15% per annum. The Bank has the option to redeem the bond on 21 June 2022. If the Bank does not exercise this option, the coupon rate will remain 5.15% per annum for the next five years.

(iii) The Bank issued a fixed-rate subordinated bond on 13 September 2018 with a coupon rate of 4.96% per annum. The Bank has the option to redeem the bond on 13 September 2023. If the Bank does not exercise this option, the coupon rate will remain 4.96% per annum for the next five years.

(iv) The Bank issued a fixed-rate subordinated bond on 22 October 2018 with a coupon rate of 4.80% per annum. The Bank has the option to redeem the bond on 22 October 2023. If the Bank does not exercise this option, the coupon rate will remain 4.80% per annum for the next five years.

(v) The Bank issued a fixed-rate subordinated bond on 12 August 2020 with a coupon rate of 3.87% per annum. The Bank has the option to redeem the bond on 14 August 2025. If the Bank does not exercise this option, the coupon rate will remain 3.87% per annum for the next five years.

(Amounts in millions of Renminbi unless otherwise stated)

39 Debt securities issued (continued)

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

	Notes	*31 December 2020*	*31 December 2019*
Subordinated fixed rate notes maturing:			
- in June 2020	(i)	-	2,134
- in Feb 2029	(ii)	3,253	3,457
Total		3,253	5,591

Notes:

(i) CBI issued USD 500 million subordinated notes at a coupon rate of 6.875% per annum on 24 June 2010. The notes are listed on the Singapore Exchange. Such subordinated notes matured on 24 June 2020.

(ii) CBI issued USD 500 million subordinated notes at a coupon rate of 4.625% per annum on 28 February 2019. CBI has an option to redeem these notes on 28 February 2024. If CBI does not exercise the redemption option, the coupon rate per annum will be the 5-year US treasury bond rate on 28 February 2024, plus 2.25%. The notes are listed on the Hong Kong Stock Exchange.

(d) These certificates of deposit were issued by CBI with interest rate ranging 3.13% per annum, which were due in 2020.

(e) As at 31 December 2020, the Bank had issued certain certificates of interbank deposits, totaling RMB 543,008 million (as at 31 December 2019: RMB 438,830 million), with yield ranging from 1.50% to 3.36% (as at 31 December 2019: 2.59% to 3.67%) per annum. The original expiry terms are between one months to one year.

(Amounts in millions of Renminbi unless otherwise stated)

39 Debt securities issued (continued)

(f) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB 40 billion A-share convertible corporate bonds on 4 March 2019. The convertible corporate bonds have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible corporate bonds begins on the first trading day (11 September 2019) after six months upon the completion date of the offering (8 March 2019), until the maturity date (3 March 2025).

In accordance with formulas set out in the prospectus of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is RMB 7.45 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances. As the cash dividend was paid on 22 July 2019 and 15 July 2020, the conversion price of the convertible corporate bonds has been adjusted to RMB 6.98 per share. During the conversion period (from 4 March 2019 to 3 March 2025), if the closing price of the Bank's A-shares is lower than 80% of the current conversion price for at least 15 trading days in any 30 consecutive trading days, the Board of Directors of the Bank has the right to propose to lower the conversion price and submit the proposal to the shareholders' meeting for deliberation.

These convertible corporate bonds are subject to conditional redemptions. During their conversion period, if the closing prices of the Bank's A-shares are no less than 130% (inclusive) of the current conversion price for at least 15 trading days in 30 consecutive trading days, the Bank has the right to redeem all or part of the outstanding convertible corporate bonds at their par value plus the current accrued interest, upon approval of the relevant regulatory authorities (if required). In addition, when the total amount of the outstanding convertible corporate bonds is less than RMB 30 million, the Bank has the right to redeem all outstanding convertible corporate bonds at their par value plus the current accrued interest.

As at 31 December 2020, convertible corporate bonds of RMB 300,000 was converted to 41,996 A-shares.

	Liability	*Equity*	*Total*
Issued nominal value of convertible corporate bonds	36,859	3,141	40,000
Direct issuance expenses	(74)	(6)	(80)
Balance at the issuance date	36,785	3,135	39,920
Amortisation	1,945	-	1,945
Amount of bonds converted	-	-	-
Ending balance	38,730	3,135	41,865

(Amounts in millions of Renminbi unless otherwise stated)

40 Provisions

	31 December 2020	*31 December 2019*
Allowance for impairment losses on off-balance sheet items	6,725	5,646
Litigation provisions	483	470
Total	7,208	6,116

The movement of off-balance sheet allowance for impairment losses is included in the Note 32.

Movement of provisions:

	31 December 2020	*31 December 2019*
As at 1 January	470	470
Accruals	21	9
Reversal in the current year	(1)	(1)
Payments	(7)	(8)
As at 31 December	483	470

41 Other liabilities

	31 December 2020	*31 December 2019*
Continuing involvement liability	7,124	6,915
Settlement and clearing accounts	6,930	7,552
Advances and deferred expenses	4,694	5,305
Payment and collection accounts	2,434	7,589
Leasing deposits	1,189	1,463
Accrued expenses	384	111
Others	7,135	5,151
Total	29,890	34,086

(Amounts in millions of Renminbi unless otherwise stated)

42 Share capital

	31 December 2020 and 31 December 2019	
	Number of shares (millions)	*Nominal Value*
Ordinary shares		
Registered, issued and fully paid:		
A-Share	34,053	34,053
H-Share	14,882	14,882
Total	48,935	48,935

	Note	*31 December 2020*	*31 December 2019*
As at 1 January		48,935	48,935
Convertible bond settlement	(i)	-	-
As at 31 December		48,935	48,935

Note:

(i) In 2020, convertible corporate bonds of RMB 195,000 was converted to 27,463 A-shares. (In 2019, convertible corporate bonds of RMB 105,000 was converted to 14,533 A-shares.)

43 Other equity instruments

	31 December 2020	*31 December 2019*
Preference shares (Note (i))	34,955	34,955
Perpetual bonds (Note (ii))	39,993	39,993
Equity of convertible corporate bonds (Note 39(f))	3,135	3,135
Total	78,083	78,083

(Amounts in millions of Renminbi unless otherwise stated)

43 Other equity instruments (continued)

(i) Preference shares

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

35,000 million preference shares of RMB 100 each were issued in October 2016, with a dividend rate of 3.80% per annum for the first five years from issuance, to no more than 200 qualified investors, pursuant to the approval by its ordinary shareholders' meeting and relevant regulatory authorities.

The carrying amount of preference shares, net of direct issuance expenses, was RMB 34,955 million. All the proceeds received is used to replenish Other Tier-One capital in order to increase the Bank's Tier-One capital adequacy ratio (Note 56). Dividends are non-cumulative and where payable are paid annually. Dividend rate at the time of issue is 3.80% per annum and will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

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

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

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No.56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB 7.07 per share, partially or entirely. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalisation of reserves and new issuances of ordinary shares, subject to terms and formulae provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary shareholders.

43 Other equity instruments (continued)

(i) Preference shares (continued)

These preference shares are classified as equity instruments, and presented as equity in the consolidated statement of financial position; and are qualified as Additional Tier-One Capital Instruments in accordance with the CBIRC requirements.

(ii) Perpetual bonds

The Bank issued RMB 40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 11 December 2019. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 4.20%, resetting every 5 years.

The duration of the Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilize the proceeds from the cancelled distribution to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

These perpetual bonds are classified as equity instruments, and presented as equity in the consolidated statement of financial position; and are qualified as Additional Tier-One Capital Instruments in accordance with the CBIRC requirements.

(Amounts in millions of Renminbi unless otherwise stated)

43 Other equity instruments (continued)

(ii) Perpetual bonds (continued)

Interests attributable to equity instruments' holder：

	31 December 2020	*31 December 2019*
Total equity attribute to equity holders of the parent company	544,573	517,311
Equity attribute to ordinary equity holders of the parent company	466,490	439,228
Equity attribute to other equity instruments holders of the parent company	78,083	78,083
-Profit for the period/Distribution for the period	3,010	1,330
Total equity attribute to non-controlling interests	15,465	15,213
Equity attribute to non-controlling interests of ordinary shares	8,798	8,546
Equity attribute to non-controlling interests of other equity instruments	6,667	6,667

For the year ended 31 December 2020, the Bank paid dividend of RMB 1,330 million to the preference shareholders (for the year ended 31 December 2019: RMB 1,330 million), and paid interest of RMB 1,680 million to the holders of perpetual bonds (for the year ended 31 December 2019: Nil).

44 Capital reserves

	31 December 2020	*31 December 2019*
Share premium	58,896	58,896
Other reserves	320	81
Total	59,216	58,977

45 Other comprehensive income

Other comprehensive income comprises items that will not be reclassified subsequently to profit or loss, such as net changes on the measurement of defined benefit plan (Note 37) and fair value changes on financial investments designated at fair value through other comprehensive income, and items that may be reclassified subsequently to profit or loss, such as fair value changes on financial assets at fair value through other comprehensive income, credit impairment allowance on financial assets at fair value through other comprehensive income and exchange differences on translation.

(Amounts in millions of Renminbi unless otherwise stated)

46 Surplus reserve

	Year ended 31 December 2020	*Year ended 31 December 2019*
As at 1 January	39,009	34,450
Appropriations	4,777	4,559
As at 31 December	43,786	39,009

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

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

47 General reserve

	Year ended 31 December 2020	*Year ended 31 December 2019*
As at 1 January	81,535	74,255
Appropriations	9,284	7,280
As at 31 December	90,819	81,535

Pursuant to relevant MOF notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. The Bank and the Group make its appropriation on an annual basis.

(Amounts in millions of Renminbi unless otherwise stated)

48 Profit appropriations and retained earnings

(a) Profit appropriations and distributions other than dividends declared during the year

	Notes	*Year ended 31 December 2020*	*Year ended 31 December 2019*
Appropriations to			
- surplus reserve	46	4,777	4,559
- general reserve	47	9,284	7,280
As at 31 December		14,061	11,839

The Bank appropriated RMB 4,777 million to statutory surplus reserve fund for the year of 2020, and appropriatied RMB 9,208 million to general reserve. The Group's subsidiary, Lin'an rural bank, made appropriations to general reserve in accordance with relevant regulatory requirements.

(b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 20 May 2020, a total amount of approximately RMB 11,695 million (RMB 2.39 per 10 shares) were distributed in the form of cash dividend to the ordinary shareholders on 15 July 2020.

(c) In accordance with the resolution approved in the Annual General Meeting of the Bank on 27 August 2020, a total amount of approximately RMB 1,330 million (calculated by the bank using the agreed dividend rate of 3.80% with RMB 3.80 per share) were distributed in the form of cash dividend to the preference shareholders on 26 October 2020.

(d) On 11 December 2019, the Bank issued RMB 40 billion write-down undated capital bonds in the domestic interbank bond market. The Bank paid RMB 1.68 billion in interest at a coupon rate of 4.20% to investors of perpetual bonds on 11 December 2020.

(e) On 25 March 2021, the Board of Directors proposed a cash dividend of RMB 2.54 per 10 shares in respect of the year 2020. Subject to the approval of the ordinary shareholders at the Annual General Meeting, approximately RMB 12,429 million will be payable to those on the register of ordinary shareholders as at the relevant record date. This proposal is a non-adjusting event after the reporting period and has not been recognised as liability as at 31 December 2020.

(f) As at 31 December 2020, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB 350 million (as at 31 December 2019: RMB 260 million), of which RMB 91 million (as at 31 December 2019: RMB 82 million) was the appropriation made by the subsidiaries for the year ended 31 December 2020. Such statutory surplus reserves in the retained earnings cannot be distributed.

(Amounts in millions of Renminbi unless otherwise stated)

49 Non-controlling interests

Non-controlling interests included ordinary shareholders held by non-controlling interest in subsidaries and other equity instrument holders' interests. As at 31 December 2020, other equity instrument holders' interest amounted to RMB 6,667 million (31 December 2019: 6,667 million) representing other equity instruments issued by CBI on 11 October 2016, and 6 November 2018, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier- One capital securities (the "Capital Securities").

Financial instruments in issue	*Issue Date*	*Nominal Value*	*First Call Date*	*Coupon Rate*	*Payment Frequency*
Capital Securities	11 October 2016	USD 500 millions	11 October 2021	4.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus 3.107% per annum	Semi-annually
Capital Securities	6 November 2018	USD 500 millions	6 November 2023	7.10% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus 4.151% per annum	Semi-annually

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

A distribution payment of RMB 382 million was paid to the holders of the Capital Securities during the year ended 31 December 2020 (the year ended 31 December 2019: RMB 470 million).

(Amounts in millions of Renminbi unless otherwise stated)

50 Notes to consolidated statement of cash flows

Cash and cash equivalents

	31 December 2020	*31 December 2019*
Cash	5,951	6,345
Cash equivalents		
- Surplus deposit reserve funds	57,211	97,602
- Deposits with banks and non-bank financial institutions due within three months when acquired	88,118	39,906
- Placements with and loans to banks and non-bank financial institutions due within three months when acquired	93,218	134,321
- Investment securities due within three months when acquired	75,068	64,275
Subtotal	313,615	336,104
Total	319,566	342,449

51 Commitments and contingent liabilities

(a) Credit commitments

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

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

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

(Amounts in millions of Renminbi unless otherwise stated)

51 Commitments and contingent liabilities (continued)

(a) Credit commitments (continued)

	31 December 2020	*31 December 2019*
Contractual amount		
Loan commitments		
- with an original maturity within one year	14,138	6,789
- with an original maturity of one year or above	35,494	45,422
Subtotal	49,632	52,211
Bank acceptances	559,073	426,226
Credit card commitments	623,478	545,503
Letters of guarantee issued	119,741	147,154
Letters of credit issued	125,197	103,981
Total	1,477,121	1,275,075

(b) Credit commitments analysed by credit risk weighted amount

	31 December 2020	*31 December 2019*
Credit risk weighted amount of credit commitments	437,831	398,617

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

(c) Capital commitments

(i) The Group had the following authorised capital commitments in respect of property, plant and equipment at the reporting date:

	31 December 2020	*31 December 2019*
For the purchase of property and equipment		
Contracted for	1,547	3,457

(Amounts in millions of Renminbi unless otherwise stated)

51 Commitments and contingent liabilities (continued)

(d) Outstanding contingencies including litigation and disputes

The Group has assessed and has made provisions for any probable outflow of economic benefits in relation to commitments and contingent liabilities at the reporting date in accordance with its accounting policies including litigation and disputes.

As at 31 December 2020, the Group was involved in certain potential and pending litigation as defendant with gross claims of RMB 923 million (as at 31 December 2019: RMB 2,436 million). Based on the opinion of internal and external legal counsels, the Group had made litigation provisions of RMB 21 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB 8.61 million) against these litigation (Note 40). Such contingencies, including litigation and disputes, will not have material impact on financial position and operations of the Bank.

(e) Bonds redemption obligations

As an underwriting agent of PRC treasury bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	31 December 2020	*31 December 2019*
Redemption commitment for PRC treasury bonds	11,581	11,272

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.

(f) Underwriting obligations

As at 31 December 2020, the Group did not have unfulfilled commitment in respect of securities underwriting business. (as at 31December 2019: Nil)

(Amounts in millions of Renminbi unless otherwise stated)

52 Collateral

(a) Assets pledged

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

	31 December 2020	*31 December 2019*
Debt securities	331,319	367,616
Discounted bills	68,505	76,590
Others	78	181
Total	399,902	444,387

As at 31 December 2020 and 31 December 2019, the Group's liabilities related to the above collateral were due within 12 months from the effective dates of these agreements and title of these collateral was not transferred to counterparties.

In addition, as at 31 December 2020, the Group pledged debt securities and deposits with banks and other financial institutions with carrying amount totalling RMB 493 million (as at 31 December 2019: RMB 840 million) as collateral for derivative transactions and guarantee funds to exchanges. Title of these pledged assets was not transferred to counterparties.

(b) Collateral accepted

The Group received debt securities as collateral for financial assets held under resale agreements as set out in Note 21. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 31 December 2020, there was no collateral that can be resold or re-pledged by the Group (as at 31 December 2019: Nil). During the year ended 31 December 2020, the Group did not resell or re-pledge any of these collateral (year ended 31 December 2019: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

53 Transactions on behalf of customers

(a) Entrusted lending business

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

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

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

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

	31 December 2020	*31 December 2019*
Entrusted loans	365,921	441,142
Entrusted funds	365,922	441,143

(b) Wealth management services

The Group's wealth management services to customers mainly represent sale of wealth management products, including principal guaranteed (Note 59(c)) and non-principal or interest guaranteed wealth management products (Note 59(b)), to corporate and personal banking customers.

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is recognised in the consolidated statement of profit or loss as commission income. The Group has entered into placements transactions at market interest rates with the wealth management products vehicles (Note 59(b)).

53 Transactions on behalf of customers (continued)

(b) Wealth management services (continued)

As at 31 December 2020, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 59(b).

54 Segment reporting

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

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

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

54 Segment reporting (continued)

(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. The products and services comprise loans, deposit services, securities agency services, remittance and settlement services and guarantee services.

Treasury business

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

Others and unallocated

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(a) Business segments (continued)

	Year ended 31 December 2020				
	Corporate Banking	*Personal Banking*	*Treasury Operations*	*Others and Unallocated*	*Total*
External net interest income/(expense)	47,291	98,666	28,886	(24,328)	150,515
Internal net interest income/(expense)	28,481	(40,977)	(19,778)	32,274	-
Net interest income	75,772	57,689	9,108	7,946	150,515
Net fee and commission income/(expense)	11,828	21,284	878	(5,154)	28,836
Other net income (Note (i))	1,873	671	12,727	777	16,048
Operating income	89,473	79,644	22,713	3,569	195,399
Operating expenses					
- depreciation and amortisation	(2,008)	(1,579)	(1,530)	(1,239)	(6,356)
- others	(17,957)	(25,807)	(1,879)	(2,256)	(47,899)
Credit impairment losses	(48,303)	(32,836)	(1,299)	(39)	(82,477)
Impairment (losses)/gains on other assets	(516)	-	-	4	(512)
Revaluation losses on investment properties	-	-	-	(69)	(69)
Share of loss of associates and joint ventures	-	-	(3)	(226)	(229)
Profit before tax	20,689	19,422	18,002	(256)	57,857
Income tax					(8,325)
Net profit					49,532
Capital expenditure	6,442	5,233	4,973	2,616	19,264

	Year ended 31 December 2020				
	Corporate Banking	*Personal Banking*	*Treasury Operations*	*Others and Unallocated*	*Total*
Segment assets	2,580,730	1,966,280	2,058,054	858,510	7,463,574
Interest in associates and joint ventures	-	-	109	5,565	5,674
Deferred tax assets					41,913
Total asset					7,511,161
Segment liabilities	3,671,630	990,280	1,024,395	1,264,807	6,951,112
Deferred tax liabilities					11
Total liabilities					6,951,123
Off-balance sheet credit commitments	853,539	623,478	-	-	1,477,017

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(a) Business segments (continued)

	Year ended 31 December 2019				
	Corporate Banking	*Personal Banking*	*Treasury Operations*	*Others and Unallocated*	*Total*
External net interest income/(expense)	52,199	89,682	28,032	(22,988)	146,925
Internal net interest income/(expense)	26,809	(38,392)	(20,552)	32,135	-
Net interest income	79,008	51,290	7,480	9,147	146,925
Net fee and commission income/(expense)	12,591	19,363	929	(6,153)	26,730
Other net income (Note (i))	2,191	631	11,067	337	14,226
Operating income	93,790	71,284	19,476	3,331	187,881
Operating expenses					
- depreciation and amortisation	(1,938)	(1,543)	(1,399)	(1,186)	(6,066)
- others	(18,012)	(26,039)	(2,340)	(1,711)	(48,102)
Credit impairment losses	(51,076)	(24,070)	(796)	(737)	(76,679)
Impairment losses on other assets	-	-	-	(576)	(576)
Revaluation losses on investment properties	-	-	-	(15)	(15)
Share of gains of associates and joint ventures	-	-	-	102	102
Profit before tax	22,764	19,632	14,941	(792)	56,545
Income tax					(7,551)
Net profit					48,994
Capital expenditure	1,484	1,216	1,074	674	4,448

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(a) Business segments (continued)

	Year ended 31 December 2019				
	Corporate Banking	*Personal Banking*	*Treasury Operations*	*Others and Unallocated*	*Total*
Segment assets	2,305,553	1,799,187	1,763,646	846,280	6,714,666
Interest in associates and joint ventures	-	-	112	3,560	3,672
Deferred tax assets					32,095
Total asset					6,750,433
Segment liabilities	3,194,780	928,683	864,467	1,229,969	6,217,899
Deferred tax liabilities					10
Total liabilities					6,217,909
Off-balance sheet credit commitments	729,572	545,503	-	-	1,275,075

Note:

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

54 Segment reporting (continued)

(b) Geographical segments

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

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

Geographical segments, as defined for management reporting purposes, are as follows:

- "Yangtze River Delta" refers to the following areas where Tier-One branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank and CITIC Wealth CO., Ltd.;

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

- "Bohai Rim" refers to the following areas where Tier-One branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;

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

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

- "Northeastern" region refers to the following areas where Tier-One branches of the Group is located: Shenyang, Changchun and Harbin;

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

- "Overseas" includes all the operations of London branch, CNCB Investment, CIFH and its subsidiaries.

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

	Year ended 31 December 2020									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
External net interest income	34,924	19,503	2,770	22,173	19,903	2,907	43,620	4,715	-	150,515
Internal net interest (expense)/income	(7,214)	(3,604)	16,837	(6,484)	(7,998)	(794)	9,363	(106)	-	-
Net interest income	27,710	15,899	19,607	15,689	11,905	2,113	52,983	4,609	-	150,515
Net fee and commission income	3,843	2,352	4,192	1,661	1,412	319	13,930	1,127	-	28,836
Other net income (Note (i))	1,044	197	402	140	141	21	12,599	1,504	-	16,048
Operating income	32,597	18,448	24,201	17,490	13,458	2,453	79,512	7,240	-	195,399
Operating expense										
- depreciation and amortisation	(949)	(751)	(900)	(672)	(803)	(208)	(1,521)	(552)	-	(6,356)
- others	(8,447)	(5,681)	(7,287)	(5,065)	(4,595)	(1,118)	(12,917)	(2,789)	-	(47,899)
Credit impairment losses	(10,438)	(7,454)	(11,231)	(6,232)	(12,813)	(810)	(31,433)	(2,066)	-	(82,477)
Impairment (losses)/gains on other assets	(153)	(24)	(6)	(307)	(26)	-	-	4	-	(512)
Revaluation losses on investment properties	-	-	-	-	-	-	-	(69)	-	(69)
Share of loss of associates and joint ventures	-	-	-	-	-	-	(134)	(95)	-	(229)
Profit before tax	12,610	4,538	4,777	5,214	(4,779)	317	33,507	1,673	-	57,857
Income tax										(8,325)
Profit for the year										49,532
Capital expenditure	308	217	321	193	286	77	17,522	340	-	19,264

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

	31 December 2020									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
Segment assets	1,599,863	886,996	1,756,340	715,464	621,509	131,475	3,137,279	353,870	(1,739,222)	7,463,574
Interest in associates and joint ventures	-	-	-	-	-	-	5,154	520	-	5,674
Deferred tax assets										41,913
Total assets										7,511,161
Segment liabilities	1,266,058	719,506	1,541,035	629,772	537,319	108,995	3,565,035	295,314	(1,711,922)	6,951,112
Deferred tax liabilities										11
Total liabilities										6,951,123
Off-balance sheet credit commitments	230,352	157,359	147,496	186,161	100,423	17,223	616,546	21,457	-	1,477,017

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

	Year ended 31 December 2019									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
External net interest income	35,906	22,013	6,971	21,000	21,457	2,331	31,144	6,103	-	146,925
Internal net interest (expense)/income	(9,879)	(5,000)	13,226	(6,403)	(9,536)	(501)	18,314	(221)	-	-
Net interest income	26,027	17,013	20,197	14,597	11,921	1,830	49,458	5,882	-	146,925
Net fee and commission income	2,852	2,421	4,232	1,634	1,475	325	12,478	1,313	-	26,730
Other net income (Note (i))	593	199	467	130	175	37	11,753	872	-	14,226
Operating income	29,472	19,633	24,896	16,361	13,571	2,192	73,689	8,067	-	187,881
Operating expense										
- depreciation and amortisation	(933)	(755)	(894)	(695)	(842)	(228)	(1,190)	(529)	-	(6,066)
- others	(8,004)	(5,844)	(7,448)	(5,015)	(4,642)	(1,221)	(12,978)	(2,950)	-	(48,102)
Credit impairment losses	(9,475)	(9,808)	(13,369)	(6,247)	(10,820)	(3,263)	(22,527)	(1,170)	-	(76,679)
Impairment losses on other assets	(169)	-	(205)	(67)	(71)	(19)	-	(45)	-	(576)
Revaluation losses on investment properties	-	-	-	-	-	-	-	(15)	-	(15)
Share of gains/(losses) of associates and joint ventures	-	-	-	-	-	-	154	(52)	-	102
Profit before tax	10,891	3,226	2,980	4,337	(2,804)	(2,539)	37,148	3,306	-	56,545
Income tax										(7,551)
Profit for the year										48,994
Capital expenditure	475	168	235	125	621	44	2,571	209	-	4,448

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

	31 December 2019									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
Segment assets	1,400,247	810,404	1,440,563	656,139	585,993	106,531	2,730,391	337,807	(1,353,409)	6,714,666
Interest in associates and joint ventures	-	-	-	-	-	-	3,027	645	-	3,672
Deferred tax assets										32,095
Total assets										6,750,433
Segment liabilities	1,021,511	624,170	1,212,606	554,658	457,021	94,420	3,312,559	272,066	(1,331,112)	6,217,899
Deferred tax liabilities										10
Total liabilities										6,217,909
Off-balance sheet credit commitments	204,838	149,346	118,966	151,951	82,348	10,047	538,324	19,255	-	1,275,075

Note:

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

55 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

- **Credit risk** Credit risk represents the potential loss that may arise from the failure of a customer or counterparty to meet its contractual obligations or commitments to the Group.

- **Market risk** Market risk arises from unfavourable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance sheet or off-balance sheet business in the Group.

- **Liquidity risk** Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

- **Operational risk** Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategy risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

55 Financial risk management (continued)

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loan and advance to customers, treasury businesses and off-balance sheet items.

The Group has standardised management on the entire credit business process including loan application and its investigation, approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

The Group writes off the recoverable financial asset when it cannot reasonably expect to recover all or part of the asset. Signs indicating that the recoverable amount cannot be reasonably expected include: (1) the enforcement has been terminated, and (2) the Group's recovery method is to confiscate and dispose of the collateral, but the expected value of the collateral cannot cover the entire principal and interest.

In addition to the credit risk to the Group caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee businesses to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer’s default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses

The Group adopts the "expected credit loss model" on its debt instruments which are classified as financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and at fair value through other comprehensive income in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses, the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The "three-stage" impairment model is used to measure their allowances for impairment losses respectively to recognise expected credit losses and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since initial recognition will be classified as "stage 1" and the Group continuously monitors their credit risk. The loss allowances of financial instruments in stage 1 is measured based on the expected credit losses in the next 12 months, which represents the proportion of the expected credit losses in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk from initial recognition, the Group transfers the related financial instruments to stage 2, but it will not be considered as credit-impaired instruments. The expected credit losses of financial instruments in stage 2 is measured based on the lifetime expected credit losses.

Stage 3: If there is a significant impairment in financial instruments, it will be moved to stage 3. The expected credit losses of financial instruments in stage 3 is measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

The Group measures the ECL for financial assets through testing models, which includes risk parameters model and discounted cash flows model. The risk parameters model method is applicable to the financial assets in stage 1 and 2. Both the risk parameter model and discounted cash flows model are applicable to the stage 3 financial assets.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

The Group has established models including different key economic indicators is established with the new actual default rate of regression model, and use the prediction results and historic default information adjustment coefficient calculation, then realise the provisions for forward-looking adjustment.

The discounted cash flow model is used to calculate the impairment allowance for an asset based on the regular forecasts of the future cash flows of the asset. At each measurement date, the Group makes forecasts of the future cash inflows of the asset in different periods and in different scenarios, applies probability weightings to obtain the weighted averages of the future cash flows, applies appropriate discount rates to the weighted averages and adds these discounted weighted average to obtain the present value of the future cash inflows.

The Group estimate the ECL in accordance with the IFRS 9, the key judgments and assumptions adopted by the Group are as follows:

(1) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) credit risk of borrowers declining to Grade 15 or below since initial recognition; (2) adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

(1) Significant increase in credit risk (continued)

After the outbreak of COVID-19, China has adopted various measures to continuously control and prevent the disease across the country. In accordance with the policies of the central government and regulatory policies and in light of its credit management needs, the Group has developed detailed assessment criteria and as well as relevant relief measures for its clients affected by the disease. For clients applying for loan extensions, the Group made prudential assessment of their repayment ability; for those meeting the criteria of the relief policies, the Bank provided relief to them in the form of deferred interest payment and by making favorable adjustments to their repayment schedules. In addition, the Group performed individual and collective assessments of these clients to assess whether there had been a significant increase in their credit risk.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

(2) Definition of credit-impaired assets

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that significant adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower is in significant financial difficulties
- The borrower is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc.
- The creditor gives the debtor no concession under any other circumstances, for economic or contractual reasons relating to the debtor's financial difficulties
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The Group's default definition has been consistently applied to the modeling of default probability, default risk exposure and default loss rate in the Group's ECL calculation process.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

(3) Inputs for measurement of expected credit losses

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows

- The probability of default represents the likelihood of a borrower defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.

- Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.

- Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of ECL, including the PD and the change in the value of collateral over time.

The Group separates exposures with similar risk characteristics into groups and collectively estimates their risk parameters, including PDs, LGDs, and EADs. In 2020, based on data accumulation and assessment of the impact of COVID-19, the Group optimized and updated relevant models and parameters. The Group has obtained sufficient information to ensure its statistical reliability. The Group makes allowances for its expected credit losses based on on-going assessment of and follow-up on changes in its customers and their financial assets on an individual basis.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

(4) Forward-looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each asset portfolio.

These economic variables and their associated impact on the probability of default vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a quarterly basis, and the impact of these economic variables on the probability of default and the exposure at default was determined by statistical regression analysis.

In addition to the neutral economic scenario, the Group determine the possible scenarios and their weightings by a combination of statistical analysis and expert judgment. The Group measures expected credit losses as either a probability weighted 12 months expected credit losses (stage 1) or a probability weight lifetime expected credit losses (stage 2 and stage 3). These probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit losses model and multiplying it by the appropriate scenario weighting.

Macroeconomic scenario and weighting information

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. The Group considers internal and external data, experts prediction, and the best estimation of future, to determine the weightings in positive, neutral and negative scenarios. Neutral is defined as the most likely to happen in the future, as compared to other scenarios. Positive scenario and negative scenario represents the possible scenario that is better off or worse off scenario compared to neutral scenario respectively.

Due to COVID-19’s impact on the macro economy, management reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data. The economic indicators currently applied in the neutral scenario, including gross profit of industrial enterprises and completed fixed-asset investment, are basically consistent with the forecast of research institutions.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

(4) Forward-looking information (continued)

In 2020, the Group has considered different macroeconomic scenarios, and the key macroeconomic scenario assumptions in estimating ECL are set out below:

Variables	Range
Industrial Added Valuer	5.00%~9.00%
Total Retail Sales of Consumer Goods	9.00%~20.00%
Broad Money Supply (M2)	7.00%~14.00%

Currently, the weighting of neutral scenario is equal to the sum of the weightings of positive and negative scenarios. Following this assessment, the Group measures ECL as a weighted average probability of ECL in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

Considering the portfolios that cannot be modeled by regression, such as those with extremely low default rate or without appropriate internal rating data, the group mainly adopts the expected loss ratio of similar portfolios with established regression models, in order to expand the coverage of the existing ECL model.

(5) Sensitivity information and management overlay

The change of the inputs for measurement of ECL and forward-looking information impact the assessment of significant increase in credit risk and measurement of credit loss.

As at 31 December 2020, assuming a 10% increase in the weighting of the positive scenario and a 10% decrease in the weighting of the neutral scenario, the group's credit impairment losses will be reduced by no more than 5% of the current credit impairment losses; assuming a 10% increase in the weighting of the negative scenario and a 10% decrease in the weighting of the neutral scenario, the group's credit impairment losses will increase by no more than 5% of the current credit impairment losses.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses (continued)

(5) Sensitivity information and management overlay (continued)

As at 31 December 2020, an assumption of 5% increase in all macroeconomic factors would result in a decrease of no more than 10% of the current impairment loss allowances of the Group and the Bank, and an assumption of a 5% decrease in all macroeconomic factors would result in an increase of no more than 10% of the current impairment loss allowances of the Group and the Bank.

In 2020, COVID-19 had a significant impact on the macro economy in China. The Group, in response to the call of the state, provided relief to its customers who had been severely affected by the pandemic. As the exposures to deferred repayments had not yet become clear, the management applied overlays to better reflect the impact of COVID-19, but the adjustments were insignificant in relation to the expected credit losses.

Allowance for impairment losses of performing loans and advances to customers consists of ECL from Stage 1 and Stage 2 which is measured based on 12 months ECL and lifetime ECL respectively. Loans and advances to customers in Stage 1 transfer to Stage 2 when there is a significant increase in credit risk. The following table presents the estimated impact as if the ECL of all performing loans and advances to customers are measured based on 12 months ECL, holding all other risk profile constant.

	31 December 2020	31 December 2019
Performing loans and advances to customers		
Allowance of impairment losses assuming loans in stage 2 transfer to stage 1	70,009	59,919
Impact of stage transfers	3,101	2,098
Current allowance for impairment losses	73,110	62,017

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the consolidated statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	31 December 2020				
	Stage 1	*Stage 2*	*Stage 3*	*Not applicable*	*Total*
Balances with central banks	429,218	-	-	-	429,218
Deposits with bank and non-bank financial institutions	133,392	-	-	-	133,392
Placements with and loans to banks and non-bank financial institutions	168,380	-	-	-	168,380
Derivative financial assets	-	-	-	40,064	40,064
Financial assets held under resale agreements	111,110	-	-	-	111,110
Loans and advances to customers (Notes(i))	4,253,422	74,042	25,608	7,124	4,360,196
Financial investments					
- at fair value through profit or loss	-	-	-	405,632	405,632
- at amortised cost	937,552	3,818	18,046	-	959,416
- at fair value through other comprehensive income	723,505	132	487	-	724,124
- designated at fair value through other comprehensive income	-	-	-	3,560	3,560
Other financial assets	19,002	3,450	733	-	23,185
Subtotal	6,775,581	81,442	44,874	456,380	7,358,277
Credit commitments	1,476,141	888	92	-	1,477,121
Maximum credit risk exposure	8,251,722	82,330	44,966	456,380	8,835,398

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure (continued)

	31 December 2019				
	Stage 1	*Stage 2*	*Stage 3*	*Not applicable*	*Total*
Balances with central banks	456,813	-	-	-	456,813
Deposits with bank and non-bank financial institutions	121,297	-	-	-	121,297
Placements with and loans to banks and non-bank financial institutions	204,547	-	-	-	204,547
Derivative financial assets	-	-	-	17,117	17,117
Financial assets held under resale agreements	9,954	-	-	-	9,954
Loans and advances to customers (Notes(i))	3,798,800	71,130	15,757	6,915	3,892,602
Financial investments					
- at fair value through profit or loss	-	-	-	317,546	317,546
- at amortised cost	907,906	10,458	5,870	-	924,234
- at fair value through other comprehensive income	628,457	123	200	-	628,780
- designated at fair value through other comprehensive income	-	-	-	3,036	3,036
Other financial assets	31,138	2,118	728	-	33,984
Subtotal	6,158,912	83,829	22,555	344,614	6,609,910
Credit commitments	1,266,571	8,316	188	-	1,275,075
Maximum credit risk exposure	7,425,483	92,145	22,743	344,614	7,884,985

According to the quality of assets, the Group classified the credit rating of the financial assets as risk level 1, risk level 2, risk level 3 and default. “Risk level 1” refers to customers who have competitive advantages among local peers with good foundations, outstanding operation results, strong operational and financial strength, and/or good corporate governance structure. “Risk level 2” refers to customers who are in the middle tier among local peers with fair foundations, fair operation results, fair operational and financial strength, and/or fair corporate governance structure. “Risk level 3” refers to customers who are in the lower-tier among local peers, with weak foundations, poor operation results, poor operational and financial strength, and/or deficiency in corporate governance structure. The definition of “Default” is same as the definition of credit-impaired. The credit rating is used for internal risk management.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure (continued)

The following table provides an analysis of loans and advances to customers and financial investments that are included in the ECL assessment according to the credit risk level. The book value of the following financial assets is the Group's maximum exposure to credit risk for these assets.

	31 December 2020						
	Risk level 1	*Risk level 2*	*Risk level 3*	*Default*	*Subtotal*	*Allowance for impairment losses*	*Net balance*
Loans and advances to customers (Note(i))							
Stage 1	3,447,373	782,522	66,723	-	4,296,618	(43,196)	4,253,422
Stage 2	821	23,518	79,226	-	103,565	(29,523)	74,042
Stage 3	-	-	-	78,592	78,592	(52,984)	25,608
Financial investments at amortised cost							
Stage 1	711,830	229,100	-	-	940,930	(3,378)	937,552
Stage 2	-	1,596	2,722	-	4,318	(500)	3,818
Stage 3 (Note(ii))	-	-	-	27,938	27,938	(9,892)	18,046
Financial investments at fair value through comprehensive income							
Stage 1	480,351	243,154	-	-	723,505	(1,503)	723,505
Stage 2	132	-	-	-	132	(1)	132
Stage 3	-	-	-	487	487	(1,147)	487
Maximum credit risk exposure	4,640,507	1,279,890	148,671	107,017	6,176,085	(142,124)	6,036,612

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure (continued)

	31 December 2019						
	Risk level 1	*Risk level 2*	*Risk level 3*	*Default*	*Subtotal*	*Allowance for impairment losses*	*Net balance*
Loans and advances to customers (Note(i))							
Stage 1	3,143,219	621,373	69,770	-	3,834,362	(35,562)	3,798,800
Stage 2	2,154	11,153	83,911	-	97,218	(26,088)	71,130
Stage 3	-	-	-	69,596	69,596	(53,839)	15,757
Financial investments at amortised cost							
Stage 1	830,071	80,948	501	-	911,520	(3,614)	907,906
Stage 2	-	10,792	-	-	10,792	(334)	10,458
Stage 3 (Note(ii))	-	-	-	8,698	8,698	(2,828)	5,870
Financial investments at fair value through comprehensive income							
Stage 1	577,688	50,769	-	-	628,457	(1,331)	628,457
Stage 2	-	123	-	-	123	(3)	123
Stage 3	-	-	-	200	200	(297)	200
Maximum credit risk exposure	4,553,132	775,158	154,182	78,494	5,560,966	(123,896)	5,438,701

Note:

(i) Loans and advances to customers includes loans and advances to customers measured at fair value through other comprehensive income, and its corresponding impairment does not include in the "Allowance for impairment losses" as shown in the table.

(ii) Claims in Stage 3 mainly represent investment management products and trust investment plans(Note 55(a)(viii)).

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Measurement of expected credit losses

The following table shows the movement in carrying value of loans and advances to customers in current reporting period:

	31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	3,834,362	97,218	69,596
Movements			
Net transfers out from Stage 1	(122,850)	-	-
Net transfers in to Stage 2	-	21,769	-
Net transfers in to Stage 3	-	-	101,081
Net transactions incurred during the year (Note(i))	595,704	(14,205)	(22,769)
Write-off	-	-	(69,129)
Others (Note(ii))	(10,598)	(1,217)	(187)
As at 31 December 2020	4,296,618	103,565	78,592

	31 December 2019		
	Stage 1	Stage 2	Stage 3
As at 1 January 2019	3,457,641	93,676	65,433
Movements			
Net transfers out from Stage 1	(113,799)	-	-
Net transfers in to Stage 2	-	42,217	-
Net transfers in to Stage 3	-	-	71,582
Net transactions incurred during the year (Note(i))	486,777	(38,913)	(6,733)
Write-off	-	-	(60,686)
Others (Note(ii))	3,743	238	-
As at 31 December 2019	3,834,362	97,218	69,596

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in carrying value of financial investment in current reporting period:

	31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	1,539,977	10,915	8,898
Movements			
Net transfers out from Stage 1	(3,337)	-	-
Net transfers out from Stage 2	-	(1,540)	-
Net transfers in to Stage 3	-	-	4,877
Net transactions incurred during the year (Note(i))	131,136	(5,041)	15,073
Write-off	-	-	(453)
Others (Note(ii))	(3,341)	116	30
As at 31 December 2020	1,664,435	4,450	28,425

	31 December 2019		
	Stage 1	Stage 2	Stage 3
As at 1 January 2019	1,286,574	3,995	1,385
Movements			
Net transfers out from Stage 1	(11,260)	-	-
Net transfers in to Stage 2	-	10,368	-
Net transfers in to Stage 3	-	-	892
Net transactions incurred during the year (Note(i))	253,869	(3,516)	6,810
Write-off	-	-	(186)
Others (Note(ii))	10,794	68	(3)
As at 31 December 2019	1,539,977	10,915	8,898

Notes:

(i) Net transactions incurred during the year mainly includes changes in carrying amount due to purchased, originated or de-recognition excepting for write-off.

(ii) Others include changes of interest receivables, and effect of exchange differences during the year.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in allowance for impairment of loans and advances to customers in current reporting period:

	31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	36,015	26,088	53,853
Movements (Note(i))			
Net transfers out from Stage 1	(3,367)	-	-
Net transfers in to Stage 2	-	879	-
Net transfers in to Stage 3	-	-	45,021
Net transactions incurred during the year (Note(ii))	10,575	(4,962)	(3,043)
Changes in parameters for the year (Note(iii))	165	7,668	16,349
Write-off	-	-	(69,129)
Others (Notes(iv))	346	(146)	9,939
As at 31 December 2020	43,734	29,527	52,990

	31 December 2019		
	Stage 1	Stage 2	Stage 3
As at 1 January 2019	32,072	22,788	46,372
Movements (Note(i))			
Net transfers out from Stage 1	(2,328)	-	-
Net transfers in to Stage 2	-	6,134	-
Net transfers in to Stage 3	-	-	42,339
Net transactions incurred during the year (Note(ii))	5,769	(8,610)	(1,738)
Changes in parameters for the year (Note(iii))	327	5,747	21,153
Write-off	-	-	(60,686)
Others (Notes(iv))	175	29	6,413
As at 31 December 2019	36,015	26,088	53,853

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in allowance for impairment of financial investment in current reporting period:

	31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	4,945	337	3,125
Movements (Note(i))			
Net transfers out from Stage 1	(55)	-	-
Net transfers out from Stage 2	-	(27)	-
Net transfers in to Stage 3	-	-	1,408
Net transactions incurred during the year (Note(ii))	96	(152)	3,931
Changes in parameters for the year (Note(iii))	(85)	343	3,034
Write-off	-	-	(453)
Others (Notes(iv))	(20)	-	(6)
As at 31 December 2020	4,881	501	11,039

	31 December 2019		
	Stage 1	Stage 2	Stage 3
As at 1 January 2019	3,407	154	848
Movements (Note(i))			
Net transfers out from Stage 1	(56)	-	-
Net transfers in to Stage 2	-	195	-
Net transfers in to Stage 3	-	-	138
Net transactions incurred during the year (Note(ii))	1,610	(12)	2,135
Changes in parameters for the year (Note(iii))	(23)	-	190
Write-off	-	-	(186)
Others (Notes(iv))	7	-	-
As at 31 December 2019	4,945	337	3,125

55 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Measurement of expected credit losses (continued)

Notes:

(i) Movements in allowance for impairment during the year mainly include the impact of stage changes on the measurement of ECLs.

(ii) Net transactions incurred during the year mainly includes changes in allowance for impairment due to financial assets purchased, originated or de-recognition (excluding write-offs).

(iii) Changes in parameters mainly include changes in risk exposures and the impacts on ECLs due to changes in PDs and LGDs following regular updates on modelling parameters rather than stages movements,.

(iv) Others include recovery of loans written off, changes of impairment losses of interest receivables, and effect of exchange differences.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(iii) Loans and advances to customers analysed by industry sector:

	31 December 2020			*31 December 2019*		
	Gross balance	*%*	*Loans and advances secured by collateral*	*Gross balance*	*%*	*Loans and advances secured by collateral*
Corporate loans						
- rental and business services	413,523	9.2	199,937	352,732	8.8	190,879
- water, environment and public utility management	339,006	7.6	135,038	268,942	6.7	124,285
- manufacturing	326,803	7.3	153,858	257,675	6.4	114,547
- real estate	287,608	6.4	245,771	288,975	7.2	256,672
- wholesale and retail	156,957	3.5	103,455	146,883	3.7	87,346
- transportation, storage and postal services	134,379	3.0	73,948	152,127	3.8	70,036
- construction	99,894	2.2	55,028	94,701	2.4	44,461
- production and supply of electric power, gas and water	86,006	1.9	42,704	66,215	1.7	47,132
- public management and social organisations	10,701	0.2	770	12,743	0.3	6,733
- others	315,523	7.0	119,119	314,526	7.8	135,663
Subtotal	2,170,400	48.3	1,129,628	1,955,519	48.8	1,077,754
Personal loans	1,891,900	42.2	1,301,553	1,730,814	43.2	1,142,987
Discounted bills	411,007	9.2	-	311,654	7.7	-
Accrued interest	12,592	0.3	-	10,104	0.3	-
Gross loans and advances to customers	4,485,899	100.0	2,431,181	4,008,091	100.0	2,220,741

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(iv) Loans and advances to customers analysed by geographical sector:

	31 December 2020			*31 December 2019*		
	Gross balance	*%*	*Loans and advances secured by collateral*	*Gross balance*	*%*	*Loans and advances secured by collateral*
Bohai Rim (including Head Office)	1,269,385	28.3	426,551	1,224,035	30.5	420,248
Yangtze River Delta	1,089,758	24.3	661,154	920,846	23.0	592,602
Pearl River Delta and West Strait	681,024	15.2	516,328	598,313	14.9	472,112
Central	612,438	13.7	355,493	534,366	13.3	329,238
Western	544,949	12.1	326,333	474,109	11.8	275,498
Northeastern	89,167	2.0	60,338	77,694	1.9	55,767
Outside Mainland China	186,586	4.1	84,984	168,624	4.3	75,276
Accrued interest	12,592	0.3	-	10,104	0.3	-
Total	4,485,899	100.0	2,431,181	4,008,091	100.0	2,220,741

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(v) Loans and advances to customers analysed by type of security

	31 December 2020	*31 December 2019*
Unsecured loans	1,118,670	976,047
Guaranteed loans	512,449	489,545
Secured loans	2,431,181	2,220,741
- loans secured by collateral	1,979,989	1,822,815
- pledged loans	451,192	397,926
Subtotal	4,062,300	3,686,333
Discounted bills	411,007	311,654
Accrued interest	12,592	10,104
Gross loans and advances to customers	4,485,899	4,008,091

(vi) Rescheduled loans and advances to customers

	31 December 2020		*31 December 2019*	
	Gross balance	*% of total loans and advances*	*Gross balance*	*% of total loans and advances*
Rescheduled loans and advances:	22,030	0.49%	22,792	0.57%
- rescheduled loans and advances overdue more than 3 months	14,174	0.32%	10,800	0.27%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated after their credit condition declined. And for the purpose of management, the Group reorganizes the loans that have been classified as bad under the premise of satisfying credit enhancement, aiming at the deterioration of the borrower's financial position before the loan matures. As at 31 December 2020, with borrowers' financial difficulty, the concession the Group considered resulted from economic or legal reasons is not significant.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(vii) Debt securities analysed by credit rating

The Group adopts a credit rating approach to manage credit risk of its debt instruments portfolio. The ratings are obtained from major rating agencies where the debt instruments are issued. The carrying amounts of debt instruments investments analysed by rating as at the end of the reporting period are as follows:

	31 December 2020					
	Unrated	*AAA*	*AA*	*A*	*Below A*	*Total*
	(Note (i))					
Debt securities issued by:						
- governments	593,075	225,197	13,536	5,350	10	837,168
- policy banks	114,669	-	-	5,860	-	120,529
- public entities	8	-	1,965	5	23	2,001
- banks and non-bank financial institutions	58,546	346,741	4,675	24,808	7,335	442,105
- corporates	44,691	27,445	7,728	12,201	10,596	102,661
Investment management products managed by securities companies	102,318	-	-	-	-	102,318
Trust investment plans	182,086	-	-	-	-	182,086
Total	1,095,393	599,383	27,904	48,224	17,964	1,788,868

	31 December 2019					
	Unrated	*AAA*	*AA*	*A*	*Below A*	*Total*
	(Note (i))					
Debt securities issued by:						
- governments	490,734	175,718	14,895	1,786	-	683,133
- policy banks	94,455	-	-	6,062	-	100,517
- public entities	-	102	346	-	-	448
- banks and non-bank financial institutions	35,558	321,254	6,151	25,349	9,531	397,843
- corporates	44,596	36,881	11,023	15,593	9,188	117,281
Investment management products managed by securities companies	185,854	-	406	-	17	186,277
Trust investment plans	157,194	-	-	-	-	157,194
Total	1,008,391	533,955	32,821	48,790	18,736	1,642,693

Note:

(i) Unrated debt securities held by the Group are primarily bonds issued by the Chinese government, policy banks, banks, non-bank financial institutions, investment management products managed by securities companies and trust investment plans.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(viii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	31 December 2020	*31 December 2019*
Investment management products managed by securities companies and trust investment plans		
- credit assets	260,555	265,969
- rediscounted bills	34,298	80,513
Total	294,853	346,482

The Group divides investment management products managed by securities companies and trust investment plans into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets includes guarantee, security by collateral, and pledge.

55 Financial risk management (continued)

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance sheet and off-balance sheet businesses for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has established a market risk management system that formulates procedures to identify, measure, supervise and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Risk and Internal Control Committee of the Group is responsible for approving market risk management policies, establishing appropriate organizational structure and information systems to effectively identify, measure, monitor and control market risks, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorization limits, providing independent report of market risk to identify, measure and monitor the Group's market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated with the relevant operations, so as to ensure the dynamic balance between business development and risk undertaking.

The Group uses sensitivity analysis, foreign exchange exposure and interest rate re-pricing gap analysis as the primary instruments to monitor market risk.

Interest rate risk and currency risk are the major market risks that the Group is exposed to.

Interest rate risk

The Group's interest rate exposures mainly arise from the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjust the ratio of floating and fixed rate exposures, the loan re-pricing cycle, as well as optimization of the term structure of its deposits accordingly.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure, manage and report the interest rate risk on a regular basis.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The following tables summarise the average interest rates, and the next re-pricing dates or contractual maturity date whichever is earlier for the assets and liabilities as at the end of each reporting date.

		31 December 2020					
	Average interest rate (Note (i))	*Total*	*Non-interest bearing*	*Less than three months*	*Between three months and one year*	*Between one and five years*	*More than five years*
Assets							
Cash and balances with central banks	1.51%	435,169	19,013	416,156	-	-	-
Deposits with banks and non-bank financial institutions	2.19%	133,392	437	99,947	33,008	-	-
Placements with and loans to banks and non-bank financial institutions	1.90%	168,380	1,358	104,955	55,867	6,200	-
Financial assets held under resale agreements	1.62%	111,110	12	111,098	-	-	-
Loans and advances to customers (Note (ii))	5.31%	4,360,196	12,441	2,762,743	1,360,509	212,950	11,553
Financial investments							
- at fair value through profit or loss		405,632	288,749	55,957	37,944	14,036	8,946
- at amortised cost	4.00%	959,416	10,357	55,805	129,048	483,533	280,673
- at fair value through other comprehensive income	3.22%	724,124	6,554	88,146	134,983	398,216	96,225
- designated at fair value through other comprehensive income		3,560	3,560	-	-	-	-
Others		210,182	210,182	-	-	-	-
Total assets		7,511,161	552,663	3,694,807	1,751,359	1,114,935	397,397

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

		31 December 2020					
	Average interest rate (Note (i))	*Total*	*Non-interest bearing*	*Less than three months*	*Between three months and one year*	*Between one and five years*	*More than five years*
Liabilities							
Borrowing from central banks	3.25%	224,391	-	9,279	215,112	-	-
Deposits from banks and non-bank financial institutions	2.36%	1,163,641	3,508	868,561	291,572	-	-
Placements from banks and non-bank financial institutions	2.39%	57,756	201	19,560	32,187	5,808	-
Financial liabilities at fair value through profit or loss		8,654	8,409	-	-	94	151
Financial assets sold under repurchase agreements	2.03%	75,271	-	62,078	13,193	-	-
Deposits from customers	2.10%	4,572,286	65,645	3,230,793	551,612	724,210	26
Debt securities issued	3.13%	732,958	2,773	194,831	348,184	77,200	109,970
Lease liabilities	4.55%	10,504	770	784	2,075	5,688	1,187
Others		105,662	105,662	-	-	-	-
Total liabilities		6,951,123	186,968	4,385,886	1,453,935	813,000	111,334
Interest rate gap		560,038	365,695	(691,079)	297,424	301,935	286,063

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Average interest rate (Note (i))	*31 December 2019* *Total*	*Non-interest bearing*	*Less than three months*	*Between three months and one year*	*Between one and five years*	*More than five years*
Assets							
Cash and balances with central banks	1.55%	463,158	17,743	445,415	-	-	-
Deposits with banks and non-bank financial institutions	2.00%	121,297	1,349	53,285	66,663	-	-
Placements with and loans to banks and non-bank financial institutions	2.82%	204,547	1,218	149,333	39,546	14,450	-
Financial assets held under resale agreements	2.13%	9,954	-	9,954	-	-	-
Loans and advances to customers (Note (ii))	5.60%	3,892,602	9,958	1,629,459	2,073,626	166,427	13,132
Financial investments							
- at fair value through profit or loss		317,546	219,536	49,923	26,845	15,508	5,734
- at amortised cost	4.39%	924,234	112	362,026	78,763	367,340	115,993
- at fair value through other comprehensive income	3.66%	628,780	427	44,913	92,694	348,325	142,421
- designated at fair value through other comprehensive income		3,036	3,036	-	-	-	-
Others		185,279	185,279	-	-	-	-
Total assets		6,750,433	438,658	2,744,308	2,378,137	912,050	277,280

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	31 December 2019						
	Average interest rate (Note (i))	*Total*	*Non-interest bearing*	*Less than three months*	*Between three months and one year*	*Between one and five years*	*More than five years*
Liabilities							
Borrowing from central banks	3.34%	240,298	-	11,358	228,940	-	-
Deposits from banks and non-bank financial institutions	2.79%	951,122	2,710	702,939	245,473	-	-
Placements from banks and non-bank financial institutions	2.89%	92,539	484	57,432	31,714	2,909	-
Financial liabilities at fair value through profit or loss		847	716	131	-	-	-
Financial assets sold under repurchase agreements	2.40%	111,838	23	80,155	31,660	-	-
Deposits from customers	2.08%	4,073,258	50,932	2,782,857	645,144	593,397	928
Debt securities issued	3.80%	650,274	3,512	71,769	458,267	9,022	107,704
Lease liabilities	4.68%	10,896	790	11	108	5,303	4,684
Others		86,837	86,837	-	-	-	-
Total liabilities		6,217,909	146,004	3,706,652	1,641,306	610,631	113,316
Interest rate gap		532,524	292,654	(962,344)	736,831	301,419	163,964

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

Notes:

(i) Average interest rate represented the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category included overdue amounts (net of allowance for impairment losses) of RMB 36,526 million as at 31 December 2020 (as at 31 December 2019: RMB 43,791 million).

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 31 December 2020 and 31 December 2019.

	31 December 2020		*31 December 2019*	
	Net interest income	*Other comprehensive income*	*Net interest income*	*Other comprehensive income*
+100 basis points	(4,680)	(4,708)	(4,097)	(3,407)
- 100 basis points	4,680	4,708	4,097	3,407

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain assumptions as discussed below. The analysis measures only the impact of changes in interest rates within one year, showing how annualized interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within the three months bracket, and the after three months but within one year bracket are both reprice or mature at the beginning of the respective periods, (ii) it does not reflect the potential impact of unparalleled yield curve movements, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income and other comprehensive income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance sheet and off-balance sheet business of the Group. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial instruments, mainly foreign exchange swaps, to manage its exposure.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

The exposures at the reporting date were as follows:

	31 December 2020				
	RMB	*USD*	*HKD*	*Others*	*Total*
		(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	
Assets					
Cash and balances with central banks	421,605	12,678	648	238	435,169
Deposits with banks and non-bank financial institutions	74,840	42,776	7,461	8,315	133,392
Placements with and loans to banks and non-bank financial institutions	89,233	64,482	13,194	1,471	168,380
Financial assets held under resale agreements	110,964	146	-	-	111,110
Loans and advances to customers	4,096,592	134,953	103,010	25,641	4,360,196
Financial investments					
- at fair value through profit or loss	391,754	13,167	711	-	405,632
- at amortised cost	954,051	943	-	4,422	959,416
- at fair value through other comprehensive income	635,191	64,566	17,353	7,014	724,124
- designated at fair value through other comprehensive income	3,021	447	92	-	3,560
Others	202,101	2,894	4,372	815	210,182
Total assets	6,979,352	337,052	146,841	47,916	7,511,161
Liabilities					
Borrowings from central banks	224,391	-	-	-	224,391
Deposits from banks and non-bank financial institutions	1,155,765	6,698	1,035	143	1,163,641
Placements from banks and non-bank financial institutions	45,224	10,949	904	679	57,756
Financial liabilities at fair value through profit or loss	8,407	246	1	-	8,654
Financial assets sold under repurchase agreements	75,271	-	-	-	75,271
Deposits from customers	4,140,522	256,705	153,292	21,767	4,572,286
Debt securities issued	723,118	9,840	-	-	732,958
Lease liabilities	9,828	20	478	178	10,504
Others	100,756	2,188	2,452	266	105,662
Total liabilities	6,483,282	286,646	158,162	23,033	6,951,123
Net on-balance sheet position	496,070	50,406	(11,321)	24,883	560,038
Credit commitments	1,393,096	71,704	3,599	8,722	1,477,121
Derivatives (Note (i))	21,081	(39,417)	40,847	(18,375)	4,136

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

	31 December 2019				
	RMB	*USD*	*HKD*	*Others*	*Total*
		(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	
Assets					
Cash and balances with central banks	445,569	16,679	694	216	463,158
Deposits with banks and non-bank financial institutions	96,334	16,579	2,598	5,786	121,297
Placements with and loans to banks and non-bank financial institutions	123,725	55,649	20,516	4,657	204,547
Financial assets held under resale agreements	9,954	-	-	-	9,954
Loans and advances to customers	3,655,998	112,700	105,842	18,062	3,892,602
Financial investments					
- at fair value through profit or loss	293,217	20,862	3,467	-	317,546
- at amortised cost	922,228	2,006	-	-	924,234
- at fair value through other comprehensive income	538,355	64,153	17,903	8,369	628,780
- designated at fair value through other comprehensive income	2,557	178	301	-	3,036
Others	175,304	4,679	4,550	746	185,279
Total assets	6,263,241	293,485	155,871	37,836	6,750,433
Liabilities					
Borrowings from central banks	240,298	-	-	-	240,298
Deposits from banks and non-bank financial institutions	942,867	7,842	331	82	951,122
Placements from banks and non-bank financial institutions	75,315	16,858	216	150	92,539
Financial liabilities at fair value through profit or loss	715	132	-	-	847
Financial assets sold under repurchase agreements	111,838	-	-	-	111,838
Deposits from customers	3,700,005	200,762	154,291	18,200	4,073,258
Debt securities issued	628,885	21,389	-	-	650,274
Lease liabilities	10,183	4	559	150	10,896
Others	80,992	1,724	3,855	266	86,837
Total liabilities	5,791,098	248,711	159,252	18,848	6,217,909
Net on-balance sheet position	472,143	44,774	(3,381)	18,988	532,524
Credit commitments	1,169,606	84,385	13,294	7,790	1,275,075
Derivatives (Note (i))	(9,194)	(27,398)	45,836	(7,770)	1,474

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

Note:

(i) Derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 31 December 2020 and 31 December 2019, the results of the Group's foreign exchange rate sensitivity analysis.

	31 December 2020		*31 December 2019*	
	Profit before tax	*Other comprehensive income*	*Profit before tax*	*Other comprehensive income*
5% appreciation	2,326	25	3,529	23
5% depreciation	(2,326)	(25)	(3,529)	(23)

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain assumptions as follows: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 500 basis point fluctuation in the foreign currency exchange rates against RMB at the reporting date, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously and does not take into account the correlation effect of changes in different foreign currencies, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, foreign exchange derivative instruments, and; all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's profit and other comprehensive income resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis. Precious metal is included in foreign currency for the purpose of this sensitivity analysis.

55 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities and customers may concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the entire Group's liquidity risk policies, strategies, and implements centralized management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The tools that the Group uses to measure and monitor liquidity risk mainly include:

- Liquidity gap analysis;
- Liquidity indicators (including but not limited to regulated and internal managed indicators, such as liquidity coverage ratio, net stable funding ratio, loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring;
- Scenario analysis;
- Stress testing.

On this basis, the Group establishes regular reporting mechanisms for liquidity risk to report the latest situation of liquidity risk to the senior management on a timely basis.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities:

	31 December 2020						
	Repayable on demand	*Within 3 months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated (Note(i))*	*Total*
Assets							
Cash and balances with central banks	63,328	800	2,400	-	-	368,641	435,169
Deposits with banks and non-bank financial institutions	75,188	24,712	33,244	-	-	248	133,392
Placements with and loans to banks and non-bank financial institutions	-	105,477	56,703	6,200	-	-	168,380
Financial assets held under resale agreements	-	111,110	-	-	-	-	111,110
Loans and advances to customers (Note (ii))	18,656	804,134	1,143,277	993,925	1,341,365	58,839	4,360,196
Financial investments							
- at fair value through profit or loss	-	55,773	38,050	14,227	16,291	281,291	405,632
- at amortised cost	-	50,108	130,307	482,226	280,614	16,161	959,416
- at fair value through other comprehensive income	-	77,111	140,707	409,237	96,828	241	724,124
- designated at fair value through other comprehensive income	-	-	-	-	-	3,560	3,560
Others	57,267	20,407	13,288	47,002	12	72,206	210,182
Total assets	214,439	1,249,632	1,557,976	1,952,817	1,735,110	801,187	7,511,161

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities: (continued)

	31 December 2020						
	Repayable on demand	*Within 3 months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated*	*Total*
						(Note (i))	
Liabilities							
Borrowings from central banks	-	9,279	215,112	-	-	-	224,391
Deposits from banks and non-bank financial institutions	649,009	222,181	292,451	-	-	-	1,163,641
Placements from banks and non-bank financial institutions	-	19,535	32,383	5,838	-	-	57,756
Financial liabilities at fair value through profit or loss	8,407	-	-	95	152	-	8,654
Financial assets sold under repurchase agreements	-	62,078	13,193	-	-	-	75,271
Deposits from customers	2,336,210	959,918	551,760	723,780	618	-	4,572,286
Debt securities issued	-	194,832	348,184	78,176	111,766	-	732,958
Lease liabilities	152	840	2,254	6,057	1,201	-	10,504
Others	53,334	11,947	15,980	13,030	595	10,776	105,662
Total liabilities	3,047,112	1,480,610	1,471,317	826,976	114,332	10,776	6,951,123
(Short)/long position	(2,832,673)	(230,978)	86,659	1,125,841	1,620,778	790,411	560,038

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities: (continued)

	31 December 2019						
	Repayable on demand	*Within 3 months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated (Note(i))*	*Total*
Assets							
Cash and balances with central banks	104,114	-	3,080	-	-	355,964	463,158
Deposits with banks and non-bank financial institutions	39,476	14,100	67,721	-	-	-	121,297
Placements with and loans to banks and non-bank financial institutions	-	150,131	39,858	14,558	-	-	204,547
Financial assets held under resale agreements	-	9,954	-	-	-	-	9,954
Loans and advances to customers (Note (ii))	27,210	695,697	928,062	691,475	1,478,383	71,775	3,892,602
Financial investments							
- at fair value through profit or loss	819	49,394	27,738	15,979	5,754	217,862	317,546
- at amortised cost	8,714	69,541	160,329	470,798	214,740	112	924,234
- at fair value through other comprehensive income	134	34,824	94,189	357,203	142,426	4	628,780
- designated at fair value through other comprehensive income	-	-	-	-	-	3,036	3,036
Others	74,094	11,457	10,812	36,027	84	52,805	185,279
Total assets	254,561	1,035,098	1,331,789	1,586,040	1,841,387	701,558	6,750,433

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities: (continued)

	31 December 2019						
	Repayable on demand	*Within 3 months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated (Note (i))*	*Total*
Liabilities							
Borrowings from central banks	-	11,358	228,940	-	-	-	240,298
Deposits from banks and non-bank financial institutions	402,889	302,059	246,174	-	-	-	951,122
Placements from banks and non-bank financial institutions	-	57,594	32,010	2,935	-	-	92,539
Financial liabilities at fair value through profit or loss	715	-	-	-	-	132	847
Financial assets sold under repurchase agreements	-	80,177	31,661	-	-	-	111,838
Deposits from customers	2,010,162	828,467	639,909	593,583	1,137	-	4,073,258
Debt securities issued	-	71,846	460,610	9,071	108,747	-	650,274
Lease liabilities	168	784	2,225	6,562	1,157	-	10,896
Others	43,902	6,785	6,893	13,493	6,927	8,837	86,837
Total liabilities	2,457,836	1,359,070	1,648,422	625,644	117,968	8,969	6,217,909
(Short)/long position	(2,203,275)	(323,972)	(316,633)	960,396	1,723,419	692,589	532,524

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow:

	31 December 2020						
	Repayable on demand	*Within 3 months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated (Note(i))*	*Total*
Non-derivative cash flow							
Assets							
Cash and balances with central banks	63,328	2,130	6,725	-	-	368,641	440,824
Deposits with banks and non-bank financial institutions	75,188	24,810	33,952	-	-	247	134,197
Placements with and loans to banks and non-bank financial institutions	-	105,477	57,359	6,671	-	-	169,507
Financial assets held under resale agreements	-	111,189	-	-	-	-	111,189
Loans and advances to customers (Notes(ii))	18,656	841,335	1,231,659	1,311,192	1,902,131	64,825	5,369,798
Financial investments							
- at fair value through profit or loss	-	56,338	39,118	15,832	26,747	288,439	426,474
- at amortised cost	-	58,178	157,147	568,997	345,119	16,986	1,146,427
- at fair value through other comprehensive income	-	81,277	157,226	453,336	114,489	243	806,571
- designated at fair value through other comprehensive income	-	-	-	-	-	3,560	3,560
Others	57,267	20,407	13,288	47,002	12	72,206	210,182
Total assets	214,439	1,301,141	1,696,474	2,403,030	2,388,498	815,147	8,818,729

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow (continued):

	31 December 2020						
	Repayable on demand	*Within three months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated*	*Total*
Liabilities							
Borrowings from central banks	-	9,279	215,112	-	-	-	224,391
Deposits from banks and non-bank financial institutions	649,009	227,113	306,660	-	-	-	1,182,782
Placements from banks and non-bank financial institutions	-	19,534	32,450	5,838	-	-	57,822
Financial liabilities at fair value through profit or loss	8,407	-	-	95	152	-	8,654
Financial assets sold under repurchase agreements	-	62,768	13,284	-	-	-	76,052
Deposits from customers	2,336,210	976,063	585,805	807,178	622	-	4,705,878
Debt securities issued	-	199,534	362,483	101,272	128,910	-	792,199
Lease liabilities	152	843	2,315	6,779	1,638	-	11,727
Others	53,334	11,947	15,980	13,030	595	10,776	105,662
Total liabilities	3,047,112	1,507,081	1,534,089	934,192	131,917	10,776	7,165,167
(Short)/long position	(2,832,673)	(205,940)	162,385	1,468,838	2,256,581	804,371	1,653,562
Derivative cash flow							
Derivative financial instrument settled on a net basis	-	(107)	113	434	(30)	-	410
Derivative financial instruments settled on a gross basis							
- cash inflow	-	939,873	784,841	86,237	1,201	-	1,812,152
- cash outflow	-	(654,777)	(780,355)	(86,117)	(1,221)	-	(1,522,470)

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow (continued).

	31 December 2019						
	Repayable on demand	*Within 3 months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated (Note(i))*	*Total*
Non-derivative cash flow							
Assets							
Cash and balances with central banks	104,114	1,407	7,624	-	-	355,964	469,109
Deposits with banks and non-bank financial institutions	39,476	14,168	69,201	-	-	-	122,845
Placements with and loans to banks and non-bank financial institutions	-	155,306	40,902	15,580	-	-	211,788
Financial assets held under resale agreements	-	10,002	-	-	-	-	10,002
Loans and advances to customers (Notes(ii))	27,210	735,040	1,025,345	1,000,430	2,084,351	77,504	4,949,880
Financial investments							
- at fair value through profit or loss	819	60,220	28,771	16,380	5,754	217,862	329,806
- at amortised cost	8,714	78,104	191,311	563,757	224,657	118	1,066,661
- at fair value through other comprehensive income	134	38,162	109,737	395,348	156,066	4	699,451
- designated at fair value through other comprehensive income	-	-	-	-	-	3,036	3,036
Others	74,094	11,457	10,812	36,027	84	52,805	185,279
Total assets	254,561	1,103,866	1,483,703	2,027,522	2,470,912	707,293	8,047,857

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities.The amounts disclosed in the table are the contractual undiscounted cash flow (continued):

	31 December 2019						
	Repayable on demand	*Within three months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated*	*Total*
Liabilities							
Borrowings from central banks	-	11,358	236,569	-	-	-	247,927
Deposits from banks and non-bank financial institutions	402,889	487,768	324,097	84,721	-	-	1,299,475
Placements from banks and non-bank financial institutions	-	57,594	32,039	2,935	-	-	92,568
Financial liabilities at fair value through profit or loss	715	-	-	-	-	132	847
Financial assets sold under repurchase agreements	-	80,728	32,077	-	-	-	112,805
Deposits from customers	2,010,162	842,424	673,137	668,153	1,336	-	4,195,212
Debt securities issued	-	78,869	472,403	119,387	108,747	-	779,406
Lease liabilities	168	787	2,285	7,341	1,603	-	12,184
Others	43,902	6,785	6,895	13,493	6,927	8,837	86,839
Total liabilities	2,457,836	1,566,313	1,779,502	896,030	118,613	8,969	6,827,263
(Short)/long position	(2,203,275)	(462,447)	(295,799)	1,131,492	2,352,299	698,324	1,220,594
Derivative cash flow							
Derivative financial instrument settled on a net basis	-	32	146	77	(12)	-	243
Derivative financial instruments settled on a gross basis							
- cash inflow	-	748,197	568,296	58,470	-	73	1,375,036
- cash outflow	-	(395,774)	(563,552)	(58,322)	-	-	(1,017,648)

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Credit Commitments include bank acceptances, credit card commitments, guarantees, loan commitment and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	31 December 2020			
	Less than 1 year	*1-5 years*	*Over 5 years*	*Total*
Bank acceptances	559,073	-	-	559,073
Credit card commitments	617,329	6,118	31	623,478
Guarantees	72,565	46,311	865	119,741
Loan commitments	4,743	13,306	31,583	49,632
Letter of credit	125,026	171	-	125,197
Total	1,378,736	65,906	32,479	1,477,121

	31 December 2019			
	Less than 1 year	*1-5 years*	*Over 5 years*	*Total*
Bank acceptances	426,226	-	-	426,226
Credit card commitments	538,861	6,387	255	545,503
Guarantees	96,576	49,086	1,492	147,154
Loan commitments	16,448	18,779	16,984	52,211
Letter of credit	101,948	2,033	-	103,981
Total	1,180,059	76,285	18,731	1,275,075

Notes:

(i) For cash and balances with central banks, the undated period amount represented statutory deposit reserve funds and fiscal deposits maintained with the PBOC. For placements with and loans to banks and non-bank financial institutions, loans and advances to customers and investments, the undated period amount represented the balances being impaired or overdue for more than one month. Equity investments were also reported under undated period.

(ii) The balances of loans and advances to customers which were overdue within one month but not impaired are included in repayable on demand.

55 Financial risk management (continued)

(d) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, IT systems, or external events, including legal risk, but excluding strategy risk and reputational risk.

The Group manages operational risk through a control-based environment by establishing a sound mechanism of operational risk management in order to identify, assess, monitor, control, mitigate and report operational risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. Key controls include:

- by establishing a matrix authorisation management system of the whole group, carrying out the annual unified authorisation work, and strictly restricting the institutions and personnel at all levels to carry out business activities within the scope of authority granted, the management requirements of prohibiting the overstepping of authority to engage in business activities were further clarified at the institutional level;

- through consistent legal responsibility framework, taking strict disciplinary actions against non-compliance in order to ensure accountability;

- promoting operational risk management culture throughout the organisation; building a team of operational risk management professionals. Through formal training and performance appraisal system in raising risk management awareness;

- strengthening cash and account management in accordance with the relevant policies and procedures, intensifying the monitoring of suspicious transactions. Ensure the staff are well-equipped with the necessary knowledge and basic skills on anti-money laundering through continuous training;

- backup systems and disaster recovery plans covering all the major activities, especially backoffice operations in order to minimize any unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain disruptive events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operational risk. The Group's management information system has the functionalities of recording and capturing lost data and events of operational risk to further support operational risk control and self-assessment, as well as monitoring of key risk indicators.

56 Capital Adequacy Ratio

Capital adequacy ratio reflects the Group's operational and risk management capability and it is the core of capital management. The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio. The Group's capital management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

From 1 January 2013, the Group commenced the computation of its capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations promulgated by the CBIRC in the year of 2012. According to the requirements, for credit risk, the capital requirement was measured using the weighting method. The market risk was measured by adopting the standardised approach and the operational risk was measured by using the basic indicator approach. From 1 January 2019 on, the Group calculates the default risk assets of the counterparties of derivatives in accordance with the Regulations on Measuring the Risk Assets of the Counterparties of Derivative Instruments promulgated by the CBIRC in 2018. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions. The Group's management monitors the Group's and the Bank's capital adequacy regularly based on regulations issued by the CBIRC. The required information is filed with the CBIRC by the Group and the Bank quarterly.

CBIRC demands that commercial banks shall meet the capital adequacy requirements set out in the "Capital Management Measures for Commercial Banks (Trial)" by the end of 2018. Systematically important banks are required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%. Non-systematically important bank are required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 7.50%, 8.50% and 10.50%. In addition, overseas subsidiaries and branches are directly regulated by the respective local banking regulators and the requirements of capital adequacy ratios differ by country. During the year, the Group has complied in full with all its externally imposed capital requirements.

Relevant requirements promulgated by the CBIRC are listed as below.

(Amounts in millions of Renminbi unless otherwise stated)

56 Capital Adequacy Ratio (continued)

	31 December 2020	*31 December 2019*
Core Tier-One capital adequacy ratio	8.74%	8.69%
Tier-One capital adequacy ratio	10.18%	10.20%
Capital adequacy ratio	13.01%	12.44%
Components of capital base		
Core Tier-One capital:		
Share capital	48,935	48,935
Capital reserve	59,216	58,977
Other comprehensive income and qualified portion of other equity instruments	3,244	10,496
Surplus reserve	43,786	39,009
General reserve	90,819	81,535
Retained earnings	223,625	203,411
Qualified portion of non-controlling interests	5,030	4,627
Total core Tier-One capital	474,655	446,990
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	(860)	(912)
Other intangible assets other than land use right (net of related deferred tax liability)	(2,544)	(1,875)
Core Tier-One Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope	-	-
Net core Tier-One capital	471,251	444,203
Other Tier-One capital (Note (i))	77,710	77,555
Tier-One capital	548,961	521,758
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	98,757	63,151
Surplus allowance for loan impairment	52,647	49,753
Qualified portion of non-controlling interests	1,364	1,235
Net capital base	701,729	635,897
Total risk-weighted assets	5,393,248	5,113,585

Note:

(i) As at 31 December 2020 and 31 December 2019, the Group's other Tier-One capital included preference shares, perpetual bonds issued by the Bank (Note 43) and non-controlling interests (Note 49).

57 Fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity instruments and debt instruments on exchanges and exchange-traded derivatives.

Level 2: inputs other than quoted prices included within Level 1 are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are Renminbi bonds. The fair values of these bonds are determined based on the evaluation results provided by China Central Depository & Clearing Corporate Limited. This level also includes partial bills rediscounting and forfeiting in loans and advances, as well as a majority of over-the-counter derivative contracts. Foreign exchange forward and swaps, Interest rate swap, and foreign exchange options use discount cash flow evaluation method and the evaluation model of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Bills rediscounting and forfeiting use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the Open market such as Bloomberg and Reuters.

Level 3: inputs for assets or liabilities are based on unobservable parameters. This level includes equity investments and debt instruments with one or more than one significant unobservable parameters. Management determine the fair value through inquiring from counterparties or using the valuation techniques. The model incorporate unobservable parameters such as discount rate and market price volatilities.

57 Fair value (continued)

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

- If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Market Department, the Financial Institution Department, and the Investment Bank Department are responsible for the fair valuation of financial assets and financial liabilities. The Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items according to the result generated from the valuation process and accounting policies. The Finance and Accounting Department prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the year ended 31 December 2020, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(a) Financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not carried at fair value of the Group include cash and balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers at amortised cost, financial investments at amortised cost, borrowings from central banks, deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Except for the items shown in the tables below, the maturity dates of aforesaid financial assets and liabilities are within a year or are mainly floating interest rates, as a result, their carrying amounts are approximately equal to their fair value.

	Carrying values		*Fair values*	
	31 December 2020	*31 December 2019*	*31 December 2020*	*31 December 2019*
Financial assets:				
Financial investment				
- at amortised cost	959,416	924,234	948,789	938,830
Financial liabilities:				
Debt securities issued				
- certificates of deposit (not for trading purpose) issued	-	2,863	-	2,789
- debt securities issued	35,876	81,196	31,069	80,619
- subordinated bonds issued	115,077	89,555	116,129	89,937
- certificates of interbank deposit issued	543,009	438,830	536,947	431,706
- convertible corporate bonds	38,996	37,830	41,145	37,730

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(a) Financial assets and financial liabilities not measured at fair value (continued)

Fair value of financial assets and liabilities above at fair value hierarchy is as follows:

	31 December 2020			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets:				
Financial investment				
- at amortised cost	5,521	690,984	252,284	948,789
Financial liabilities:				
Debt securities issued				
- debt securities issued	-	31,069	-	31,069
- subordinated bonds issued	3,525	112,604	-	116,129
- certificates of interbank deposit issued	-	536,947	-	536,947
- convertible corporate bonds	-	-	41,145	41,145

	31 December 2019			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets:				
Financial investment				
- at amortised cost	2,063	663,508	273,259	938,830
Financial liabilities:				
Debt securities issued				
- certificates of deposit (not for trading purpose) issued	-	2,789	-	2,789
- debt securities issued	-	80,619	-	80,619
- subordinated bonds issued	5,789	84,148	-	89,937
- certificates of interbank deposit issued	-	431,706	-	431,706
- convertible corporate bonds	-	37,730	-	37,730

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1 (Note (i))	*Level 2 (Note (i))*	*Level 3 (Note (ii))*	*Total*
As at 31 December 2020				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
- loans	-	2,696	-	2,696
- discounted bills	-	408,707	-	408,707
Loans and advances to customers at fair value through profit or loss				
- personal loans	-	-	7,124	7,124
Financial investments at fair value through profit or loss				
- investment funds	251	275,119	11,430	286,800
- debt securities	2,387	38,860	14,147	55,394
- certificates of deposit	-	49,934	-	49,934
- wealth management products	-	4,076	323	4,399
- equity instruments	1,946	-	7,159	9,105
Financial investments at fair value through other comprehensive income				
- debt securities	87,608	586,856	4,422	678,886
- certificates of deposit	402	3,968	-	4,370
- investments management products managed by securities companies	-	34,298	-	34,298
Financial investments designated at fair value through other comprehensive income				
- equity instruments	288	-	3,272	3,560
Derivative financial assets				
- interest rate derivatives	1	9,394	-	9,395
- currency derivatives	-	30,363	-	30,363
- precious metals derivatives	-	306	-	306
Total financial assets measured at fair value	92,883	1,444,577	47,877	1,585,337
Liabilities				
Financial liabilities at fair value through profit or loss				
- short position in debt securities	246	4,048	-	4,294
- structured products	-	-	4,360	4,360
Derivative financial liabilities				
- interest rate derivatives	1	9,137	-	9,138
- currency derivatives	161	30,427	-	30,588
- precious metals derivatives	-	83	-	83
Total financial liabilities measured at fair value	408	43,695	4,360	48,463

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

	Level 1	*Level 2*	*Level 3*	*Total*
	(Note (i))	*(Note (i))*	*(Note (ii))*	
As at 31 December 2019				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
- loans	-	922	-	922
- discounted bills	-	307,867	-	307,867
Loans and advances to customers at fair value through profit or loss				
- personal loans	-	-	6,915	6,915
Financial investments at fair value through profit or loss				
- debt securities	2,086	30,417	10,367	42,870
- investment funds	9,962	196,224	12,305	218,491
- certificates of deposit	-	46,792	-	46,792
-wealth management products	-	133	819	952
- equity instruments	1,185	-	7,239	8,424
- trust investment plans	17	-	-	17
Financial investments at fair value through other comprehensive income				
- debt securities	86,557	516,989	13,248	616,794
- certificates of deposit	361	4,505	-	4,866
Financial investments designated at fair value through other comprehensive income				
- equity instruments	205	123	2,708	3,036
Derivative financial assets				
- interest rate derivatives	2	5,201	-	5,203
- currency derivatives	-	11,700	-	11,700
- precious metals derivatives	-	214	-	214
Total financial assets measured at fair value	100,375	1,121,087	53,601	1,275,063
Liabilities				
Financial liabilities at fair value through profit or loss				
- short position in debt securities	132	-	-	132
- structured products	-	-	715	715
Derivative financial liabilities				
- interest rate derivatives	-	5,176	-	5,176
- currency derivatives	29	10,899	-	10,928
- precious metals derivatives	-	732	-	732
Total financial liabilities measured at fair value	161	16,807	715	17,683

Notes:

(i) During the current year, there were no significant transfers amongst Level 1, Level 2 and Level 3 of the fair value hierarchy.

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

Notes (continued):

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy:

	Assets					*Liabilities*		
	Financial assets at fair value through profit or loss	*Financial assets at fair value through other comprehensive income*	*Financial assets designated at fair value through other comprehensive income*	*Derivative financial assets*	*Total*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2020	30,730	13,248	2,708	-	46,686	(715)	-	(715)
Total gains or losses								
- in profit or loss	(519)	(60)	-	-	(579)	-	-	-
- in comprehensive income	-	1,638	(19)	-	1,619	-	-	-
Purchase	8,551	129	827	-	9,507	(3,645)	-	(3,645)
Settlements	(5,700)	(10,567)	(244)	-	(16,511)	-	-	-
Transfer in/out	-	34	-	-	34	-	-	-
Exchange effect	(3)	-	-	-	(3)	-	-	-
As at 31 December 2020	33,059	4,422	3,272	-	40,753	(4,360)	-	(4,360)

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

Notes (continued):

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy (continued):

	Assets					*Liabilities*		
	Financial assets at fair value through profit or loss	*Financial assets at fair value through other comprehensive income*	*Financial assets designated at fair value through other comprehensive income*	*Derivative financial assets*	*Total*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2019	43,155	4,726	2,412	1	50,294	-	(1)	(1)
Total gains or losses								
- in profit or loss	924	(226)	(17)	-	681	-	-	-
- in comprehensive income	-	145	14	-	159	-	-	-
Purchase	17,819	12,159	785	-	30,763	(715)	-	(715)
Settlements	(31,095)	(3,557)	(486)	(1)	(35,139)	-	1	1
Transfer in/out	(68)	-	-	-	(68)	-	-	-
Exchange effect	(5)	1	-	-	(4)	-	-	-
As at 31 December 2019	30,730	13,248	2,708	-	46,686	(715)	-	(715)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

Notes (continued):

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy (continued):

For unlisted equity investments, fund investments, bond investments, structured products, the Group determines the fair value through counterparties' quotations and valuation techniques, etc. Valuation techniques include discounted cash flow analysis and the market comparison approach, etc. The fair value measurement of these financial instruments may involve important unobservable inputs such as credit spread and liquidity discount, etc. The fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

58 Related parties

(a) Relationship of related parties

(i) The Group is controlled by CITIC Corporation Limited (incorporated in mainland China), which owns 65.37% of the Bank's shares. The ultimate parent of the Group is CITIC Group (incorporated in mainland China).

(ii) Related parties of the Group include subsidiaries, joint ventures and associates of CITIC Corporation Limited and CITIC Group. The Bank entered into banking transactions with its subsidiaries at arm's length in the ordinary course of business. These transactions are eliminated on consolidation.

CNTC and Xinhu Zhongbao Co., Ltd. have a non-executive director on the Board of Directors of the Bank, which can exert significant influence on the Bank and constitute a related party of the Bank.

In its general shareholders meeting on 25 May 2018, China Poly Group Corporation (Poly Group) elected and designated a shareholder representative supervisor to the Bank, and the Poly Group became a related party to the Bank due to its significant influence on the Bank through the supervisor. Following the official resignation of the supervisor on 1 December 2020, Poly Group no longer has significant influence on the Bank, and according to the CBIRC's Administrative Measures for the Related Party Transactions between Commercial Banks and Their Management and Staff Members and Shareholders as well as the Interim Measures for the Management of Equity Interests in Commercial Banks, Poly Group and its related parties are no longer related parties of the Bank.

(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (continued)

(b) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of public placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

The major related party transaction between the Group and related parties are submitted in turn to the board of directors for deliberation, and the relevant announcements have been posted on the website of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the CITIC Bank.

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Year ended 31 December 2020		
	Ultimate holding company and affiliates	*Other major equity holders*	*Associates and joint ventures*
		Note(i)	
Profit and loss			
Interest income	642	1,641	1,153
Fee and commission income and other operating income	408	240	2
Interest expense	(1,326)	(2,694)	(29)
Net trading loss	151	31	-
Other service fees	(2,501)	(17)	-

	Year ended 31 December 2019		
	Ultimate holding company and affiliates	*Other major equity holders*	*Associates and joint ventures*
		Note(i)	
Profit and loss			
Interest income	1,426	793	253
Fee and commission income and other operating income	2,073	252	-
Interest expense	(782)	(1,210)	(34)
Net trading loss	17	-	-
Other service fees	(1,501)	(1,050)	(3)

(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (continued)

(b) Related party transactions (continued)

	31 December 2020		
	Ultimate holding company and affiliates	*Other major equity holders Note(i)*	*Associates and joint ventures*
Assets			
Gross loans and advances to customers	11,687	16,582	-
Less: allowance for impairment losses on loans and advances	(609)	(506)	-
Loans and advances to customers (net)	11,078	16,076	-
Deposits with banks and non-bank financial institutions	-	-	20,410
Placements with and loans to banks and non-bank financial institutions	2,611	-	-
Derivative financial assets	762	2	-
Investment in financial assets			
- at fair value through profit or loss	24,960	-	-
- at amortised cost	1,422	822	-
- at fair value through other comprehensive income	-	383	-
- designated at fair value through other comprehensive income	-	-	-
Investments in associates and joint ventures	-	-	5,674
Right-of-use assets	173	6	-
Other assets	3,698	7	-
Liabilities			
Deposits from banks and non-bank financial institutions	49,512	7,803	2,603
Placements from banks and non-bank financial institutions	2,667	-	-
Derivative financial liabilities	462	-	-
Deposits from customers	43,462	101,865	-
Employee benefits payable	9	-	-
Lease liability	173	5	-
Other liabilities	484	3,898	-
Off-balance sheet items			
Guarantees and letters of credit	252	607	-
Acceptances	2,084	927	-
Entrusted funds	36,105	1,812	-
Entrusted loans	36,654	6,222	-
Funds raised from investors of non-principle guaranteed wealth management products	9,689	17,502	-
Guarantees received	13,896	5,636	-
Nominal amount of derivatives	91,309	200	-

(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (continued)

(b) Related party transactions (continued)

	31 December 2019		
	Ultimate holding company and affiliates	*Other major equity holders* *Note(i)*	*Associates and joint ventures*
Assets			
Gross loans and advances to customers	31,742	23,372	-
Less: allowance for impairment losses on loans and advances	(527)	(572)	-
Loans and advances to customers (net)	31,215	22,800	-
Deposits with banks and non-bank financial institutions	51	-	21,056
Placements with and loans to banks and non-bank financial institutions	2,879	-	-
Derivative financial assets	207	-	-
Investment in financial assets			
- at fair value through profit or loss	901	-	-
- at amortised cost	1,722	3,500	-
- at fair value through other comprehensive income	226	1,237	-
- designated at fair value through other comprehensive income	107	-	-
Investments in associates and joint ventures	-	-	3,672
Right-of-use assets	74	5	-
Other assets	11,183	150	-
Liabilities			
Deposits from banks and non-bank financial institutions	30,219	2,340	1,511
Placements from banks and non-bank financial institutions	649	-	-
Derivative financial liabilities	342	-	-
Deposits from customers	63,050	57,112	51
Employee benefits payable	12	-	-
Lease liability	70	4	-
Other liabilities	1,622	-	-
Off-balance sheet items			
Guarantees and letters of credit	9	935	-
Acceptances	2,336	258	-
Entrusted funds	35,284	3,048	-
Entrusted loans	11,989	8,117	-
Funds raised from investors of non-principle guaranteed wealth management products	2,933	-	-
Guarantees received	58,903	36,951	-
Nominal amount of derivatives	55,574	-	-

58 Related parties (continued)

(b) Related party transactions (continued)

Note:

(i) Other major equity holders include CNTC, Xinhu Zhongbao Co., Ltd. and Poly Group.

The amounts disclosed represented those transactions or balances when they were considered as related parties of the Group during the relevant periods. The transactions between the subsidiaries of CNTC/Poly Group and the Group are not significant in 2020.

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

The aggregate amount of relevant loans outstanding as at 31 December 2020 to directors, supervisors and executive officers amounted to RMB 1.19 million (as at 31 December 2019: RMB 1.51 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank as at 31 December 2020 amounted to RMB 27.30 million (as at 31 December 2019: RMB 33.74 million).

(d) Supplementary defined contribution plan

The Group has established a supplementary defined contribution plan for its qualified employees which is administered by CITIC Group (Note 37(b)).

58 Related parties (continued)

(e) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "state-owned entities").

Transactions with state-owned entities, including CNTC's indirect subsidiaries and Poly Group's indirect subsidiaries, include but are not limited to the following:

- lending and deposit taking;
- taking and placing of inter-bank balances;
- derivative transactions;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by state-owned entities;
- purchase, sale and leases of property and other assets; and
- rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. The Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

(Amounts in millions of Renminbi unless otherwise stated)

59 Structured entities

(a) Unconsolidated structured entities sponsored and managed by third parties

The Group invests in unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 2020 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated statement of financial position under which relevant assets are recognised :

	31 December 2020				
	Carrying amount				*Maximum loss exposure*
	Financial investments at fair value through profit or loss	*Financial investments at amortised cost*	*Financial investments at fair value through other Comprehensive income*	*Total*	
Wealth management product of other banks	144	-	-	144	144
Investment management products managed by securities companies	-	70,038	34,298	104,336	104,336
Trust management plans	-	190,517	-	190,517	190,517
Asset-backed securities	33	87,312	194,452	281,797	281,797
Investment funds	286,800	-	-	286,800	286,800
Total	286,977	347,867	228,750	863,594	863,594

(Amounts in millions of Renminbi unless otherwise stated)

59 Structured entities (continued)

(a) Unconsolidated structured entities held by the Group (continued)

	31 December 2019				
	Carrying amount				*Maximum loss exposure*
	Financial investments at fair value through profit or loss	*Financial investments at amortised cost*	*Financial investments at fair value through other Comprehensive income*	*Total*	
Wealth management product of other banks	133	-	-	133	133
Investment management products managed by securities companies	-	186,217	-	186,217	186,217
Trust management plans	17	160,248	-	160,265	160,265
Asset-backed securities	87	101,684	132,222	233,993	233,993
Investment funds	218,491	-	-	218,491	218,491
Total	218,728	448,149	132,222	799,099	799,099

The maximum exposures to risk in the above wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities managed by securities companies and trust investment funds are the carrying value of the assets held by the Group at the reporting date. The maximum exposures to risk in the asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items under which these assets are presented in the consolidated statement of financial position.

(b) Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed wealth management products. The wealth management products invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these wealth management products, the Group invests, on behalf of its customers, in assets as described in the investment plan related to each wealth management product and receives fee and commission income.

59 Structured entities (continued)

(b) Unconsolidated structured entities sponsored and managed by the Group (continued)

As at 31 December 2020, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB 1,287,095 million (31 December 2019: RMB 1,200,192 million).

During the year ended 31 December 2020, the Group's interest in these wealth management products included fee and commission income of RMB 2,130 million (2019: RMB 935 million); interest income of RMB 1,230 million (2019: RMB 1,259 million) and interest expense of RMB 711 million (2019: RMB 846 million).

As at 31 December 2020, the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group amounted to RMB 18,500 million (31 December 2019: RMB 53,500 million), while the placements from these wealth management products to the Group amounted to RMB 254 million (31 December 2019: RMB 35,162 million). During the year ended 31 December 2020, the amount of maximum exposure of the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group was RMB 57,753 million (during the year ended 31 December 2019: RMB 60,077 million), and the Group has no maximum net exposure of the placements from these wealth management products (during the year ended 31 December 2019: RMB 12,711 million). These transactions were conducted under normal business terms and conditions.

In order to achieve a smooth transition and steady development of the wealth management business, in 2020, in accordance with the requirements of the "Guiding Opinions on Regulating the Asset Management Business of Financial Institutions", the Group continue to promote net-value-based reporting of its asset management products and dispose of existing portfolios, and part of the wealth management investment assets from non-consolidated wealth management products to the balance sheet are included in loans and advances and financial investments.

On December 31, 2020, the assets under the above mentioned financial management services included RMB 113,014 million (31 December 2019: RMB 166,444 million) managed by subsidiaries and associated enterprises of the CITIC Group.

59 Structured entities (continued)

(c) Principal guaranteed wealth management products sponsored and managed by the Group

The Group provides principal guarantee for the principal-guaranteed wealth management products issued and managed by the Group. In line with the Group's accounting policies, the Group reports wealth management investments and corresponding funds, based on their nature as assets or liabilities, as financial assets or financial liabilities. Principal-guaranteed wealth management products issued and managed by the Group had all matured as of the end of 2020.

60 Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial de-recognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 35. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the year ended 31 December 2020 totally RMB 55,218 million (year ended 31 December 2019: RMB 77,356 million) are set forth below.

60 Transfers of financial assets (continued)

Securitisation transactions and structured transfers on assets usufruct

The Group enters into securitisation transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets based on the criteria as detailed in Note 4(c) and Note 5.

During the year ended 31 December 2020, the Group entered into securitisation transactions and structured transfers on assets usufruct backed by financial assets transferred with book value before impairment of RMB 32,060 million (year ended 31 December 2019: RMB 67,562 million). RMB 12,560 million of this balance (year ended 31 December 2019: RMB 44,594 million) was in respect of performing loans and the Group concluded that were all qualified for full de-recognition. The Group did not recognise other assets and other liabilities arising from continuing involvement (year ended 31 December 2019: RMB 5,859 million).

Loan transfers

During the year ended 31 December 2020, the Group also through other types of transactions transferred loans of book value before impairment of RMB 23,158 million (during the year of 2019: RMB 9,794 million). Among them RMB 21,395 million are non-performing loans (during the year of 2019: all of the RMB 9,794 million are non-performing loans), RMB 1,763 million are transfer of normal loans. The Group carried out assessment based on the criteria as detailed in Note 4(c) and Note 5(iv) and concluded that these transferred assets qualified for full de-recognition.

61 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

As at 31 December 2020, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(Amounts in millions of Renminbi unless otherwise stated)

62 Statements of financial position and changes in equity of the Bank

Statement of financial position

	31 December 2020	*31 December 2019*
Assets		
Cash and balances with central banks	433,429	455,377
Deposits with banks and non-bank financial institutions	104,015	108,523
Precious metals	6,274	6,865
Placements with and loans to banks and non-bank financial	150,807	164,896
Derivative financial assets	28,137	11,250
Financial assets held under resale agreements	110,649	9,954
Loans and advances to customers	4,126,163	3,673,860
Financial investments	2,010,301	1,792,729
- at fair value through profit or loss	393,736	308,577
- at amortised cost	959,324	924,028
- at fair value through other comprehensive income	654,085	557,543
- designated at fair value through other comprehensive income	3,156	2,581
Investments in subsidiaries and joint ventures	32,293	25,163
Property, plant and equipment	33,420	21,931
Right-of-use assets	10,890	11,743
Intangible assets	1,985	1,347
Deferred tax assets	40,941	31,334
Other assets	51,662	78,114
Total assets	7,140,966	6,393,086
Liabilities		
Borrowings from central banks	224,259	240,258
Deposits from banks and non-bank financial institutions	1,165,650	955,451
Placements from banks and non-bank financial institutions	12,016	42,241
Financial liabilities at fair value through profit or loss	4,047	-
Derivative financial liabilities	27,392	10,907
Financial assets sold under repurchase agreements	75,271	111,838
Deposits from customers	4,309,548	3,824,031
Accrued staff costs	19,122	19,671
Taxes payable	7,773	7,929
Debt securities issued	729,647	638,839
Lease liability	9,821	10,255
Provisions	7,094	6,027
Other liabilities	21,955	26,814
Total liabilities	6,613,595	5,894,261

(Amounts in millions of Renminbi unless otherwise stated)

62 Statements of financial position and changes in equity of the Bank (continued)

Statement of financial position (continued)

	31 December 2020	*31 December 2019*
Equity		
Share capital	48,935	48,935
Preference shares	78,083	78,083
Capital reserve	61,598	61,359
Other comprehensive income	1,577	6,332
Surplus reserve	43,786	39,009
General reserve	89,856	80,648
Retained earnings	203,536	184,459
Total equity	527,371	498,825
Total liabilities and equity	7,140,966	6,393,086

(Amounts in millions of Renminbi unless otherwise stated)

62 Statements of financial position and changes in equity of the Bank (continued)

Statement of changes in equity

	Share capital	*Preference shares*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total equity*
As at 1 January 2020	48,935	78,083	61,359	6,332	39,009	80,648	184,459	498,825
(i) Net profit	-	-	-	-	-	-	47,767	47,767
(ii) Other comprehensive income	-	-	-	(4,755)	-	-	-	(4,755)
Total comprehensive income	-	-	-	(4,755)	-	-	47,767	43,012
(iii) Investor capital								
-Additional investments in joint ventures	-	-	239	-	-	-	-	239
(iv) Profit appropriations								
- Appropriations to surplus reserve	-	-	-	-	4,777	-	(4,777)	-
- Appropriations to general reserve	-	-	-	-	-	9,208	(9,208)	-
- Dividend distribution to ordinary shareholders of the bank	-	-	-	-	-	-	(11,695)	(11,695)
- Dividend distribution to preference shareholders	-	-	-	-	-	-	(1,330)	(1,330)
- Interest paid to holders of perpetual bonds	-	-	-	-	-	-	(1,680)	(1,680)
As at 31 December 2020	48,935	78,083	61,598	1,577	43,786	89,856	203,536	527,371

(Amounts in millions of Renminbi unless otherwise stated)

62 Statements of financial position and changes in equity of the Bank (continued)

Statement of changes in equity (continued)

	Share capital	*Preference shares*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total equity*
As at 1 January 2019	48,935	34,955	61,359	5,167	34,450	73,370	163,289	421,525
(i) Net profit	-	-	-	-	-	-	45,592	45,592
(ii) Other comprehensive income	-	-	-	1,165	-	-	-	1,165
Total comprehensive income	-	-	-	1,165	-	-	45,592	46,757
(iii) Investor capital								
-Issue convertible bonds	-	3,135	-	-	-	-	-	3,135
(iv) Issue other equity instruments								
-Perpetual bonds	-	39,993	-	-	-	-	-	39,993
(v) Profit appropriations								
- Appropriations to surplus reserve	-	-	-	-	4,559	-	(4,559)	-
- Appropriations to general reserve	-	-	-	-		7,278	(7,278)	-
- Dividend distribution to ordinary shareholders of the bank	-	-	-	-	-	-	(11,255)	(11,255)
- Dividend distribution to preference shareholders	-	-	-	-	-	-	(1,330)	(1,330)
As at 31 December 2019	48,935	78,083	61,359	6,332	39,009	80,648	184,459	498,825

(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors

(a) Directors and supervisors' emoluments

For the year ended 31 December 2020

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	*Fees*	*Salary*	*Discretionary bonuses*	*Housing allowance*	*Allowances and benefits in kind*	*Employer's contribution to retirement benefit scheme*	*Remunerations paid or receivable in respect of accepting office as director and supervisor*	*Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors									
Li Qingping Note (i)	-	-	-	-	-	-	-	-	-
Fang Heying	-	700	1,457	-	40	186	-	-	2,383
Guo Danghuai	-	525	840	-	40	194	-	-	1,599
Non-executive directors									
Cao Guoqiang Note (i)	-	-	-	-	-	-	-	-	-
Huang Fang *Note (i)*	-	-	-	-	-	-	-	-	-
Wan Liming *Note (i)*	-	-	-	-	-	-	-	-	-
Independent non-executive directors									
He Cao	282	-	-	-	-	-	-	-	282
Chen Lihua	282	-	-	-	-	-	-	-	282
Qian Jun	306	-	-	-	-	-	-	-	306
Ying Liji	300	-	-	-	-	-	-	-	300

(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

For the year ended 31 December 2020 (continued)

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	*Fees*	*Salary*	*Discretionary bonuses*	*Housing allowance*	*Allowances and benefits in kind*	*Employer's contribution to retirement benefit scheme*	*Remunerations paid or receivable in respect of accepting office as director and supervisor*	*Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors									
Liu Cheng	-	630	860	-	40	196	-	-	1,726
Jia Xiangsen	276	-	-	-	-	-	-	-	276
Zheng Wei	275	-	-	-	-	-	-	-	275
Chen Panwu	-	450	1,222	-	43	194	-	-	1,909
Zeng Yufang	-	340	620	-	44	172	-	-	1,176
Li Gang	-	400	806	-	43	194	-	-	1,443
Wei Guobin	159	-	-	-	-	-	-	-	159
Former Directors and Supervisors resigned in 2020									
Deng Changqing Note (i)(ii)	-	-	-	-	-	-	-	-	-
Wang Xiuhong Note (iii)	116	-	-	-	-	-	-	-	116

(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

For the year ended 31 December 2019

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	*Fees*	*Salary*	*Discretionary bonuses*	*Housing allowance*	*Allowances and benefits in kind*	*Employer's contribution to retirement benefit scheme*	*Remunerations paid or receivable in respect of accepting office as director and supervisor*	*Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors									
Li Qingping *Note (i)*	-	-	-	-	-	-	-	-	-
Fang Heying	-	825	1,124	-	38	245	-	-	2,232
Guo Danghuai	-	600	764	-	38	241	-	-	1,643
Non-executive directors									
Cao Guoqiang *Note (i)*	-	-	-	-	-	-	-	-	-
Huang Fang *Note (i)*	-	-	-	-	-	-	-	-	-
Wan Liming *Note (i)*	-	-	-	-	-	-	-	-	-
Independent non-executive directors									
He Cao	300	-	-	-	-	-	-	-	300
Chen Lihua	300	-	-	-	-	-	-	-	300
Qian Jun	300	-	-	-	-	-	-	-	300
Ying Liji	300	-	-	-	-	-	-	-	300

(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

For the year ended 31 December 2019 (continued)

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	*Fees*	*Salary*	*Discretionary bonuses*	*Housing allowance*	*Allowances and benefits in kind*	*Employer's contribution to retirement benefit scheme*	*Remunerations paid or receivable in respect of accepting office as director and supervisor*	*Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors									
Liu Cheng	-	700	790	-	38	149	-	-	1,677
Deng Changqing Note (i)(ii)	-	-	-	-	-	-	-	-	-
Wang Xiuhong	300	-	-	-	-	-	-	-	300
Jia Xiangsen	300	-	-	-	-	-	-	-	300
Zheng Wei	300	-	-	-	-	-	-	-	300
Chen Panwu	-	440	1,483	-	51	208	-	-	2,182
Zeng Yufang	-	330	702	-	38	213	-	-	1,283
Li Gang	-	390	990	-	51	224	-	-	1,655
Former Directors and Supervisors resigned in 2019									
Sun Deshun	-	525	733	-	22	125	-	-	1,405
Cheng Pusheng	-	360	910	-	44	165	-	-	1,479

63 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

Notes:

(i) Mrs. Li Qingping, Mr. Cao Guoqiang, Mrs. Huang Fang, Mr.Wan Liming, and Mr. Deng Changqing did not receive any eTwo of the four directors are delegated by CITIC Limited and CITIC Group ("parent companies"). Their emoluments were paid by the Group. The other two directors and the supervisor are delegated respectively by Xinhu Zhongbao Co., Ltd, CNTC and Poly Group and provide service to both the parent company and the bank. Their emolument allocation are not disclosed due to the difficulty to differentiate the services provided by the four directors and the supervisor.

(ii) Mr.Deng Changqing resigned in December, 2020

(iii) Ms.Wang Xiuhong resigned in May, 2020

(b) Other benefits and interests

No direct or indirect retirement benefits and termination benefits were paid to directors as at 31 December 2020 (as at December 2019: Nil).

For the year ended 31 December 2020 and 31 December 2019, the balance of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors was not significant.

63 Benefits and interests of directors and supervisors (continued)

(b) Other benefits and interests (continued)

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 2020 (2019: Nil).

64 Events after the reporting period

On 28 December 2020, the Group submitted a USD 5 billion medium-term note plan to the Stock Exchange of Hong Kong Limited ("SEHK") for its listing within 12 months from 28 December 2020 only through issuance of debt securities to professional investors. The Group applied to the SEHK on 26 January 2021 for approval of the listing and trading, only through issuance of debt securities to professional investors, of two portion of the USD 5 billion medium-term note plan, i.e., USD 0.2 billion with a coupon rate of 0.875% and a maturity date in 2024, and USD 0.35 billion, with a coupon rate of 1.25% and a maturity date in 2026. The listing of the note and its approved trading became effective on 3 February 2021.

65 Comparative data

Certain comparative data has been restated to conform to the presentation of the current year.

China CITIC Bank Corporation Limited

Unaudited Supplementary Financial Information
for the year ended 31 December 2020

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 Difference between the financial report prepared under IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated financial statements for the year ended at 31 December 2020, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2020 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the profit for the year ended 31 December 2020 or total equity as at 31 December 2020 between the Group's consolidated financial statements prepared in accordance with IFRSs and those prepared in accordance with PRC GAAP respectively.

2 Liquidity coverage ratio

	31 December 2020	*31 December 2019*
Liquidity coverage ratio	135.14%	149.27%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk management of Commercial Banks (Provisional) issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

Unaudited Supplementary Financial Information (continued)

(Amounts in millions of Renminbi unless otherwise stated)

3 Currency concentrations

	31 December 2020			
	US Dollars	*HK Dollars*	*Others*	*Total*
Spot assets	337,052	146,841	47,916	531,809
Spot liabilities	286,646	158,162	23,033	467,841
Forward purchases	896,323	142,145	16,902	1,055,370
Forward sales	(925,094)	(101,278)	(38,349)	(1,064,721)
Options	(10,618)	(21)	3,043	(7,596)
Net long position	584,309	345,849	52,545	982,703

	31 December 2019			
	US Dollars	*HK Dollars*	*Others*	*Total*
Spot assets	293,485	155,871	37,836	487,192
Spot liabilities	248,711	159,252	18,848	426,811
Forward purchases	945,039	205,182	116,561	1,266,782
Forward sales	(964,382)	(159,262)	(124,628)	(1,248,272)
Options	(8,018)	(33)	283	(7,768)
Net long position	514,835	361,010	48,900	924,745

Unaudited Supplementary Financial Information (continued)

(Amounts in millions of Renminbi unless otherwise stated)

4 International claims

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, financial investments, etc.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2020			
	Banks	*Official sector*	*Non-bank private sector*	*Total*
Asia Pacific excluding Mainland China	41,284	489	52,950	94,723
- of which attributed to Hong Kong	21,235	473	45,784	67,492
Europe	7,440	2	20,692	28,134
North and South America	42,684	44,136	69,167	155,987
Africa	355	-	-	355
Total	91,763	44,627	142,809	279,199

	31 December 2019			
	Banks	*Official sector*	*Non-bank private sector*	*Total*
Asia Pacific excluding Mainland China	44,407	282	51,506	96,195
- of which attributed to Hong Kong	16,746	274	46,779	63,799
Europe	6,080	3	12,537	18,620
North and South America	29,206	44,910	55,626	129,742
Africa	-	-	-	-
Total	79,693	45,195	119,669	244,557

Unaudited Supplementary Financial Information (continued)

(Amounts in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	31 December 2020		
	Gross loans and advances	*Loans and advances overdue over 3 months*	*Credit impaired loans*
Bohai Rim (including Head Office)	1,269,385	25,602	34,988
Yangtze River Delta	1,089,758	3,980	10,409
Pearl River Delta and West Strait	681,024	5,734	7,962
Central	612,438	6,717	9,587
Western	544,949	6,215	9,926
Northeastern	89,167	1,524	2,556
Outside Mainland China	186,586	2,903	2,984
Accrued interest	12,592	-	-
Total	4,485,899	52,675	78,412

	31 December 2019		
	Gross loans and advances	*Loans and advances overdue over 3 months*	*Credit impaired loans*
Bohai Rim (including Head Office)	1,224,035	17,896	24,327
Yangtze River Delta	920,846	5,926	7,968
Pearl River Delta and West Strait	598,313	8,733	12,606
Central	534,366	6,818	9,006
Western	474,109	5,928	9,332
Northeastern	77,694	3,051	4,148
Outside Mainland China	168,624	1,791	946
Accrued interest	10,104	-	-
Total	4,008,091	50,143	68,333

Unaudited Supplementary Financial Information (continued)

(Amounts in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(a) Gross overdue amounts due from banks and other financial institutions

	31 December 2020	*31 December 2019*
Gross amounts due from banks and other financial institutions which have been overdue	-	-
As a percentage of total gross amounts due from banks and other financial institutions	-	-

(b) Gross amounts of overdue loans and advances to customers

	31 December 2020	*31 December 2019*
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
- between 3 and 6 months	12,693	13,950
- between 6 and 12 months	21,997	15,910
- over 12 months	17,985	20,283
Total	52,675	50,143
As a percentage of total gross loans and advances to customers:		
- between 3 and 6 months	0.28%	0.35%
- between 6 and 12 months	0.49%	0.40%
- over 12 months	0.40%	0.50%
Total	1.17%	1.25%

- The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

- Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Unaudited Supplementary Financial Information (continued)

(Amounts in millions of Renminbi unless otherwise stated)

6 Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (continued)

(b) Gross amounts of overdue loans and advances to customers (continued)

- Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances are repayable on demand which are outside the approved limit that was advised to the borrower, they are also considered as overdue.

- As at 31 December 2020, the loans and advances to customers of RMB 52,675 million of the above overdue loans and advances were credit-impaired. (As at 31 December 2019, the loans and advances to customers of RMB 50,143 million of the above overdue loans and advances were credit-impaired)

Loans and advances to customers overdue for more than 3 months:

	31 December 2020	*31 December 2019*
Secured portion	31,821	28,433
Unsecured portion	20,854	21,710
Total	52,675	50,143
Allowance for impairment losses	(38,224)	(38,392)
Net balance	14,451	11,751
Maximum exposure covered by pledge and collateral held	32,103	26,517

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realization experience as well as market situation.

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 31 December 2020, the majority of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the consolidated financial statements.