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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 2022

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 2022. This annual results announcement contains the annual report of the Bank for the year ended 31 December 2022, 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 2022 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 2022 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 2022 is proposed to be submitted to the 2022 Annual General Meeting for deliberation. The plan proposes to pay a cash dividend of RMB3.29 per 10 shares (tax inclusive).

If the Bank's proposal for final dividend distribution is approved by the shareholders at the forthcoming 2022 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 Monday, 3 July 2023. The Bank's register of members will be closed from Wednesday, 28 June 2023 to Monday, 3 July 2023 (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 2022 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, 27 June 2023. The Bank plans to distribute the 2022 annual dividends to H shareholders on Thursday, 20 July 2023. 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
ZHU Hexin
Chairman

Beijing, the PRC
23 March 2023

As at the date of this announcement, the non-executive directors of the Bank are Mr. Zhu Hexin (Chairman), Mr. Cao Guoqiang, Ms. Huang Fang and Mr. Wang Yankang; the executive directors are Mr. Fang Heying (Vice Chairman, President), Mr. Liu Cheng and Mr. Guo Danghuai; and the independent non-executive directors are Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Liu Tsz Bun Bennett.

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, strength from talents". For corporate customers and institutional customers, the Bank offers comprehensive financial solutions in corporate banking business, international business, financial market business, institutional banking business, investment banking business, transaction banking business, custody business, and etc. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance, e-banking and etc. 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 2022, the Bank had 1,428 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 CITIC International Financial Holdings Limited, recorded 31 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 35 years' growth and expansion, the Bank has become a financial conglomerate with strong comprehensive competitiveness and powerful brand influence, registering more than RMB8.5 trillion total assets and more than 60,000 employees. In 2022, *The Banker* magazine of the United Kingdom, rated the Bank the 21st on its list of the "Top 500 Banking Brands" and the 19th 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 of the Bank guarantee that the information contained in the 2022 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 Board of Directors of the Bank adopted the full text and summary of the Bank's 2022 Annual Report on 23 March 2023. Eleven of the eleven eligible directors attended the meeting. The supervisors and senior management of the Bank attended the meeting as non-voting delegates.

The 2022 annual financial reports prepared by the Bank in accordance with the PRC Accounting Standards and International Financial Reporting Standards (IFRS) were audited respectively by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with China Auditing Standards and Hong Kong Standards on Auditing respectively, with both firms producing an auditor's report with a standard unqualified audit opinion.

Mr. Zhu Hexin as Chairman and non-executive director of the Bank, Mr. Fang Heying as Vice Chairman, executive director and President of the Bank, Mr. Wang Kang as Vice President and Chief Financial Officer of the Bank and Mr. Xue Fengqing as General Manager 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 2022 Annual Report.

Profit Distribution Plan: Chapter 3 "Corporate Governance – Profit and Dividend Distribution of Ordinary Shares" of this report discloses the Bank's Profit Distribution Plan for 2022 as reviewed and adopted by the Board of Directors and will be submitted to the 2022 Annual General Meeting for deliberation. The plan proposes to pay a cash dividend of RMB3.29 per 10 shares (tax inclusive). 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 disclosed in this report the major risks it exposed to in its operation and management and the risk management and controls thereof. For relevant information thereof, please refer to related parts in Chapter 2 "Management Discussion and Analysis" of this report.

For the purpose of this report, numbers are expressed in Renminbi (RMB) unless otherwise specified. 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 2022 to 31 December 2022
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
SSE	Shanghai Stock Exchange
SEHK	The Stock Exchange of Hong Kong 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 restructuring 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)

CHAIRMAN’S LETTER TO SHAREHOLDERS

Dear shareholders,

Time will record every step we take forward, and history will be engraved with the glory of never giving up. The year 2022 was an extremely important and extraordinary year in the history of the Party and the State. In the past year, the 20th CPC National Congress came to a successful conclusion, presenting the blueprint for building a modern socialist country in all respects and sounding the clarion call for embarking on a new journey. The year 2022 also marked the 35th anniversary of China CITIC Bank, another milestone in its development. Through 35 years of braving wind and rain, China CITIC Bank forged ahead in step with the Party’s and State’s strategic moves, writing a glorious chapter of high-quality development, despite all the trials and hardships.

In 2022, China CITIC Bank registered over RMB8.5 trillion in total assets, more than RMB211.109 billion in operating income, up 3.20% over the previous year, and RMB62.103 billion in net profit, up 11.61% from a year ago. At the end of the year, the balance of NPLs stood at RMB65.213 billion, representing a NPL ratio of 1.27%, both declining for the second year in a row. The allowance coverage ratio increased by 21.12 percentage points to 201.19%. Our hard work has paid off. In the past year, our stock price and market cap growth performed well, to rank among the top domestic listed banks. It is a recognition of our overall strength and operating results over the past year. These achievements are attributed to the hard work of CITIC staff, and to the support and trust of all our shareholders and customers. On behalf of the Board of Directors, I would like to express my sincere thanks to all of those who have helped and cared for China CITIC Bank, and to CITIC staff for their dedication and contribution. Given the strong results, the Board of Directors proposes to distribute an annual dividend of RMB3.29 for every ten shares, a continued high level of return to our investors.

Looking back at 2022, we faced a turbulent environment abroad and an arduous task of reforms at home. In a complex and harsh business environment, **China CITIC Bank actively helped stabilize the macroeconomy in rapid pursuit of high-quality development. With our continued momentum and positive outlook, solid progress has been made on all fronts of work.** Behind the encouraging results is our stronger “momentum”: a firmer resolve to execute our strategies, more fruitful business activity and more solid quality of development.

As a responsible financial institution, we remain steadfast in moving forward to serve the real economy. Finance is the bloodline of real economy. They are interdependent and should grow and thrive together. With the lofty aspiration to serve the country through industry and our revolutionary traditions, we always keep in mind both internal and international imperatives, as well as the country’s most fundamental interests. We also bear in mind the mission of “implementing national strategies and contributing to national rejuvenation”, ensuring that our corporate development is in harmony with national strategies. With a strong sense of mission and responsibility, we actively implemented the CPC Central Committee’s plans for stabilizing the macroeconomy and launched a 29-point package to bolster the stability and high-quality development of the Chinese economy. We focused our activity on serving the real economy, staying true to our original mission. In an effort to help enterprises get through tough times, we stepped up support for key fields encouraged by national policymakers, including medium to long-term manufacturing, inclusive finance, green finance and strategic emerging industries, which saw an increase in loans of 35%, 22%, 67% and

37% over the beginning of the year, respectively. We gave full support to rural revitalization as a preferred destination of our financial resources, with agriculture-related loans growing by 23%. We were also active in meeting the consumer demand from home upgraders, new energy vehicle buyers and pensioners, achieving sustainable development while contributing to development of the country and flourishing of the real economy.

We have blazed the path forward through innovation and reform. Innovation is rooted in the blood stream of CITIC staff. We know that only through reform can we find a way out and remain viable. With innovative entrepreneurship we have fostered an open and inclusive environment to motivate and make the most of innovators within the organization, in a bid to create the second growth curve. We launched the "342 Action Plan for Developing Core Business Capabilities" based on our good assessment of the situation where crisis coexisted with opportunity. The action plan, aimed to develop three core capabilities in "wealth management, asset management and comprehensive financing", is a detailed roadmap for future banking development. We reformed our systems and mechanisms at a faster pace, with the retail organizational system reengineered from the top down, the management of major customers centralized progressively, and the organizational framework streamlined for risk, technology, treasury, corporate and financial market segments. Riding the trend of technological innovation, we continued to pour more resources into the IT function. Our annual IT spending was close to RMB9 billion, and the number of IT staff nearly doubled in the past four years to reach 4,762. Our digital transformation has been expanded, with a big data center built and a number of high-value platforms such as Tianyuan Treasury, Retail M+ and Kunpeng System being launched, laying the foundation for building a "Digital CITIC". It has proven that only by keeping abreast of the latest trends, taking on new initiatives, developing unique skills and building safeguards can we foster new growth drivers for relentless momentum.

We have driven the momentum forward through synergistic integration and resource sharing. Synergy is the strongest point of CITIC Group, and the strongest backing for China CITIC Bank. In July 2022, CITIC Financial Holdings was founded as the "No. 1 engine" driving the high-quality development of CITIC Group, and as a potent tool for synergistic integration. As the main platform of CITIC Synergy, China CITIC Bank has been playing the role of "locomotive" in creating synergies. We continued to unleash new synergistic momentum, further implement the principle of "One CITIC, One Customer" and enhance resource sharing, technological connectivity and information exchange to strengthen the unified customer service system and the comprehensive risk management system. We continued to build a new synergistic ecosystem, further expanded the synergistic "circle of friends" and created a "community" for synergistic development, providing customers with the best comprehensive services "beyond finance". In 2022, we achieved business synergy covering all our 37 branches for the first time, with their co-financing size breaking the RMB2 trillion mark. The cross-selling of retail products exceeded RMB100 billion in aggregate, and the collaborative asset custody hit RMB2 trillion for the first time. Whether addressing a single difficulty or diverse demand, or serving a single industry or thousands of industries, the "flywheel effect" of CITIC United Fleet is gathering steam and injecting new vitality into the high-quality development of the Bank.

The past 35 years witnessed our marching forward through highs and lows. Now, as the world changes in ways never seen before, China has entered a development stage faced with more uncertainties, finding strategic opportunities alongside risks and challenges. At the critical juncture of a historic shift, we introduced the new brand slogan of "the more we care, the more you gain". This conveys the message that finance can touch your heart by guarding every single unit of value with care. We believe that with the strong support from CITIC Group and other shareholders and under the guidance of developing core business capabilities, as long as we remain policy-oriented, maintain our strategic resolve and cement the foundation of governance, we will grow stronger in the course of high-quality development and make fresh breakthroughs in sustainable development, despite all the changes and uncertainties.

We will remain policy-oriented, clinging to the direction of high-quality development. We believe that only by closely following the pulse of national high-quality development and seizing market trends and opportunities, can we crack the code to win the market. We have actively helped stabilize the macroeconomy to enhance our sustainability while serving the real economy. Seizing the opportunity of reviving and expanding domestic consumption, we gave full play to consumer finance and financial leasing platforms, with a focus on ensuring people's wellbeing. By improving the ESG management system, we vigorously implemented the strategy of carbon emissions peaking and carbon neutrality and developed our strength in green finance. We actively implemented the rural revitalization strategy, with a focus on key rural industries, to foster our strength in this field of business. We seized the opportunities in sci-tech innovation finance to empower development of enterprises with specialized, sophisticated techniques and unique, novel products to be well attuned to the new economy. Through the whole business journey, we have been unleashing the CITIC passion and strength to ensure a rosy future.

We will maintain strategic resolve to develop our core competencies for high-quality development. We believe that opportunities coexist with challenges in a new development pattern, which takes the domestic market as the mainstay, while letting domestic and international markets boost each other, in a new era themed by "promoting common prosperity". Capitalizing on the newly established CITIC Financial Holdings and taking the opportunity of China's economic reform that lays equal emphasis on demand and supply, we will step up our efforts to develop core competencies in "wealth management, asset management and comprehensive financing" and build a high-quality value chain with CITIC characteristics, in an all-out effort to create new engines for high-quality development. We believe that, with our confidence, willpower and all-out effort, we will be able to stand out from the competition with our own characteristics, strengths and bright spots.

We have enhanced governance to lay a solid foundation for high-quality development. We believe that high-quality and sustainable development builds on the relentless adherence to the "bank of value" philosophy, together with a deep-rooted foundation, far-sighted action and persistence. We have fortified the foundation of governance, kept to the right path while making innovations and improved the corporate governance system to warrant science-driven decision-making. Focused on "turning talent into strengths", we attach greater importance to talent as the "primary resources" and the cornerstone for a sustainable organization. We adhere to the principle of "science & technology for growth", supporting and driving the transformation of operation and management from informatization to digitalization and artificial intelligence, and striving to fortify the technological groundwork. We, committed to building a century-old bank, have strengthened risk management and internal control across the board to defend the asset quality as our lifeline. We stay on the right path to compliance, in a "comply or die" mentality. We believe that under the concept of high-quality value management, our pace of development should be fast and, more importantly, steady and on a solid footing, to ensure high quality and sustainability.

We are standing at a new starting point in a new era. It is time for us to ride the tailwinds and set sail for a new journey. Into our 35th year, China CITIC Bank is standing firm as a strong, still-growing player in a highly competitive market, and at the forefront of the times. We will stay true to our mission, maintain the resolve and courage to tide over trials and hardships, and stay at the forefront of joint-stock commercial banks on the road to financial development with Chinese characteristics. We are poised to deliver greater contributions and create new glories. Thirty-five years into our development, we will continue to forge ahead unremittingly and create more value for our shareholders.

Zhu Hexin
Chairman and non-executive director
23 March, 2023

PRESIDENT'S LETTER TO SHAREHOLDERS

Dear shareholders,

The year 2022 witnessed our blazing journey across a challenging landscape, and showed how all our experiences made us believe that confidence has prepared us for the dawn.

A year ago, China CITIC Bank planted the seeds of "core business capabilities" with the determination to "reset and restart", developing its core competencies across the board, from the top down and from the inside out. Thanks to the hard work of all at the Bank, we are delighted to see that these seeds have been sprouting driving a fresh outlook: In 2022, the Bank recorded over RMB8.5 trillion in total assets, with deposits and loans breaking the RMB5 trillion mark each. Net profit reached the milestone of RMB60 billion, maintaining double-digit growth. NPLs saw a decline in both balance and ratio for two years, and the allowance coverage ratio returned to more than 200% after eight years. More importantly, our operating income and non-interest income maintained fairly good growth, our net interest margin and deposit costs showed positive changes, and our capital-light transformation began to reap rewards. With our promising fundamentals recognized across capital markets, we were among the fastest-growing banks in terms of market capitalization. We once again plan to share our good results with investors by distributing the highest cash dividend since we went public. In the first year of fully implementing the guiding principles of the 20th CPC National Congress, we pay tribute to the new era and our original aspiration with this report as a crystallization of our hardest work.

We are grateful for this great era. China's reform and prosperity have nurtured the soil for, and the confidence in, our growth. We cherish our mission and aspiration to serve the real economy and help the people live a better life, which have given us the resilience, courage and willpower to advance. With unwavering faith and courage, despite all the trials and tribulations, we have continued to forge ahead. This is the spiritual heritage behind the 35 annual reports of China CITIC Bank, and represents the cultural legacy that is more valuable than these results. It has been three full years since I took over the baton as President of China CITIC Bank. Looking back at the journey, although "trials and hardships" are the norm, the "adversities" we underwent in recent years have never been seen before. China CITIC Bank once faced such intractable issues as elevated NPLs and capital-heavy development. Our traditional competitive strengths were challenged, and our profitability came under great pressure. Meanwhile, the world is undergoing rapid seismic changes not seen for a century, with significantly more uncertainties ahead, casting another dark shadow on our development. At the critical moment of taking a stand amid the confluence of contradictions, should we go left or right? Walk slowly or run fast? This is a concern of every CITIC staff member, and also the market spotlight cast on China CITIC Bank. Now, in the face of adversity and challenges, we have given the answer through our action: "solve problems in development, and not be knocked down by adversity let alone defined by it". And we will face that adversity calmly and move forward resolutely with a smile.

Smiling is not to greet the good times waiting ahead, but a belief that the sky is the limit, as long as we go all out.

In 2022, and over the past three years, we enhanced internal strengths through reform and innovation, reshaping our core business capabilities while cementing the fundamentals of development. On a market-based and development-oriented basis, we started the "breaking" and "making" process at China CITIC Bank with great courage. We introduced the business philosophy of "pursuing sound, fast and sustainable development", breaking away from the traditional ideas, mindset and practices that stood in the way of high-quality development and endeavoring to create new ideas, models and mechanisms with CITIC characteristics. **We have improved the risk management system with upgraded thinking.** We were fully engaged in the "asset quality battle" and made great efforts to build a risk management system that effectively controls risks and empowers development, and to further seek real profits that have filtered out risks. On the one hand, the "list system" was used to accurately eliminate existing risks at a faster pace, and the disposal of non-performing assets shifted from "disposing of assets" to "running assets", with an effective risk handling system created to minimize losses and increase efficiency. On the other hand, we adhered to systemic thinking, reinforced the comprehensive risk system in various dimensions, ranging from the approval system reform to the responsibility system refining, and to risk culture development, in a bid to enhance the ability to manage variables and minimize incremental risks. **We were changing the operating model through capital-light transformation.** "Capital-light" transformation not only means "asset-light", but also means "cost-effective". To this end, we focused on "big wealth management", striving to increase capital-light income, become less dependent on interest margin and capital and reduce the size of and cyclical characteristics of the balance sheet where possible. We sped up technological empowerment, comprehensively built a secure, efficient and convenient mobile Internet service system and strengthened the integration of processes and businesses to achieve the lowest possible "capital cost" and "operating cost" while unleashing the vitality of light development. **We streamlined our systems and mechanisms through organizational restructuring.** The organizational structure was reshaped for technology, risk, corporate, retail and financial market segments, so as to create additional productivity out of new relations of production. We have broken down silos across departments to eliminate the gaps and overlaps in their responsibilities where possible. The guiding principle of "customer-oriented product departments — product-oriented customer departments" has been promoted with vigor, in a bid to improve tiered management of customers and enable response ahead of demand. The "domain system" reform has driven an organizational evolution for more efficient integration of business departments and technology departments, promoting and fostering digital thinking across front, middle and back offices and building an efficient and science-driven decision-making "cockpit" as quickly as possible. We believe that these efforts will bring us closer to the ideal of an agile bank. The "light, intelligent and platform-based" evolution is ongoing.

In 2022, and over the past three years, we rooted the changing world and flourished outwards, staying the course of performing our mission of serving our nation and people. No matter what stage we are in, a firm grasp of political orientation and people centeredness is always the starting point of all our work. Bearing in mind the country's most fundamental interests, we have always been in tune with the national strategies and with the people. **In the face of Chinese modernization, we spared no effort to support the real economy.** Inclusive finance, medium and long-term credit for manufacturing, strategic emerging industries and green credit made remarkable headway with a three-year compound growth rate of 30%, 39%, 41% and 57%, respectively. In serving the national strategy of creating world-class enterprises, we launched the first proprietary treasury management platform in the industry, contributing CITIC wisdom to the treasury system of state-owned enterprises. Our understanding of micro and small enterprises meant we were ready to meet their urgent needs and deliver "CITIC care". **In the face of the people's aspiration for a better life, we have spared**

no effort to serve the public wellbeing. We have accelerated our push for wealth management and launched the brand position of "the more we care, the more you gain". Behind the retail assets under management of nearly RMB4 trillion and personal deposits of over RMB1 trillion lies our aspiration to help more people grow their wealth. From sharing the full set of "CITIC Solutions" to rarely used Chinese characters, to closing the "digital divide" for tens of millions of people, to developing consumer loan products aimed at helping new urban residents access affordable housing, to the senior-friendly transformation of outlets and apps, and to the launch of "Happiness+" pension account, we have shown our care and concern for every financial need. As a socially responsible corporate citizen, we have systemically advanced the ESG strategy to protect lucid waters and lush mountains across our country while attending to the well-being of our employees, and building the "Hundred, Thousand and Ten Thousand" targeted poverty alleviation brand while advocating a low-carbon lifestyle.

Over the past three years of vigorous action, all our efforts were aimed at fundamentally addressing the bottlenecks on sustainable development, and our evolution was to better create value for customers and shareholders. Every painstaking effort we made has turned into the value growth of China CITIC Bank. After three years, the constraints on high-quality development have been eliminated in the course of development, and we have returned to the forefront of joint-stock banks in terms of main development indicators, making great strides in operating results and overall competitiveness. Our footprints left behind have created a "smile curve". It is a bottoming out of business indicators, but also the most real look of CITIC staff marching forward with belief.

Now, standing before the blueprint for advancing the rejuvenation of the Chinese nation on all fronts, which was outlined at the 20th CPC National Congress, we have greater courage and determination to fit into the changing times. Standing at a new starting point, we are ready for the next all-out effort with the belief that "nothing will dull our shine". On the new journey ahead, our operation and management will remain focused on improving the integrated value chain of "wealth management – asset management – comprehensive financing". We will continue to be "customer-centric", create more distinct competitive differentiation driven by "digital transition" and "CITIC Synergy" and further promote the high-quality development of China CITIC Bank.

We believe that digital transition is not a simple shift from bank cards to apps, from offline to online, or from fixed business hours to 24/7 service. We care more about the "value behind" these efforts. Therefore, **we choose to do more of it, leaving the complexity and rethinking to our own side:** Guided by application empowerment, we will vigorously promote the integration of "digitalization, business and technology", keep making breakthroughs in product innovation, capacity building and customer service, and figure out the coordinates of "knowing you better" in the new era. We will pursue localization of key infrastructures, move faster to embrace the latest changes in the field of artificial intelligence and explore the way for overall digital transition of the banking industry. **On the other hand, we will deliver simplicity and convenience to customers:** On the road to digital transformation, which is people-oriented, we will always pursue keener insights into customers and industries, smarter matching of products and demands and more ideal service and experience. We will try our best to provide customers with one-stop, multi-scenario professional services, so that the goal of asset allocation will become clearer and the actions to preserve and increase wealth will become more targeted, offering customers a "far different" service experience.

We believe that synergy is not only a unique calling card of China CITIC Bank, but also our biggest core competency. With the efforts of generations of CITIC staff, CITIC Synergy has shown great dynamism in "wealth management, comprehensive financing, asset custody, non-performing asset disposal". It not only plays a more pivotal and catalytic role in the overall operation, but also makes an increasingly prominent contribution in meeting the diverse customer needs. The founding of CITIC Financial Holdings has further integrated the banking, securities, trust and insurance arms of CITIC Group, shoring up our confidence in growing bigger, stronger and better as a provider of comprehensive financial services in the context of financial disintermediation and cross-sector competition. Backed by the "CITIC United Fleet", we will further unleash the advantages of full financial licenses and full industrial coverage of CITIC Group, pool the wisdom of CITIC experts on all fronts and unleash the synergy of "1+1>2". We will make personalized asset allocation a possibility, and create more possibilities for services "beyond finance".

The tide of the times is surging forward, and the world never ceases to change. On the cusp of this change, what we are facing or are about to face, has never been so diverse. We do not know what will happen tomorrow. Maybe tomorrow will be even more stormy, but we will never be trapped or lost there. Because we believe that change is both challenge and opportunity. We believe that no matter what challenges the changes may bring, banks' fundamental mission of "serving the real economy and benefiting all the people" will not change, and the status of customers as the starting point of business logic will never change. And we believe that beyond the adversity is glory, and we will make further progress toward establishing a "bank of value".

As the ancient Chinese wisdom tells us, "To entire sincerity there belongs ceaselessness. Not ceasing, it continues long. Continuing long, it evidences itself. Evidencing itself, it reaches far". Although we are only glimmering in the oceans of stars shaping the universe of high-quality development, the vastness of it keeps us moving and pursuing. Going forward, we will follow the guiding principles of the 20th NPC National Congress, further implement the "342 Action Plan for Developing Core Business Capabilities" and continue to create value for customers and shareholders, while continuing to keep running forward on the road to high-quality development. "The more forward, the more wonderful".

The year 2023 is bringing the world back on track. Our persistence will eventually meet with a better future. We believe, so we are smiling.

Fang Heying
Vice Chairman, executive director and President
23 March, 2023

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	Zhu Hexin
Authorized Representative	Fang Heying, Zhang Qing
Secretary to the Board of Directors	Zhang Qing
Joint Company Secretaries	Zhang Qing, Kam Mei Ha Wendy (FCG, HKFCG)
Securities Representative of the Company	Wang Junwei
Registered and Office Address[1]	6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Postal Code of the Registered and Office Address	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	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Media for Information Disclosure	*China Securities Journal* (www.cs.com.cn) *Shanghai Securities News* (www.cnstock.com) *Securities Times* (www.stcn.com)

1 The registered address of the Bank was changed from "Building C of Fuhua Building, No. 8 Chaoyangmen Beidajia, Dongcheng District, Beijing" to "No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing" in 2015 and to "6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing" in 2020.

Websites for Information Disclosure	Shanghai Stock Exchange (abbreviated as "SSE") website publishing A-share annual report: www.sse.com.cn The Stock Exchange of Hong Kong Limited (abbreviated as "SEHK") website publishing 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 42/F Qiantan Center, 588 Dongyu Road, Pudong New Area, Shanghai, China (Postal code: 200126)
Domestic Signing CPAs	Linda Yip and Li Yan
Overseas Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Overseas Signing CPA	Linda Yip
Sponsor 1 for Continuous Supervision and Guidance	CITIC Securities Co., Ltd.
Office Address and Telephone	23/F, CITIC Securities Mansion, No. 48 Liangmaqiao Road, Chaoyang District, Beijing +86-10-60838888
Signing Sponsor Representatives	Ma Xiaolong and Hu Yan[2]
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 or redemption upon maturity, whichever is earlier)

[2] For details of changes in sponsor representatives for continuous supervision and guidance, please refer to the *Announcement of China CITIC Bank Corporation Limited on Change of Sponsor Representatives for Continuous Supervision and Guidance* published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 13 December 2022.

Sponsor 2 for Continuous Supervision and Guidance	China International Capital Corporation Limited
Office Address and Telephone	27-28/F, China World Office 2, No. 1 Jianguomen Waidajie, Beijing +86-10-65051166
Signing Sponsor Representatives	Ai Yu and Zhou Yinbin[3]
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 or redemption upon maturity, whichever is earlier)
A-share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch 188 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone
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 800 Index, Hang Seng China H-Financials Index, FTSE China A50 Index

3 For details of changes in sponsor representatives for continuous supervision and guidance, please refer to the *Announcement of China CITIC Bank Corporation Limited on Change of Sponsor Representatives for Continuous Supervision and Guidance* and the *Announcement of China CITIC Bank Corporation Limited on Change of Sponsor Representatives* published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 13 December 2022 and 21 February 2023.

Credit Ratings	Standard & Poor's: (1) Long-term issuer credit rating: BBB+; (2) Short-term rating: A-2; (3) 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: bb-; (5) Outlook: Stable. Dagong: (1) Issuer rating: AAA; (2) Outlook: Stable. CCX: (1) Issuer rating: AAA; (2) 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 Chaoyang District, Guanghua 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 Honors and Awards

In January 2022, the Bank was granted the “Award for Market Innovation X-Repo”, “Award for Market Innovation X-Bargain”, “Award for Market Innovation X-Swap”, “Award for Market Influence – Core Dealer”, “Award for Market Influence – Currency Market Dealer”, “Award for Market Influence – Issuer of Interbank Certificates of Deposit”, “Award for Market Influence – Bond Market Dealer”, “Award for Market Influence – Derivatives Market Dealer”, and “Award for Market Influence – Opening-up Participant” in Interbank Local Currency Market by National Interbank Funding Center. The Bank was also named the “Excellent Northbound Market Maker” by Bond Connect Company Limited and the “Participants in Financial Market Innovation of the Cross-border Interbank Payment System" by CIPS CO., Ltd.

In February 2022, the Bank ranked 21st among the “Top 500 Banking Brands” published by *The Banker* magazine of the United Kingdom. It also won the “Annual Comprehensive Award for Centralized Clearing Business – Outstanding Clearing Member”, “Annual Comprehensive Award for Issuance, Registration, Custody and Settlement Business – Outstanding Settlement Member”, and “Excellence Award for Proprietary Clearing of Annual Standard Bond Forward” of Interbank Market Clearing House Co., Ltd.

In March 2022, the Bank was named the “Excellent Market Institution”, “Excellent Accepting House”, “Excellent Custody and Settlement Institution”, “Excellent Provider of Bill Payment Services”, “Excellent Provider of Commercial Paper Information Disclosure Services”, and “Excellent Institution for Bill Business Promotion” of the year by Shanghai Commercial Paper Exchange Corporation Ltd. The Bank’s mobile banking was also selected as the “Innovative Mobile Banking of the Year” by Sina Institute for Financial Studies.

In May 2022, the Bank was awarded the “Award for Interactive Relations with Minority Investors” by p5w.net, and the Bank’s audit technology platform was selected as the “Excellent Case of Annual Digital Risk Control in Digital Transformation of China’s Banking Sector” by *China Banking and Insurance News*.

In June 2022, the Bank’s Open Banking 2.0 project was selected as the “Best API and Open Banking Product, Application or Project in China” by *The Asian Banker*.

In July 2022, the Bank ranked 19th on *The Banker* magazine of the United Kingdom’s list of the “Top 1,000 World Banks” in terms of tier-one capital, and ranked second among joint stock banks in CBIRC’s regulatory ratings of financial services for micro and small enterprises. The Bank’s audit technology platform was selected as the “Excellent Case of Digital Internal Audit” by the First National Digital Auditing Conference and awarded the “Award for the Best Regulatory Technology Implementation in Asia-Pacific” by *The Asian Banker*.

In August 2022, the Bank was selected as the “National Outstanding Institution for Annual Credit System Data Quality in the Banking Sector” by the Credit Reference Center, the People’ Bank of China, as well as the “Excellent Monetary Transaction Institution under the Belt and Road Initiative” and “Best Foreign Currency Lending Member” by the China Foreign Exchange Trade System.

In September 2022, the Bank was named “Model Unit in Green Bank Ratings” by CBIRC and the China Banking Association; the “Excellent Settlement Member”, “Excellent Underwriter”, “Excellent Clearing Member” and “Excellence Award for Proprietary Clearing of Standard Bond Forward” by Shanghai Clearing House; the “Best Private Placement Sales Bank” by www.chnfund.com; the “Annual Wealth Management Award” by *National Business Daily*; and the “Aging Financial Service Provider of the Year” by the *Securities Times*. In the 2022 First Ecosystem Brand Summit held by *Caijing*, the Bank won the “Ecosystem Brand Evaluation”, and its “CITIC carbon account” and “supply chain finance” were selected among the “benchmark cases of ecosystem brands”.

In October 2022, the Bank was awarded the “Golden Bull Award for Bank Wealth Management Sales” by *China Securities Journal* and the “Most Progressive Bank of the Year” and “Most Socially Responsible Bank of the Year” by *www.stockstar.com*.

In November 2022, the Bank was selected among the “Excellent Cases of Corporate ESG Inclusive Finance” by www.xinhuanet.com and China Enterprise Reform and Development Society. It also won the “Award for Best Wealth Management of the Year” by www.stockstar.com; the “Commercial Bank of the Year for Empowering High-quality Development with Innovation” by www.investor.org.cn; and “Retail Bank of the Year” by *China Times*.

In December 2022, the Bank was recognized as the “Excellent Participant in the Digital Supply-Chain Financial Service Platform” by China National Clearing Center; the “Outstanding Brand Bank of the Year” by *The Economic Observer*; the “Most Influential Wealth Management Bank” by *Caijing*; the “Best Bank for Auto Financial Services” by *21st Century Business Herald*; the “Cross-border Financial Service Platform of the Year” by Jiemian.com; and the “Award for the Best Transaction Banking Brand” and “Best Bank for Cross-border Financial Services” by the Organizing Committee of the Annual Conference of China Transaction Banking. The Bank’s rural revitalization case was selected as the “Innovative Case in Rural Revitalization” by the Financial Research Institute of People’s Daily.

1.4 Financial Highlights

1.4.1 Operating Performance

Unit: RMB million

Item	2022	2021	Growth rate (%)	2020
Operating income	**211,109**	204,554	3.20	195,399
Profit before tax	**73,416**	65,517	12.06	57,857
Net profit attributable to the equity holders of the Bank	**62,103**	55,641	11.61	48,980
Net cash flow from/(used in) operating activities	**195,066**	(75,394)	Negative in the same period of last year	156,863
Per share				
Basic earnings per share *(RMB)*	**1.17**	1.08	8.33	0.94
Diluted earnings per share *(RMB)*	**1.06**	0.98	8.16	0.86
Net cash flows from/(used in) operating activities per share *(RMB)*	**3.99**	(1.54)	Negative in the same period of last year	3.21

Unit: RMB million

Item	2022 1st Quarter	2022 2nd Quarter	2022 3rd Quarter	2022 4th Quarter
Operating income	53,954	54,264	51,974	50,917
Net profit attributable to the equity holders of the Bank	17,350	15,174	14,579	15,000
Net cash flows from/(used in) operating activities	29,757	6,462	(31,328)	190,175

1.4.2 Profitability Indicators

Item	2022	2021	Increase/(decrease) in percentage point	2020
Return on average assets (ROAA) (1)	**0.76%**	0.72%	0.04	0.69%
Return on average equity (ROAE, not including non-controlling equity) (2)	**10.80%**	10.73%	0.07	10.08%
Cost-to-income ratio (excluding tax and surcharges) (3)	**30.66%**	29.34%	1.32	26.73%
Credit cost (4)	**1.12%**	1.08%	0.04	1.64%
Net interest spread (5)	**1.92%**	1.99%	(0.07)	2.18%
Net interest margin (6)	**1.97%**	2.05%	(0.08)	2.26%

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 beginning and ending total 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.

1.4.3 Scale Indicators

Unit: RMB million

Item	**31 December 2022**	31 December 2021	Growth rate *(%)*	31 December 2020
Total assets	**8,547,543**	8,042,884	6.27	7,511,161
Total loans and advances to customers (1)	**5,152,772**	4,855,969	6.11	4,473,307
– Corporate loans	**2,524,016**	2,336,179	8.04	2,170,400
– Discounted bills	**511,846**	465,966	9.85	411,007
– Personal loans	**2,116,910**	2,053,824	3.07	1,891,900
Total liabilities	**7,861,713**	7,400,258	6.24	6,951,123
Total deposits from customers (1)	**5,099,348**	4,736,584	7.66	4,528,399
– Corporate demand deposits (2)	**1,951,555**	1,974,319	(1.15)	1,915,266
– Corporate time and call deposits	**1,855,977**	1,789,956	3.69	1,674,846
– Personal demand deposits	**349,013**	310,054	12.57	327,110
– Personal time and call deposits	**942,803**	662,255	42.36	611,177
Deposits from banks and non-bank financial institutions	**1,143,776**	1,174,763	(2.64)	1,163,641
Placements from banks and non-bank financial institutions	**70,741**	78,331	(9.69)	57,756
Total equity attributable to the equity holders of the Bank	**665,418**	626,303	6.25	544,573
Total equity attributable to the ordinary shareholders of the Bank	**550,477**	511,362	7.65	469,625
Net asset per share attributable to the ordinary shareholders of the Bank *(RMB)*	**11.25**	10.45	7.66	9.60

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 (MOF), 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 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.

1.4.4 Asset Quality Indicators

Item	**31 December 2022**	31 December 2021	Growth rate *(%)*	31 December 2020
NPL ratio [1]	**1.27%**	1.39%	(0.12)	1.64%
Allowance coverage ratio [2]	**201.19%**	180.07%	21.12	171.68%
Allowance for loan impairment losses to total loans [3]	**2.55%**	2.50%	0.05	2.82%

Notes: (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.

1.4.5 Other Main Regulatory Indicators

Item [note]	**Regulatory value**	**31 December 2022**	31 December 2021	Increase/ (decrease) in percentage point	31 December 2020
Capital adequacy profile					
Core tier-one capital adequacy ratio	≥7.50%	**8.74%**	8.85%	(0.11)	8.74%
Tier-one capital adequacy ratio	≥8.50%	**10.63%**	10.88%	(0.25)	10.18%
Capital adequacy ratio	≥10.50%	**13.18%**	13.53%	(0.35)	13.01%
Leverage profile					
Leverage ratio	≥4%	**6.59%**	6.78%	(0.19)	6.40%
Liquidity risk profile					
Liquidity coverage ratio	≥100%	**168.03%**	146.59%	21.44	135.14%
Liquidity ratio					
Including: Local and foreign currencies	≥25%	**62.61%**	59.09%	3.52	58.09%
Renminbi	≥25%	**62.18%**	59.99%	2.19	58.21%
Foreign currencies	≥25%	**69.24%**	58.98%	10.26	67.11%

Notes: (1) The figures in the table were calculated in accordance with the regulatory consolidation standards of the Chinese banking industry.

(2) The Group calculated and disclosed the capital adequacy ratio in accordance with the *Provisional Measures for Capital Management of Commercial Banks*. Starting from the first quarter of 2022, the Group incorporated JSC Altyn Bank into the scope of consolidated capital management (including capital adequacy ratio and leverage ratio indicators at all tiers).

1.4.6 Differences between IFRS and PRC Accounting Standards

There is no difference between the 2022 year-end net assets and the net profit of 2022 of the Group calculated according to the PRC Accounting Standards and those calculated as per the International Financial Reporting Standards (IFRS).

1.4.7 Five-Year Financial Summary

Unit: RMB million

Item	**2022**	2021	2020	2019 (Restated)	2018 (Restated)
Operating performance					
Operating income	**211,109**	204,554	195,399	187,881	165,766
Profit before tax	**73,416**	65,517	57,857	56,545	54,326
Net profit attributable to the equity holders of the Bank	**62,103**	55,641	48,980	48,015	44,513
Net cash flow from/(used in) operating activities	**195,066**	(75,394)	156,863	116,969	102,316
Per share					
Basic earnings per share *(RMB)*	**1.17**	1.08	0.94	0.95	0.88
Diluted earnings per share *(RMB)*	**1.06**	0.98	0.86	0.89	0.88
Net cash flow from/(used in) operating activities per share *(RMB)*	**3.99**	(1.54)	3.21	2.39	2.09
Scale indicators					
Total assets	**8,547,543**	8,042,884	7,511,161	6,750,433	6,066,714
Total loans and advances to customers	**5,152,772**	4,855,969	4,473,307	3,997,987	3,608,412
Total liabilities	**7,861,713**	7,400,258	6,951,123	6,217,909	5,613,628
Total deposits from customers	**5,099,348**	4,736,584	4,528,399	4,038,820	3,616,423
Total equity attributable to the equity holders of the Bank	**665,418**	626,303	544,573	517,311	436,661
Total equity attributable to the ordinary shareholders of the Bank	**550,477**	511,362	469,625	442,363	401,706
Net asset per share attributable to the ordinary shareholders of the Bank *(RMB)*	**11.25**	10.45	9.60	9.04	8.21

Item	**2022**	2021	2020	2019 (Restated)	2018 (Restated)
Profitability indicators					
Return on average assets (ROAA)	**0.76%**	0.72%	0.69%	0.76%	0.77%
Return on average equity (ROAE)	**10.80%**	10.73%	10.08%	11.06%	11.36%
Cost-to-income ratio (excluding tax and surcharges)	**30.66%**	29.34%	26.73%	27.84%	30.71%
Credit cost	**1.12%**	1.08%	1.64%	1.79%	1.40%
Net interest spread *(note)*	**1.92%**	1.99%	2.18%	2.36%	2.22%
Net interest margin *(note)*	**1.97%**	2.05%	2.26%	2.45%	2.31%
Asset quality indicators					
NPL ratio	**1.27%**	1.39%	1.64%	1.65%	1.77%
Allowance coverage ratio	**201.19%**	180.07%	171.68%	175.25%	157.98%
Allowance for loan impairment losses to total loans	**2.55%**	2.50%	2.82%	2.90%	2.80%
Capital adequacy ratios					
Core tier-one capital adequacy ratio	**8.74%**	8.85%	8.74%	8.69%	8.62%
Tier-one capital adequacy ratio	**10.63%**	10.88%	10.18%	10.20%	9.43%
Capital adequacy ratio	**13.18%**	13.53%	13.01%	12.44%	12.47%

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 since 2020, and the net interest spread and net interest margin of 2019 and 2018 were restated.

CHAPTER 2 MANAGEMENT DISCUSSION AND ANALYSIS

2.1 Industry Overview of the Company

In 2022, China's banking industry put serving the real economy in a more prominent position, and helped market entities to overcome difficulties and return to normal operation and life. It fully tapped new driving forces and growth potentials, gave full support to stabilizing macroeconomy, worked hard to forestall and defuse financial risks, continued to deepen supply-side structural reform in the financial sector, and thus maintained a good momentum of stable economic operation. The financial institutions in the banking industry continuously stepped up corporate governance efforts and further enhanced equity management. They further optimized credit structure and allocated new credit resources to micro and small enterprises, manufacturing, technological innovation and green development. They continued to promote the quality improvement and upgrading of intermediary business. Wealth management business developed vibrantly. They further improved the capabilities for endogenous risk prevention and control. The quality of assets was stable and improved.

From the macroeconomic point of view, in the face of severe challenges as the complex and volatile international economic and financial situations and downward pressure on the economy, the departments in various regions efficiently coordinated the risks prevention & control and economic & social development, the economic aggregate reached a new level, and new achievements have been made in high-quality development. The gross domestic product (GDP) growth rate was 3.0%, with the consumption expenditure, gross capital formation, and net exports of goods and services each contributing 1.0, 1.5 and 0.5 percentage points to economic growth, their respective share of economic growth contribution being 32.8%, 50.1% and 17.1%. The Chinese economy enjoys strong resilience, tremendous potential and great vitality. The fundamentals sustaining its long-term growth have remained strong, and there were many conditions favorable for the ongoing economic revival.

From the perspective of industrial development, the banking industry saw steady growth in total assets and profits, with stable asset quality and strong risk offsetting ability. China's financial institutions in the banking industry had total assets of RMB379.4 trillion, an increase of 10.0% over the end of the previous year. Annual net profits reached RMB2.3 trillion, an increase of 5.4% over the previous year. The year-end balance of non-performing loans (NPLs) stood at RMB2.98 trillion, with the NPL ratio being 1.63%. The capital adequacy ratio was 15.17%.

Regarding policies and measures, regulators firmly implemented a package of policies and continued policies to stabilize the economy, focused on improving the quality and efficiency of financial services for the real economy, and resolutely supported the stabilization of the economy. The regulators introduced 23 measures on financial support for economic & social development, supported credit granting and capital replenishment in key infrastructure sectors, and launched carbon emission reduction supporting tools and re-loans supporting clean and efficient coal use. They also launched special re-loans for technological innovation, equipment renovation, transportation & logistics and inclusive pension, promoted financial services for rural revitalization and the strategy of boosting China's strengths in manufacturing, and maintained the steady operation of the real estate market. With regulatory authorities' persistent "strict supervision and heavy punishment", market irregularities continued to receding, and commercial banks returned to their original aspiration by pursuing high-quality and sustainable development.

2.2 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. The Bank fully leverages the advantages of CITIC Group's comprehensive platform featuring "Finance + Real Economy", and at the same time holds firm to its business concept of "customer orientation, reform driven, science & technology, asset-light development, compliant operation and strengthening the Bank 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 the Bank's business during the reporting period, please refer to the section of "Business Overview" in this chapter.

2.3 Core Competitiveness Analysis

Standardized and highly efficient corporate governance. The Bank made great headway in boosting the building of a modern enterprise with Chinese characteristics, and persisted to implement the Party leadership over state-owned enterprises as a significant political principle and the establishment of a modern enterprise system as the direction of the reform of state-owned enterprises. It has always adhered to market-oriented operation and constantly improved its corporate governance and business operation systems and mechanisms forming an organizational structure characterized by efficient management and professional division of duties. With reference to the theory and practice of modern bank development and considering the requirements for Party building, the Bank set up a science-based corporate governance framework comprised of the Board of Directors, the Board of Supervisors, the general meeting of shareholders and the senior management, and integrated Party leadership into its corporate governance. 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 of the Bank functioned according to rules and performed duties effectively.

Significant edges in synergy. Following the development principle of "One CITIC, One Customer", the Bank upheld the synergy philosophy of "Altruism and Win-win Cooperation", and consistently fortified the main platform of collaboration across the Group. It established three service systems centering on government, enterprises and individuals by adhering to the customer-centric principle. Focusing on development, the Bank delved into the five major areas of cooperation, namely, finance and finance cooperation, industry and finance cooperation, parent company and subsidiary cooperation, cross-border cooperation and regional cooperation. In a result-oriented manner, the Bank provided support in terms of mechanism, think tank, talent, system and brand, and deeply built the "Two-ecosystems and One Community"[4] of CITIC Synergy. In this way, the Bank improved the synergy multiplier effect, and provided customers with the best comprehensive services featuring "More Than Banking, More Than Finance, Finance + Real Economy".

4 Expanding the ecosystem of friends in collaboration, building a collaborative ecosystem and forming a collaborative development community.

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 businesses such as investment banking, cross-border business, institutional banking, transaction banking, auto finance, going abroad finance, credit card, forex market making and custody of mutual funds.

Effective risk prevention and control. The Bank continued to improve the risk management system in which risks can be put under control and development can be boosted, and improved the quality and efficiency of risk management. It strengthened comprehensive risk management, and effectively transmitted sound risk appetite. It pushed forward the combination of Five Policies[5] in depth, invested resources in key areas and high-quality customers of national need and with promising markets, and adjusted the credit strategy according to changes in situations and policies. With consistent efforts in controlling new risks and resolving old ones, the Bank enhanced the risk control capacity of all institutions, all products, all customers and all processes, and consolidated the upward trend of asset quality. It accelerated the building of the smart risk control system, comprehensively enhanced the online risk control capacity of the business, continued to build an intelligent platform for comprehensive risk management, developed risk management tools based on big data, and made risk prevention and control more forward-looking and targeted.

All-around empowerment by financial technology. Adhering to enabling advancement through technology and driving development with innovation, the Bank comprehensively empowered business development 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 development model. It became the first medium-and-large bank in China to launch 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, blockchain, Internet of Things and big data were gradually and in-depth applied in increasingly wider business fields to drive the development of the Bank.

Distinctive brand and corporate culture. By refining the cultural elements over the past 35 years, 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 society. It released the new brand premise "the more we care, the more you gain" to repay stakeholders with a brand-new look. In February 2022, the Bank ranked 21st on the list of the "Top 500 Global Bank Brands" rated by *The Banker* magazine of the United Kingdom with a brand value of USD12.8 billion.

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5 The "Five Policies" refer to industry research, credit policies, approval standards, marketing guidelines, and resource and evaluation policies.

Professional and brilliant talent team. Holding "people first", the Bank deepened the human resource reform, respected the characteristics and growth pattern of financial personnel, and established a value-based and employee-centric talent management mechanism and a modern market-oriented human resources management system to serve the bank-wide strategic transformation and high-quality and sustainable development. Upholding the talent concept of "uniting those men in progression, inspiring men of action and promoting men with achievement" and through a reasonable competition-based manager appointment, the Bank selected personnel based on business needs, continued to improve the performance evaluation system and reinforce incentive constraints, and built diversified talent development channels so as to vigorously foster teams of inter-disciplinary talents with excellent business competence, strong management capability and high value.

2.4 Overview of the Operating Results

In 2022, the Bank resolutely implemented the plans and decisions of the CPC Central Committee and the State Council as well as regulatory requirements, consistently pressed ahead with the three-year development plan, deepened the implementation of "342 Action Plan for Developing Core Business Capabilities", and focused on improving development quality. Through these efforts, it completed all tasks with satisfying results and maintained an upward development momentum.

Operating income increased stably and good results were achieved in profitability. During the reporting period, the Group realized RMB211.109 billion operating income, an increase of 3.20% compared with the previous year. Specifically, net interest income registered RMB150.647 billion, up by 1.86% compared with last year; net non-interest income posted RMB60.462 billion, up by 6.71% compared with the previous year. The Group realized RMB62.103 billion of net profit attributable to the shareholders of the Bank, up by 11.61% over the previous year. Return on average assets (ROAA) stood at 0.76%, up by 0.04 percentage points compared with previous year; while return on average equity (ROAE) was 10.80%, up by 0.07 percentage points compared with previous year.

Asset quality maintained the momentum of improvement with both NPL balance and NPL ratio decreased. As at the end of the reporting period, the NPL balance of the Group recorded RMB65.213 billion, a decrease of RMB2.246 billion or 3.33% over the end of the previous year, corresponding to an NPL ratio of 1.27%, down by 0.12 percentage points over 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 201.19% and 2.55%, respectively, an increase of 21.12 percentage points and 0.05 percentage points over the end of the previous year.

Business scale grew steadily, and greater efforts were made to support the real economy. As at the end of the reporting period, the Group recorded total assets of RMB8,547.543 billion, an increase of 6.27% over the end of the previous year; its total loans and advances to customers (excluding accrued interest) stood at RMB5,152.772 billion, a growth of 6.11% over the end of the previous year; and its total deposits from customers (excluding accrued interest) recorded RMB5,099.348 billion, marking a 7.66% increase from the end of last year. During the reporting period, the Group actively implemented national policies on ensuring overall economic stability, increased credit support for key regions and industries, and delivered quality services to manufacturing, high-tech, green finance, and other key areas, attaining a adjusted business structure while improving the quality and efficiency of services for the real economy.

2.5 Analysis of the Financial Statements

2.5.1 Income Statement Analysis

During the reporting period, the Group realized RMB62.103 billion net profit attributable to the equity holders of the Bank, up by 11.61% over last year. The table below sets out the changes in the main items of the Group's income statement during the reporting period.

Unit: RMB million

Item	**2022**	2021	Increase/ (decrease)	Growth rate *(%)*
Operating income	**211,109**	204,554	6,555	3.20
– Net interest income	**150,647**	147,896	2,751	1.86
– Net non-interest income	**60,462**	56,658	3,804	6.71
Operating expenses	**(66,838)**	(62,224)	(4,614)	7.42
Credit and other asset impairment losses	**(71,404)**	(77,048)	5,644	(7.33)
Profit before tax	**73,416**	65,517	7,899	12.06
Income tax	**(10,466)**	(9,140)	(1,326)	14.51
Profit for the year	**62,950**	56,377	6,573	11.66
Including: Net profit attributable to the equity holders of the Bank	**62,103**	55,641	6,462	11.61

2.5.1.1 Operating Income

During the reporting period, the Group realized operating income of RMB211.109 billion, up by 3.20% over last year, of which net interest income accounted for 71.4%, down by 0.9 percentage points from the previous year and net non-interest income accounted for 28.6%, up by 0.9 percentage points over the previous year.

Unit: %

Item	**2022**	2021
Net interest income	**71.4**	72.3
Net non-interest income	**28.6**	27.7
Total	**100.0**	100.0

2.5.1.2 Net Interest Income

During the reporting period, the Group realized RMB150.647 billion of net interest income, an increase of RMB2.751 billion or 1.86% over the previous year. 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	**2022**			2021		
	Average balance	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	**4,979,084**	**239,656**	**4.81**	4,666,055	232,636	4.99
Financial investments [(1)]	**1,831,848**	**58,814**	**3.21**	1,752,694	59,674	3.40
Deposits with central banks	**406,712**	**6,100**	**1.50**	408,003	6,073	1.49
Deposits and placements with, and loans to banks and non-bank financial institutions	**345,851**	**7,947**	**2.30**	333,761	6,515	1.95
Financial assets held under resale agreements	**75,144**	**1,092**	**1.45**	64,665	1,267	1.96
Subtotal	**7,638,639**	**313,609**	**4.11**	7,225,178	306,165	4.24
Interest-bearing liabilities						
Deposits from customers	**4,999,113**	**102,997**	**2.06**	4,630,091	92,388	2.00
Deposits and placements from banks and non-bank financial institutions	**1,211,197**	**25,504**	**2.11**	1,226,365	30,031	2.45
Debt securities issued	**966,176**	**27,082**	**2.80**	852,438	26,962	3.16
Borrowings from central banks	**169,058**	**4,974**	**2.94**	226,967	6,804	3.00
Financial assets sold under repurchase agreements	**96,959**	**1,935**	**2.00**	75,329	1,631	2.17
Others	**10,573**	**470**	**4.45**	10,852	453	4.17
Subtotal	**7,453,076**	**162,962**	**2.19**	7,022,042	158,269	2.25
Net interest income		**150,647**			147,896	
Net interest spread [(2)]			**1.92**			1.99
Net interest margin [(3)]			**1.97**			2.05

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	2022 compared with 2021 Scale factor	Interest rate factor	Total
Assets			
Loans and advances to customers	**15,620**	**(8,600)**	**7,020**
Financial investments	**2,691**	**(3,551)**	**(860)**
Deposits with central banks	**(19)**	**46**	**27**
Deposits and placements with, and loans to banks and non-bank financial institutions	**236**	**1,196**	**1,432**
Financial assets held under resale agreements	**205**	**(380)**	**(175)**
Changes in interest income	**18,733**	**(11,289)**	**7,444**
Liabilities			
Deposits from customers	**7,380**	**3,229**	**10,609**
Deposits and placements from banks and non-bank financial institutions	**(372)**	**(4,155)**	**(4,527)**
Debt certificates issued	**3,594**	**(3,474)**	**120**
Borrowings from central banks	**(1,737)**	**(93)**	**(1,830)**
Financial assets sold under repurchase agreements	**469**	**(165)**	**304**
Others	**(12)**	**29**	**17**
Changes in interest expense	**9,322**	**(4,629)**	**4,693**
Changes in net interest income	**9,411**	**(6,660)**	**2,751**

Net Interest Margin and Net Interest Spread

During the reporting period, the Group's net interest margin and net interest spread registered 1.97% and 1.92% respectively, representing a decrease of 0.08 percentage points and 0.07 percentage points over the previous year. The Group's yield of interest-earning assets was 4.11%, down by 0.13 percentage points over the previous year; the cost rate of interest-bearing liabilities was 2.19%, down by 0.06 percentage points over the previous year. In 2022, net interest margin of the banking sector was generally under pressure due to the impact of factors such as the downward interest rate changes. The Group actively responded to the national policy guidance and resolutely implemented the guidelines and policies to make concessions to the real economy. It considered its development needs at the same time, and adhered to the development philosophy of "balance between quantity and price" and "place equal emphasis on quality and efficiency". On the one hand, the Bank stepped up efforts in the marketing and acquisition of high-quality assets. On the other hand, it focused on deposit cost control, and strived to stabilize the interest spread through structural optimization.

2.5.1.3 *Interest Income*

During the reporting period, the Group realized an interest income of RMB313.609 billion, an increase of RMB7.444 billion or 2.43% over last year. The increase was mainly due to the growth in the size of interest-earning assets which offset the impact of a decrease in the average yield of interest-earning assets. The proportion of interest income from loans and advances to customers, interest income from financial investments, interest income from deposits with central banks, interest income from deposits and placements with and loans to banks and non-bank financial institutions, and interest income from financial assets held under resale agreements was 76.42%, 18.75%, 1.95%, 2.53% and 0.35%, respectively. 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 RMB239.656 billion interest income from loans and advances to customers, a growth of RMB7.020 billion or 3.02% over the previous year, primarily because the average balance of loans and advances to customers increased by RMB313.029 billion which offset the impact of a decline of 0.18 percentage points in the average yield. Specifically, the average balance of corporate loans increased by RMB145.419 billion, and interest income went up by RMB4.885 billion; the average balance of personal loans increased by RMB112.573 billion, and interest income went up by RMB3.668 billion.

Classification by Maturity Structure

Unit: RMB million

	2022			2021		
Item	**Average balance**	**Interest income**	**Average yield *(%)***	Average balance	Interest income	Average yield *(%)*
Short-term loans	**1,671,528**	**81,968**	**4.90**	1,558,714	81,856	5.25
Medium to long-term loans	**3,307,556**	**157,688**	**4.77**	3,107,341	150,780	4.85
Total	**4,979,084**	**239,656**	**4.81**	4,666,055	232,636	4.99

Classification by Business

Unit: RMB million

	2022			2021		
Item	**Average balance**	**Interest income**	**Average yield *(%)***	Average balance	Interest income	Average yield *(%)*
Corporate loans	**2,434,461**	**109,157**	**4.48**	2,289,042	104,272	4.56
Personal loans	**2,083,366**	**120,438**	**5.78**	1,970,793	116,770	5.93
Discounted loans	**461,257**	**10,061**	**2.18**	406,220	11,594	2.85
Total	**4,979,084**	**239,656**	**4.81**	4,666,055	232,636	4.99

Interest Income from Financial Investments

During the reporting period, the Group's interest income from financial investments amounted to RMB58.814 billion, a decrease of RMB860 million or 1.44% over the previous year, mainly attributable to a fall of 0.19 percentage points in the average yield of financial investments which offset an increase of RMB79.154 billion in the average balance.

Interest Income from Deposits with Central Banks

During the reporting period, the Group's interest income from deposits with central banks stood at RMB6.100 billion, an increase of RMB27 million or 0.44% over the previous year, mainly due to a slight increase in the average yield of deposits with central banks.

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 RMB7.947 billion, an increase of RMB1.432 billion or 21.98% over the previous year, mainly due to an increase of RMB12.090 billion in the average balance of deposits and placements with, and loans to banks and non-bank financial institutions and a rise of 0.35 percentage points in the average yield.

Interest Income from Financial Assets Held under Resale Agreements

During the reporting period, the Group recorded RMB1.092 billion interest income from financial assets held under resale agreements, a decrease of RMB175 million or 13.81% over the previous year, mainly attributable to a decrease of 0.51 percentage points in the average yield of financial assets held under resale agreements which offset an increase of RMB10.479 billion in the average balance.

2.5.1.4 Interest expense

During the reporting period, the Group's interest expense was RMB162.962 billion, an increase of RMB4.693 billion or 2.97% 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 in 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 RMB102.997 billion, an increase of RMB10.609 billion or 11.48% over the previous year, mainly due to RMB369.022 billion increase in the average balance of deposits from customers and an increase of average cost rate of 0.06 percentage point.

Unit: RMB million

Item	2022 Average balance	2022 Interest expense	2022 Average cost rate (%)	2021 Average balance	2021 Interest expense	2021 Average cost rate (%)
Corporate deposits						
Time and call deposits	**1,905,617**	**52,132**	**2.74**	1,798,263	48,053	2.67
Demand deposits	**2,019,155**	**27,506**	**1.36**	1,916,440	24,911	1.30
Subtotal	**3,924,772**	**79,638**	**2.03**	3,714,703	72,964	1.96
Personal deposits						
Time and call deposits	**776,007**	**22,517**	**2.90**	627,545	18,664	2.97
Demand deposits	**298,334**	**842**	**0.28**	287,843	760	0.26
Subtotal	**1,074,341**	**23,359**	**2.17**	915,388	19,424	2.12
Total	**4,999,113**	**102,997**	**2.06**	4,630,091	92,388	2.00

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 RMB25.504 billion, a decrease of RMB4.527 billion or 15.07% over the previous year, mainly due to a decrease of 0.34 percentage points in the average cost rate and a drop of RMB15.168 billion in the average balance of deposits and placements from banks and non-bank financial institutions.

Interest Expense on Debt Certificates Issued

During the reporting period, the Group's interest expense on debt certificates issued stood at RMB27.082 billion, an increase of RMB120 million or 0.45% over the previous year, primarily due to the increase of RMB113.738 billion in the average balance of debt certificates issued which offset the impact of a decrease of 0.36 percentage points in the average cost rate.

Interest Expense on Borrowings from Central Banks

During the reporting period, the Group's interest expense on borrowings from central banks reached RMB4.974 billion, a decrease of RMB1.830 billion or 26.90% over the previous year, mainly due to a drop of RMB57.909 billion in the average balance of borrowings from central banks and a decrease of of 0.06 percentage points in the average cost rate.

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 RMB1.935 billion, an increase of RMB304 million or 18.64% over the previous year, primarily due to an increase of RMB21.630 billion in the average balance of financial assets sold under repurchase agreements, which offset a decrease of 0.17 percentage points in the average cost rate.

Other Interest Expense

During the reporting period, the Group's other interest expense stood at RMB470 million, an increase of RMB17 million over the previous year.

2.5.1.5 Net Non-interest Income

During the reporting period, the Group realized RMB60.462 billion of net non-interest income, an increase of RMB3.804 billion or 6.71% over the previous year. The proportion of non-interest rate income stood at 28.64%, a rise of 0.94 percentage points over the previous year.

Unit: RMB million

Item	**2022**	2021	Increase/ (decrease)	Growth *(%)*
Net fee and commission income	**37,092**	35,870	1,222	3.41
Net trading gain	**4,881**	5,168	(287)	(5.55)
Net gain from investment securities	**17,771**	14,874	2,897	19.48
Other net operating income	**718**	746	(28)	(3.75)
Total	**60,462**	56,658	3,804	6.71

2.5.1.6 Net Fee and Commission Income

During the reporting period, the Group actively pushed forward the transformation towards capital-light development, and realized net fee and commission income of RMB37.092 billion, an increase of RMB1.222 billion or 3.41% over the previous year, which accounted for 17.57% of the operating net income, up by 0.03 percentage point over the previous year. Among these, commission for custodian and other fiduciary business went up by RMB1.043 billion or 10.20% over the previous year, mainly due to the increase in the wealth management business fee; settlement and clearing fees increased by RMB217 million or 11.27% over the previous year, mainly due to the growth of income from L/C and other businesses; agency fees and commissions decreased by RMB805 million or 12.39% over the previous year, mainly due to the decline of incomes from agency sales of trust and fund.

Unit: RMB million

Item	**2022**	2021	Increase/ (decrease)	Growth *(%)*
Bank card fees	**16,480**	16,474	6	0.04
Commissions for custodian and other fiduciary business	**11,269**	10,226	1,043	10.20
Agency fees	**5,692**	6,497	(805)	(12.39)
Guarantee and consulting fees	**5,357**	5,384	(27)	(0.50)
Settlement and clearing fees	**2,143**	1,926	217	11.27
Other fees	**110**	97	13	13.40
Subtotal of fees and commissions	**41,051**	40,604	447	1.10
Fee and commission expense	**(3,959)**	(4,734)	775	(16.37)
Net fee and commission income	**37,092**	35,870	1,222	3.41

2.5.1.7 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 RMB22.652 billion, an increase of RMB2.610 billion over the previous year, mainly because the Group seized opportunities arising from market trends and fluctuations, and realized rapid increase in the income from investments in securities.

2.5.1.8 Operating Expenses

During the reporting period, the Group incurred RMB66.838 billion operating expenses, an increase of RMB4.614 billion or 7.42% over the previous year. Specifically, staff costs increased by RMB3.679 billion or 10.69% over the previous year. The increase was mainly attributable to the growth in IT personnel after the Group's intensified efforts in IT team building and corresponding performance-based remuneration policy. During the reporting period, the cost-to-income ratio (excluding tax and surcharges) stood at 30.66%, up by 1.32 percentage points over the previous year.

Unit: RMB million

Item	**2022**	2021	Increase/ (decrease)	Growth *(%)*
Staff costs	**38,082**	34,403	3,679	10.69
Property and equipment expenses and amortization	**10,328**	9,843	485	4.93
Other general operating and administrative expenses	**16,306**	15,775	531	3.37
Subtotal	**64,716**	60,021	4,695	7.82
Tax and surcharges	**2,122**	2,203	(81)	(3.68)
Total	**66,838**	62,224	4,614	7.42
Cost-to-income ratio	**31.66%**	30.42%	Up 1.24 percentage points	
Cost-to-income ratio (excluding tax and surcharges)	**30.66%**	29.34%	Up 1.32 percentage points	

2.5.1.9 Credit and Other Asset Impairment Losses

During the reporting period, the Group's accrued credit impairment losses and other asset impairment losses totaled RMB71.404 billion, a decrease of RMB5.644 billion or 7.33% over the previous year. Specifically, allowance for impairment losses on loans and advanced to customers was RMB55.786 billion, representing an increase of RMB5.558 billion or 11.07% over previous year. Allowance for impairment losses for financial investments was RMB1.811 billion, down by RMB16.941 billion or 90.34% over previous year due to Group's large amount allowance for impairment losses for wealth management assets back to balance sheet according to their risk profiles accrued in previous year. 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	2022	2021	Increase/ (decrease)	Growth (%)
Loans and advances to customers	**55,786**	50,228	5,558	11.07
Financial investments	**1,811**	18,752	(16,941)	(90.34)
Interest receivables	**5,378**	3,616	1,762	48.73
Interbank business (Note)	**(45)**	–	(45)	Zero in previous year
Off-balance-sheet items	**8,587**	4,723	3,864	81.81
Repossessed assets	**45**	43	2	4.65
Other receivables	**(158)**	(314)	156	(49.68)
Total	**71,404**	77,048	(5,644)	(7.33)

Note: 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.

2.5.1.10 *Income Tax Expense*

During the reporting period, the Group's income tax expense was RMB10.466 billion, representing an increase of RMB1.326 billion or 14.51% over the previous year. Effective tax rate during the reporting period stood at 14.26%, up by 0.31 percentage points over the previous year.

Unit: RMB million

Item	2022	2021	Increase/ (decrease)	Growth (%)
Profit before tax	**73,416**	65,517	7,899	12.06
Income tax expense	**10,466**	9,140	1,326	14.51
Effective tax rate	**14.26%**	13.95%	Up 0.31 percentage points	

2.5.2 Balance Sheet Analysis

2.5.2.1 *Assets*

As at the end of the reporting period, the Group recorded total assets of RMB8,547.543 billion, an increase of 6.27% from the end of the previous year, mainly because the Group increased its loans and advances to customers and financial investments.

Unit: RMB million

Item	31 December 2022 Balance	Proportion (%)	31 December 2021 Balance	Proportion (%)
Total loans and advances to customers	**5,152,772**	**60.3**	4,855,969	60.4
Accrued interest of loans and advances to customers	**17,180**	**0.2**	13,064	0.2
Less: Allowance for impairment losses on loans and advances to customers (1)	**(130,985)**	**(1.5)**	(120,957)	(1.5)
Net loans and advances to customers	**5,038,967**	**59.0**	4,748,076	59.1
Total financial investments	**2,515,295**	**29.4**	2,334,013	29.0
Accrued interest of financial investments	**16,140**	**0.2**	15,355	0.2
Less: Allowance for impairment losses on financial investments (2)	**(28,566)**	**(0.3)**	(26,727)	(0.3)
Net financial investments	**2,502,869**	**29.3**	2,322,641	28.9
Investment in associates and joint ventures	**6,341**	**0.1**	5,753	0.1
Cash and deposits with central banks	**477,381**	**5.6**	435,383	5.4
Deposits and placements with, and loans to banks and non-bank financial institutions	**296,998**	**3.4**	251,774	3.1
Financial assets held under resale agreements	**13,730**	**0.1**	91,437	1.1
Others (3)	**211,257**	**2.5**	187,820	2.3
Total	**8,547,543**	**100.0**	8,042,884	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 RMB5,152.772 billion total loans and advances to customers (excluding accrued interest), up by 6.11% over the end of the previous year. Net loans and advances to customers accounted for 59.0% of total assets, down by 0.1 percentage points over the end of the previous year. The balance of loans and advances to customers measured at amortized cost took up 89.0% 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 2022 Balance	Proportion (%)	31 December 2021 Balance	Proportion (%)
Loans and advances to customer measured at amortized cost	**4,585,898**	**89.0**	4,355,927	89.7
Loans and advances to customer measured at fair value through other comprehensive income	**562,993**	**10.9**	500,042	10.3
Loans and advances to customer measured at fair value through profit or loss	**3,881**	**0.1**	–	–
Loans and advances to customer measured at fair value through profit or loss	**5,152,772**	**100.0**	4,855,969	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 RMB2,515.295 billion total financial investments (excluding accrued interest), up by RMB181.282 billion or 7.77% over the end of the previous year, mainly because of the increase in the Group's investments in debt securities and investment funds.

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

Unit: RMB million

Item	31 December 2022 Balance	Proportion (%)	31 December 2021 Balance	Proportion (%)
Investments in debt securities	**1,745,891**	**69.4**	1,602,529	68.7
Investment funds	**431,958**	**17.2**	397,407	17.0
Trust management plans	**222,819**	**8.8**	234,770	10.1
Directional asset management plan	**39,628**	**1.6**	50,437	2.1
Investment in wealth management products and through structured entities	**1,516**	**0.1**	1,611	0.1
Certificates of deposit and interbank certificates of deposit	**60,468**	**2.4**	35,082	1.5
Investment in equity instruments	**13,015**	**0.5**	12,177	0.5
Total financial investments	**2,515,295**	**100.0**	2,334,013	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 2022** Balance	**31 December 2022** Proportion (%)	31 December 2021 Balance	31 December 2021 Proportion (%)
Financial investments measured at fair value through profit or loss	**557,594**	**22.2**	495,810	21.2
Financial investments measured at amortized cost	**1,153,634**	**45.8**	1,186,558	50.9
Financial investments measured at fair value through other comprehensive income	**798,939**	**31.8**	646,900	27.7
Financial investments designated to be measured at fair value through other comprehensive income	**5,128**	**0.2**	4,745	0.2
Total financial investments	**2,515,295**	**100.0**	2,334,013	100.0

Investment in Debt Securities

As at the end of the reporting period, the Group registered RMB1,745.891 billion investments in debt securities, an increase of RMB143.362 billion or 8.95% over the end of the previous year, primarily because the increased investments in central government bonds and local bonds.

Classification of Debt Securities Investment by Issuers

Unit: RMB million

Item	**31 December 2022** Balance	**31 December 2022** Proportion (%)	31 December 2021 Balance	31 December 2021 Proportion (%)
Banks and non-bank financial institutions	**387,299**	**22.2**	436,237	27.2
Government	**1,155,492**	**66.2**	931,822	58.2
Policy banks	**81,210**	**4.6**	135,127	8.4
Business entities	**120,582**	**6.9**	97,654	6.1
Public entities	**1,308**	**0.1**	1,689	0.1
Total	**1,745,891**	**100.0**	1,602,529	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 2022:

Unit: RMB million

Name of debt securities	Book value	Maturity date (DD/MM/YY)	Coupon rate *(%)*	Accrued impairment allowance
2022 Policy Bank Debt Securities	6,407	24/10/2032	2.77	–
2022 Policy Bank Debt Securities	5,335	18/07/2032	2.96	–
2020 Policy Bank Debt Securities	5,046	07/08/2023	3.00	–
2022 Policy Bank Debt Securities	4,217	16/06/2027	2.69	–
2020 Policy Bank Debt Securities	4,103	22/12/2023	0.65	–
2021 Policy Bank Debt Securities	3,773	21/07/2024	2.78	–
2019 Policy Bank Debt Securities	3,535	01/07/2024	3.42	–
2019 Policy Bank Debt Securities	3,504	14/08/2024	3.24	–
2020 Policy Bank Debt Securities	3,242	05/08/2023	3.06	–
2020 Policy Bank Debt Securities	3,152	09/04/2023	1.86	–
Total	**42,314**			–

Note: The first phase impairment allowance accrued according to the expected credit loss measurement model not included.

Investments in Associates and Joint Ventures

As at the end of the reporting period, the Group recorded RMB6.341 billion investments in associates and joint ventures, an increase of 10.22% over the end of the previous year. 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	**31 December 2022**	31 December 2021
Investments in joint ventures	**5,811**	5,220
Investments in associates	**530**	533
Allowance for impairment losses	**–**	–
Net investments in associates and joint ventures	**6,341**	5,753

Derivatives

The table below sets out major categories and amounts of financial 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 2022			31 December 2021		
	Nominal	**Fair value**		Nominal	Fair value	
Item	**principal**	**Assets**	**Liabilities**	principal	Assets	Liabilities
Interest rate derivatives	**3,083,802**	**14,959**	**14,887**	2,630,541	8,643	8,539
Currency derivatives	**2,506,299**	**29,173**	**28,780**	1,936,863	13,930	14,217
Other derivatives	**35,553**	**251**	**598**	17,043	148	151
Total	**5,625,654**	**44,383**	**44,265**	4,584,447	22,721	22,907

Repossessed Assets

As at the end of the reporting period, the Group recorded repossessed assets of RMB2.728 billion, and charged RMB1.250 billion allowances for impairment losses on repossessed assets. The book value stood at RMB1.478 billion.

Unit: RMB million

Item	**31 December 2022**	31 December 2021
Original value of repossessed assets	**2,728**	2,616
– Land, premises and buildings	**2,722**	2,611
– Others	**6**	5
Allowances for impairment losses on repossessed assets	**(1,250)**	(1,286)
– Land, premises and buildings	**(1,250)**	(1,286)
– Others	**–**	–
Total book value of repossessed assets	**1,478**	1,330

Changes in Impairment Allowances

Unit: RMB million

Item	31 December 2021	Accruals/ reversals during the current period	Write-offs/ transfer out during the current period	Others [1]	**31 December 2022**
Loans and advances to customers [2]	121,471	55,786	(57,791)	11,736	**131,202**
Financial investments [3]	29,011	1,811	(1,558)	1,981	**31,245**
Interbank business [4]	281	(45)	–	2	**238**
Other assets [5]	5,134	5,220	(4,352)	1,347	**7,349**
Off-balance-sheet items	11,428	8,587	(11,112)	54	**8,957**
Subtotal of allowances for credit impairment	**167,325**	**71,359**	**(74,813)**	**15,120**	**178,991**
Repossessed assets	1,286	45	(119)	38	**1,250**
Subtotal of allowances for other asset impairments	**1,286**	**45**	**(119)**	**38**	**1,250**
Total	**168,611**	**71,404**	**(74,932)**	**15,158**	**180,241**

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.

2.5.2.2 *Liabilities*

As at the end of the reporting period, the Group recorded total liabilities of RMB7,861.713 billion, up by 6.24% from the end of the previous year, primarily due to the increase in deposits from customers and financial assets sold under repurchase agreements.

Unit: RMB million

Item	31 December 2022 Balance	Proportion (%)	31 December 2021 Balance	Proportion (%)
Borrowings from central banks	**119,422**	**1.5**	189,198	2.6
Deposits from customers	**5,157,864**	**65.6**	4,789,969	64.7
Deposits and placements from banks and non-bank financial institutions	**1,214,517**	**15.4**	1,253,094	16.9
Financial assets sold under repurchase agreements	**256,194**	**3.3**	98,339	1.3
Debt certificates issued	**975,206**	**12.4**	958,203	13.0
Others *(Note)*	**138,510**	**1.8**	111,455	1.5
Total	**7,861,713**	**100.0**	7,400,258	100.0

Note: Including financial liabilities measured at fair value through profit or loss, 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 RMB5,099.348 billion, representing an increase of RMB362.764 billion or 7.66% over the end of the previous year; and deposits from customers accounted for 65.6% of total liabilities, an increase of 0.9 percentage points from the end of the previous year. The Group's balance of corporate deposits was RMB3,807.532 billion, representing an increase of RMB43.257 billion or 1.15% over the end of the previous year; and balance of personal deposits stood at RMB1,291.816 billion, representing an increase of RMB319.507 billion or 32.86% over the end of the previous year.

Unit: RMB million

Item	31 December 2022 Balance	Proportion (%)	31 December 2021 Balance	Proportion (%)
Corporate deposits				
Demand deposits	**1,951,555**	**37.8**	1,974,319	41.2
Time and call deposits	**1,855,977**	**36.0**	1,789,956	37.4
Subtotal	**3,807,532**	**73.8**	3,764,275	78.6
Personal deposits				
Demand deposits	**349,013**	**6.8**	310,054	6.5
Time and call deposits	**942,803**	**18.3**	662,255	13.8
Subtotal	**1,291,816**	**25.1**	972,309	20.3
Total deposits from customers	**5,099,348**	**98.9**	4,736,584	98.9
Accrued interest	**58,516**	**1.1**	53,385	1.1
Total	**5,157,864**	**100.0**	4,789,969	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

Item	31 December 2022 Balance	31 December 2022 Proportion (%)	31 December 2021 Balance	31 December 2021 Proportion (%)
Renminbi	**4,721,203**	**91.5**	4,383,814	91.5
Foreign currencies	**436,661**	**8.5**	406,155	8.5
Total	**5,157,864**	**100.0**	4,789,969	100.0

Breakdown of Deposits by Geographical Region

Unit: RMB million

Item	31 December 2022 Balance	31 December 2022 Proportion (%)	31 December 2021 Balance	31 December 2021 Proportion (%)
Head Office	**2,857**	**0.1**	2,941	0.1
Bohai Rim	**1,320,402**	**25.6**	1,222,932	25.5
Yangtze River Delta	**1,393,987**	**27.0**	1,337,865	27.9
Pearl River Delta and West Strait	**828,772**	**16.1**	759,667	15.8
Central China	**689,136**	**13.4**	636,401	13.3
Western China	**515,272**	**10.0**	467,708	9.8
Northeastern China	**105,107**	**2.0**	95,197	2.0
Overseas	**302,331**	**5.8**	267,258	5.6
Total	**5,157,864**	**100.0**	4,789,969	100.0

2.5.3 Shareholders' Equity

As at the end of the reporting period, the Group's shareholders' equity was RMB685.830 billion, an increase of 6.72% 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

Item	2022 Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve and general reserve	Retained earnings	Non-controlling interest	Total
31 December 2021	48,935	118,076	59,216	1,644	144,427	254,005	16,323	642,626
i. Profit for the period	–	–	–	–	–	62,103	847	62,950
ii. Other comprehensive income	–	–	–	(3,422)	–	–	(279)	(3,701)
iii. Capital contributed or reduced by shareholders	–	–	–	–	–	–	3,990	3,990
iv. Profit allocation	–	–	–	–	10,880	(30,446)	(469)	(20,035)
v. Internal transfer of owner's equity	–	–	–	157	–	(157)	–	–
31 December 2022	48,935	118,076	59,216	(1,621)	155,307	285,505	20,412	685,830

2.5.4 Loan Quality Analysis

During the reporting period, both the NPL balance and NPL ratio of the Group were on a trend of decline, and the overall loan quality and the allowance coverage ratio stayed sound. As at the end of the reporting period, the Group registered RMB5,152.772 billion total loans, up by RMB296.803 billion over the end of the previous year; an NPL balance of RMB65.213 billion, down by RMB2.246 billion over the end of the previous year; and an NPL ratio of 1.27%, down by 0.12 percentage points over 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 RMB2,524.016 billion, an increase of RMB187.837 billion or 8.04% over the end of the previous year; and its balance of personal loans reached RMB2,116.910 billion, an increase of RMB63.086 billion or 3.07% over the end of the previous year. The balance of discounted bills increased by RMB45.880 billion or 9.85% over the end of last year to RMB511.846 billion. The Group's balances of corporate non-performing loans (excluding discounted bills) decreased by RMB4.349 billion over the end of the previous year, corresponding to a 0.33 percentage points decline in the NPL ratio over the end of the previous year. The Group's balances of personal non-performing loans increased by RMB2.253 billion over the end of the previous year, corresponding to a 0.08 percentage points increase in the NPL ratio over the end of the previous year.

Unit: RMB million

	31 December 2022				31 December 2021			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Corporate loans	**2,524,016**	**48.99**	**43,479**	**1.72**	2,336,179	48.11	47,828	2.05
Personal loans	**2,116,910**	**41.08**	**21,734**	**1.03**	2,053,824	42.29	19,481	0.95
Discounted bills	**511,846**	**9.93**	**–**	**0.00**	465,966	9.60	150	0.03
Total loans	**5,152,772**	**100.00**	**65,213**	**1.27**	4,855,969	100.00	67,459	1.39

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 unsecured and guaranteed loans was RMB2,103.463 billion, an increase of RMB225.306 billion over the end of the previous year, accounting for 40.82% of the Group's total loans, up by 2.15 percentage points from the end of the previous year; the balance of loans secured by collateral and pledge loans was RMB2,537.463 billion, an increase of RMB25.617 billion over the end of the previous year, accounting for 49.25% of the Group's total loans, down by 2.48 percentage points from the end of the previous year.

Unit: RMB million

	31 December 2022		31 December 2021	
Type of Guarantee	**Balance**	**Proportion *(%)***	Balance	Proportion *(%)*
Unsecured loans	**1,384,754**	**26.87**	1,292,209	26.61
Guaranteed loans	**718,709**	**13.95**	585,948	12.06
Loans secured by collateral	**2,018,796**	**39.18**	1,963,710	40.44
Pledge loans	**518,667**	**10.07**	548,136	11.29
Subtotal	**4,640,926**	**90.07**	4,390,003	90.40
Discounted bills	**511,846**	**9.93**	465,966	9.60
Total loans	**5,152,772**	**100.00**	4,855,969	100.00

Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group's total loans stood at RMB5,152.772 billion, an increase of RMB296.803 billion or 6.11% 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 RMB1,400.562 billion, RMB1,381.673 billion and RMB731.224 billion, and accounting for 27.19%, 26.81% and 14.19% of the Group's total, respectively. In terms of growth rate, the Yangtze River Delta, overseas and Central China recorded the highest growth, reaching 9.99%, 9.54% and 8.65%, respectively. In terms of the regional distribution of NPLs, the Group's NPLs were mainly concentrated in the Bohai Rim, the Pearl River Delta and West Strait and the Yangtze River Delta, with the combined NPL balance reaching RMB47.566 billion, accounting for 72.94% of the total. In terms of incremental NPLs, the Pearl River Delta and West Strait registered the largest increase of RMB1.891 billion and its NPL ratio rose by 0.26 percentage points, followed by overseas with respective figures of RMB1.740 billion and 0.70 percentage points.

Main reasons for the change in the regional distribution of NPLs are as follows: First, the risk categories of certain large customers in the Pearl River Delta and West Strait were downgraded to non-performing, resulting an increase in NPLs in the region. Second, efforts on NPL resolution were intensified in the Western China and Bohai Rim, contributing to a remarkably decreased NPL balance.

Unit: RMB million

	31 December 2022				31 December 2021			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Bohai Rim	**1,400,562**	**27.19**	**27,541**	**1.97**	1,325,105	27.29	30,122	2.27
Yangtze River Delta	**1,381,673**	**26.81**	**8,692**	**0.63**	1,256,155	25.87	8,711	0.69
Pearl River Delta and West Strait	**731,224**	**14.19**	**11,333**	**1.55**	733,840	15.11	9,442	1.29
Central China	**730,240**	**14.17**	**6,424**	**0.88**	672,083	13.84	6,922	1.03
Western China	**598,729**	**11.62**	**6,299**	**1.05**	573,221	11.80	8,933	1.56
Northeastern China	**87,630**	**1.70**	**1,359**	**1.55**	92,254	1.90	1,504	1.63
Overseas	**222,714**	**4.32**	**3,565**	**1.60**	203,311	4.19	1,825	0.90
Total loans	**5,152,772**	**100.00**	**65,213**	**1.27**	4,855,969	100.00	67,459	1.39

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 manufacturing were the top two sector borrowers of the Group's outstanding corporate loans, recording the loan balance of RMB491.301 billion and RMB419.507 billion, respectively and altogether accounting for 36.09% of the Group's total corporate loans, up by 1.32 percentage points from the end of the previous year. The balance of loans granted to the real estate sector posted RMB277.173 billion, accounting for 10.98% of the total, down by 1.21 percentage points from the end of the previous year. In terms of growth, loans to manufacturing, wholesale and retail, and water, environment and public utilities management grew relatively faster, up by 17.80%, 8.64% and 8.45% 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 three sectors, i.e., rental and business services sector, real estate sector and construction sector, with their NPL balances collectively taking up 56.89% of the total corporate NPLs. The quality of assets in the real estate and construction sectors continued to improve, and the balance of NPLs in the two sectors decreased by RMB1.789 billion and RMB1.251 billion over the end of the previous year, respectively, corresponding to a 0.55 percentage points and a 1.07 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 sector of rental and business service increased by RM6.323 billion over the previous year-end, and the NPL ratio went up by 1.22 percentage points. The balance of NPLs in the sectors of manufacturing, transportation, storage and postal service, and wholesale and retail decreased by RMB5.758 billion, RMB1.887 billion and RMB1.779 billion respectively from the prior year-end, and the NPL ratio declined by 1.84 percentage points, 1.33 percentage points and 1.32 percentage points. Main reason for the rise of NPL balance in the sector of rental and business service is the downgrade in risk category of some large enterprises.

Unit: RMB million

	31 December 2022				31 December 2021			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Manufacturing	**419,507**	**16.62**	**5,137**	**1.22**	356,129	15.24	10,895	3.06
Real estate	**277,173**	**10.98**	**8,542**	**3.08**	284,801	12.19	10,331	3.63
Wholesale and retail	**177,612**	**7.04**	**4,769**	**2.69**	163,489	7.00	6,548	4.01
Transportation, storage and postal service	**149,891**	**5.94**	**852**	**0.57**	144,053	6.17	2,739	1.90
Water, environment and public utilities management	**413,399**	**16.38**	**122**	**0.03**	381,182	16.32	148	0.04
Construction	**103,335**	**4.09**	**5,605**	**5.42**	105,633	4.52	6,856	6.49
Rental and business service	**491,301**	**19.47**	**10,589**	**2.16**	456,182	19.53	4,266	0.94
Production and supply of electric power, gas and water	**89,609**	**3.55**	**680**	**0.76**	84,351	3.61	1,370	1.62
Public and social organizations	**8,409**	**0.33**	**282**	**3.35**	7,898	0.34	282	3.57
Others	**393,780**	**15.60**	**6,901**	**1.75**	352,461	15.08	4,393	1.25
Total corporate loans	**2,524,016**	**100.00**	**43,479**	**1.72**	2,336,179	100.00	47,828	2.05

Concentration of Borrowers of Corporate Loans

The Group attached great importance to the 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 2022**	31 December 2021	31 December 2020
Percentage of loans to the largest single customer (%)(1)	**≤10**	**1.19**	1.23	4.31
Percentage of loans to the top 10 customers (%)(2)	**≤50**	**9.84**	10.15	15.74

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

		31 December 2022		
	Industry	**Balance**	**Percentage in total loans** *(%)*	**Percentage in regulatory capital** *(%)*
Borrower A	Water, environment and public utilities management	**9,888**	**0.19**	**1.19**
Borrower B	Real estate	**9,822**	**0.19**	**1.18**
Borrower C	Transportation, storage and postal services	**9,668**	**0.19**	**1.16**
Borrower D	Real estate	**8,119**	**0.16**	**0.97**
Borrower E	Rental and business services	**7,984**	**0.15**	**0.96**
Borrower F	Transportation, storage and postal services	**7,873**	**0.15**	**0.95**
Borrower G	Real estate	**7,581**	**0.15**	**0.91**
Borrower H	Manufacturing	**7,406**	**0.14**	**0.89**
Borrower I	Manufacturing	**6,980**	**0.14**	**0.84**
Borrower J	Manufacturing	**6,591**	**0.13**	**0.79**
Total loans		**81,912**	**1.59**	**9.84**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB81.912 billion, taking up 1.59% of its total loans and 9.84% 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 Group 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 risk classification in a dynamic manner.

Unit: RMB million

	31 December 2022		31 December 2021	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Performing loans	**5,087,559**	**98.73**	4,788,510	98.61
Pass	**5,003,190**	**97.10**	4,703,620	96.86
Special mention	**84,369**	**1.63**	84,890	1.75
Non-performing loans	**65,213**	**1.27**	67,459	1.39
Substandard	**36,540**	**0.71**	33,819	0.70
Doubtful	**21,469**	**0.42**	26,938	0.55
Loss	**7,204**	**0.14**	6,702	0.14
Total loans	**5,152,772**	**100.00**	4,855,969	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 RMB299.570 billion over the end of the previous year, and accounted for 97.10% of the total loans, representing an increase of 0.24 percentage points over the end of the previous year; and the balance of special mention loans decreased by RMB521 million, accounting for 1.63% of the total loans, down by 0.12 percentage points 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 RMB65.213 billion, representing a drop of RMB2.246 billion over the end of the previous year; and the NPL ratio stood at 1.27%, down by 0.12 percentage points over the end of the previous year.

During the reporting period, the macroeconomic situation at home and abroad was still severe, and the real economy didn't get out of the difficulty completely. However, at the beginning of 2022, 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 through collection, transfer, restructuring, write-off, debt repayment and other methods, the changes in NPLs were within the Group's expectation and under its control, and as at the end of the reporting period both of the Group's NPL balance and NPL ratio as well as the balance and ratio of problematic loans 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 2022	31 December 2021	31 December 2020
Migration ratio of pass loans *(%)*	**2.26**	2.98	3.52
Migration ratio of special mention loans *(%)*	**29.38**	32.87	48.12
Migration ratio of substandard loans *(%)*	**73.43**	77.19	76.82
Migration ratio of doubtful loans *(%)*	**78.75**	58.93	70.34
Ratio of migration from performing loans to NPLs *(%)*	**1.60**	1.93	2.56

As at the end of the reporting period, the Bank's ratio of loan migration from performing loans to NPLs was 1.60%, a decrease of 0.33 percentage points over the end of the previous year. The reason behind this change is that the Bank maintained sound asset quality and continuously intensified efforts in resolving overdue loans which achieved obvious results.

Loans Overdue

Unit: RMB million

	31 December 2022		31 December 2021	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Loans repayable on demand	**5,070,583**	**98.40**	4,765,596	98.14
Loans overdue [(1)]				
1-90 days	**33,936**	**0.66**	43,162	0.89
91-180 days	**11,840**	**0.23**	11,944	0.24
181 days or more	**36,413**	**0.71**	35,267	0.73
Subtotal	**82,189**	**1.60**	90,373	1.86
Total loans	**5,152,772**	**100.00**	4,855,969	100.00
Loans overdue for 91 days or more	**48,253**	**0.94**	47,211	0.97
Restructured loans [(2)]	**12,511**	**0.24**	16,182	0.33

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.

As at the end of the reporting period, the Group's balance of overdue loans recorded RMB82.189 billion, a drop of RMB8.184 billion over the end of the previous year, and the proportion of overdue loans in total loans went down by 0.26 percentage points over the end of the previous year. Of these overdue loans, 0.66% were short-term and/or temporary loans with a maturity of less than 90 days, a decrease of 0.23 percentage points from the end of last year. The proportion of loans overdue for 91 days and more was 0.94%, a decrease of 0.03 percentage points 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 RMB12.511 billion, a decrease of RMB3.671 billion in amount and a decrease of 0.09 percentage points in proportion from the end of the previous year.

Analysis of Allowance for Loan Impairment

The Group estimated expected credit losses in a science-based and reasonable manner and 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 2022	As at 31 December 2021	As at 31 December 2020
Beginning balance	**121,471**	126,100	115,870
Accruals during the period [1]	**55,786**	50,228	69,285
Write-offs and transfer-out	**(57,791)**	(64,161)	(67,236)
Recovery of loans and advances written off in previous years	**10,520**	9,627	8,127
Others [2]	**1,216**	(323)	54
Ending balance	**131,202**	121,471	126,100

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 RMB131.202 billion, up by RMB9.731 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 201.19% and 2.55%, up by 21.12 percentage points and 0.05 percentage points over the end of the previous year, respectively.

The reasons underlying the change in allowance accruals were: the scale of loans in 2022 increased year on year, resulting in rising accrued allowance for loan impairment losses. At the same time, the Group's risk offsetting capability was further improved and the allowance coverage ratio increased year on year.

2.5.5 Major Off-Balance Sheet Items

As at the end of the reporting period, the Group'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 2022**	31 December 2021
Credit commitments		
– Bank acceptance bills	**795,833**	669,736
– Letters of guarantee	**186,617**	128,866
– Letters of credit	**270,837**	214,958
– Irrevocable loan commitments	**57,961**	53,473
– Credit card commitments	**704,268**	708,741
Subtotal	**2,015,516**	1,775,774
Capital commitments	**2,011**	1,541
Pledged assets	**438,515**	396,557
Total	**2,456,042**	2,173,872

2.5.6 Cash Flow Statement Analysis

Net Cash Inflows Generated from Operating Activities

The Group's net cash inflows generated from operating activities registered RMB195.066 billion, and the figure in the same period of last year was net cash outflows of RMB75.394 billion, primarily due to the increase of deposits from customers, increase in interbank inflows and decrease in outflows of loans to customers.

Net Cash Outflows Used in Investing Activities

The Group's net cash outflows used in investing activities recorded RMB115.873 billion, and the figure in the same period of last year was net cash outflows of RMB206.788 billion, mainly due to the decrease of investments.

Net Cash Inflows Generated from Financing Activities

The Group's net cash outflows used in financing activities registered RMB32.539 billion, and the figure in the same period of last year was net cash inflows of RMB219.918 billion, primarily due to the decrease in interbank deposit certificates.

Unit: RMB million

Item	2022	Year-on-year increase *(%)*	Main reason
Net Cash Inflows Generated from Operating Activities	**195,066**	Negative in previous year	
Including: Cash inflows due to increase in deposits from customers	**340,067**	57.0	Increase of deposits from customers
Net cash inflows due to increase in interbank business *(Note)*	**119,903**	144.5	Increase in interbank inflows
Cash outflows due to increase in loans and advances to customers	**(347,961)**	(19.5)	Decrease in outflows of loans to customers
Net Cash Outflows Used in Investing Activities	**(115,873)**	(44.0)	
Including: Proceeds from redemption of investments	**2,580,725**	(15.3)	Decrease in sale and redemption of financial investments
Payments on acquisition of investments	**(2,690,472)**	(17.2)	Decrease in investments
Net Cash Outflows Used in Financing Activities	**(32,539)**	(114.8)	
Including: Proceeds from issuance of debt certificates	**850,086**	(6.0)	Decrease in issuance of interbank deposit certificates
Proceeds of issuance of other equity instruments	**3,990**	(90.9)	Decrease in issuance of undated capital bonds
Repayment for debt certificates	**(836,677)**	23.2	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.

2.5.7 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", and adhering to the framework of "limit management of regulatory capital" and "examination of economic capital", the Bank improved the capital allocation model on all fronts, guided operating institutions to reasonably arrange asset structure under capital constraints, and thus improved the Group's capital adequacy ratio.

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 13.18%, a decrease of 0.35 percentage points from the end of the previous year; a 10.63% tier-one capital adequacy ratio, 0.25 percentage points lower than the end of the previous year; and a 8.74% core tier-one capital adequacy ratio, down by 0.11 percentage points from the end of the previous year, all meeting regulatory requirements.

In 2023, the Group will continue to carry out comprehensive capital management 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 efficiency at all fronts.

Unit: RMB million

Item	**31 December 2022**	31 December 2021	Increase (%)/ Change	31 December 2020
Net core tier-one capital	**551,863**	514,078	7.35	471,251
Net additional tier-one capital	**119,614**	117,961	1.40	77,710
Net tier-one capital	**671,477**	632,039	6.24	548,961
Net tier-two capital	**160,610**	153,772	4.45	152,768
Net capital	**832,087**	785,811	5.89	701,729
Of which:				
Minimum requirement on core tier-one capital	**315,775**	290,476	8.71	269,662
Minimum requirement on tier-one capital	**378,930**	348,572	8.71	323,595
Minimum requirement on capital	**505,240**	464,762	8.71	431,460
Requirement on reserve capital	**157,888**	145,238	8.71	134,831
Requirement on countercyclical capital	**–**	–	–	–
Requirement on additional capital	**–**	–	–	–
Risk-weighted assets	**6,315,506**	5,809,523	8.71	5,393,248
Core tier-one capital adequacy ratio	**8.74%**	8.85%	Down 0.11 percentage points	8.74%
Tier-one capital adequacy ratio	**10.63%**	10.88%	Down 0.25 percentage points	10.18%
Capital adequacy ratio	**13.18%**	13.53%	Down 0.35 percentage points	13.01%

Note: The Group calculated and disclosed its capital adequacy ratios according to the *Provisional Measures for Capital Management of Commercial Banks*.

Leverage ratio

Unit: RMB million

	31 December 2022	31 December 2021	Increase *(%)*/ Change	31 December 2020
Leverage ratio	**6.59%**	6.78%	Down 0.19 percentage points	6.40%
Net tier-one capital	**671,477**	632,039	6.24	548,961
Adjusted balance of on-and off-balance sheet assets	**10,193,191**	9,322,716	9.34	8,582,636

Note: The Group calculated its leverage ratio in accordance with the provisions of the *Rules on Leverage Ratio of Commercial Banks (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/2022_/.

2.5.8 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 derecognition of financial assets, the control of structured entities, income tax and deferred income tax.

2.5.9 Major Financial Statement Items with More than 30% Changes

Unit: RMB million

Item	End of 2022/2022	Increase/ Decrease over previous year-end/year-on-year *(%)*	Main reason
Precious metals	**5,985**	(37.9)	Decrease in physical precious metals
Loans to banks and non-bank financial institutions	**218,164**	51.6	Increase in lending to non-bank financial institutions
Derivative financial assets	**44,383**	95.3	Increase in trading volume and revaluation of derivative financial instruments
Financial assets held under resale agreements	**13,730**	(85.0)	Decrease in securities purchased under-resale agreements
Borrowings from central banks	**119,422**	(36.9)	Repayment of borrowings from central banks
Financial liabilities measured at fair value through profit or loss	**1,546**	32.8	Increase in deposit certificates designated to be measured at fair value through profit or loss
Derivative financial liabilities	**44,265**	93.2	Increase in trading volume and revaluation of derivative financial instruments
Financial assets sold under repurchase agreements	**256,194**	160.5	Increase in securities sold under repurchase agreements
Other comprehensive income	**(1,621)**	(198.6)	Changes in fair value of other debt investments

2.5.10 Segment Report

2.5.10.1 Segment Report

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 by business segment.

Unit: RMB million

	2022				2021			
Business Segment	**Segment operating income**	**Proportion (%)**	**Segment profit before tax**	**Proportion (%)**	Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)
Corporate banking	**94,436**	**44.7**	**33,028**	**45.0**	94,056	46.0	25,015	38.2
Retail banking	**84,677**	**40.1**	**17,380**	**23.7**	82,567	40.4	22,704	34.6
Financial markets business	**30,312**	**14.4**	**23,336**	**31.8**	26,512	13.0	19,442	29.7
Others and unallocated	**1,684**	**0.8**	**(328)**	**(0.5)**	1,419	0.6	(1,644)	(2.5)
Total	**211,109**	**100.0**	**73,416**	**100.0**	204,554	100.0	65,517	100.0

Unit: RMB million

	End of 2022		End of 2021	
Business Segment	**Segment assets**	**Proportion** *(%)*	Segment assets	Proportion *(%)*
Corporate banking	**2,933,628**	**34.5**	2,725,565	34.1
Retail banking	**2,207,675**	**26.0**	2,124,792	26.6
Financial markets business	**2,713,155**	**32.0**	2,357,445	29.5
Others and unallocated	**638,074**	**7.5**	788,177	9.8
Total	**8,492,532**	**100.0**	7,995,979	100.0

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

2.5.10.2 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. As for 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 Chinese mainland. The table below lists the operating results of the Group by geographical segment.

Unit: RMB million

	End of 2022/2022				End of 2021/2021			
	Segment total assets		Segment profit before tax		Segment total assets		Segment profit before tax	
Geographical Segment	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Head Office	**3,391,987**	**39.9**	**28,065**	**38.2**	3,311,831	41.4	28,990	44.3
Yangtze River Delta	**1,883,859**	**22.2**	**15,433**	**21.0**	1,786,736	22.3	8,651	13.2
Pearl River Delta and West Strait	**989,734**	**11.7**	**5,059**	**6.9**	936,397	11.7	3,008	4.6
Bohai Rim	**1,853,384**	**21.8**	**9,953**	**13.6**	1,827,646	22.8	9,325	14.2
Central China	**830,699**	**9.8**	**8,947**	**12.2**	773,844	9.7	4,248	6.5
Western China	**671,733**	**7.9**	**3,026**	**4.1**	645,367	8.1	8,372	12.8
Northeastern China	**120,001**	**1.4**	**326**	**0.4**	117,419	1.5	(42)	(0.1)
Overseas	**452,843**	**5.3**	**2,607**	**3.6**	380,343	4.8	2,965	4.5
Offset	**(1,701,708)**	**(20.0)**	**–**	**–**	(1,783,604)	(22.3)	–	–
Total	**8,492,532**	**100.0**	**73,416**	**100.0**	7,995,979	100.0	65,517	100.0

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

2.6 Key Issues in Capital Market

2.6.1 Strategic Planning

The Bank made further advances in implementing its 2021-2023 Development Plan and the "342 Action Plan for Developing Core Business Capabilities", and achieved fruitful results in strategy implementation.

The Bank adhered to the guidance of Party building and fully implemented the missions and responsibilities of a state-owned enterprise. In pursuing future development, the Bank remained mindful of the country's most fundamental interests, fulfilled its role as the main force and vanguard for serving the real economy, and fully bolstered a stable economic market and high-quality economic development. Inclusive finance, medium to long-term manufacturing, strategic emerging industries and agriculture-related loans grew by 21.57%, 34.74%, 36.58% and 22.78% respectively year on year. The Bank remained at the forefront of joint-stock banks in terms of core indicators of inclusive finance, ranked second among peers in the supervisory rating of financial services for micro and small-sized enterprises, and was recognized as the only excellent joint-stock bank in the supervisory assessment of rural revitalization business. In response to the "carbon peaking and carbon neutrality goals", the Bank's balance of green credit exceeded RMB334.082 billion, representing an increase of 66.97% over the beginning of the year.

The Bank attached great importance to developing core business capabilities and continuously consolidated the fundamentals of development. It outperformed the market in stabilizing interest margin, recording a net interest margin of 1.97% and achieving a volume-price balance. Remarkable results were achieved in the expansion of intermediary business income and the non-interest income recorded 60.462 billion, marking a growth rate of 6.71 percentage points. The proportion of intermediary business income reached 28.64%, up by 0.94 percentage points comparing with last year.

The Bank embraced the concept of innovation-driven development, and continued to enhance the guiding role of innovation. It increased the strategic investment in technological resources, promoted the transformation toward agile technology management, deployed cutting-edge technologies in advance and strengthened technology application. It also accelerated the filing of technology patents, so as to enhance its industry-leading data capabilities. The Bank improved its digital technology application remarkably through the start of operation of a batch of high-value platform including Benteng, the retail operation platform (M+), Tianyuan treasury system, Kunpeng, digital marketing platform for corporate customers and the financial market application ecosystem. The Bank took the lead in developing four clouds (production cloud, development and testing cloud, ecological cloud and subsidiary cloud), the biggest full-stack IT innovation project developed by a joint-stock bank and the computing power improved by twice on a year-on-year base. In the past four years, the number of technological personnel of the whole Bank increased by 1.94 times, while the number of required delivery increased by 3.57 times over the same period, and the delivery period was shortened by more than 60%.

The Bank adhered to synergistic integration to fully leverage its overall collaboration advantages. Taking advantage of the full financial licenses and full industrial coverage of CITIC Group, the Bank strengthened the cooperation between the Head Office, branches and sub-branches, between the front, middle and back offices, and between domestic and overseas businesses, established ecosystems for finance and finance cooperation, industry and finance cooperation, parent company and subsidiary cooperation and cross-border cooperation and regional cooperation, and achieved the goal of "sharing customers, joint product innovation, channel co-building, win-win marketing and pooled wisdom" to provide comprehensive lifecycle services to customers. As a result, the Bank established a systematic, innovative and efficient business cooperation mechanism, covering 37 branches for the first time. The scale of joint financing exceeded the threshold of RMB2 trillion, representing an increase of 28% year on year. The supporting role of collaboration has become increasingly prominent.

The Bank was committed to reform for empowerment, with a focus on optimizing its systems and mechanisms. Market-oriented measures were taken to optimize its organizational system and management mechanism and promote further development. With the goal of improving organizational power, the Bank conducted comprehensive reform of its systems and mechanisms, optimized the organizational structures of risk management, technology and treasury sectors, integrated the organizational system of the retail sector, and improved the centralized management of key corporate customers. The Bank continued to promote the reform of human resources by scientifically planning and implementing policies in an integrated way. It optimized the training, selection, management, use and other aspects of human resources, maintained the right balance between strict management and incentives, and built a high-caliber official team who are capable of overseeing the development of the Bank.

2.6.2 Wealth Management

2.6.2.1. Wealth Management of Retail Customers

To build "new retail" with wealth management at its core, the bank adhered to the customer-orientated and value-orientated approach, comprehensively deepened customer relationship to become customers' first choice of wealth management bank as an expert at "settlement, investment, financing, activities and services (hereinafter referred to as "five expertise"), with the suitability for "all customers – all products – all channels" as the operation strategy, four links of "sector integration, bank-wide collaboration, intra-Group coordination and external connection" as the development path and two wings of "digitalization and ecologicalization" as the capability support. As at the end of the reporting period, the balance of retail assets under management (including assets measured at fair value)[6] of the Bank stood at RMB3.91 trillion, an increase of 12.36% over the end of last year.

The Bank practiced the "all customers, products and channels" management strategy. The Bank made continuously efforts to improve the management system for all customers, including a centralized management system for mass customers, and an upgraded tiered service system for wealthy, VIP and private banking customers. In order to develop a product ecosystem, the Bank improved its investment research, strategy, product selection and investment advisory capabilities, and relied on CITIC Financial Holdings to launch "CITIC Premier", which increased both the scale and quality of carte blanche of private banking and family trust, upgraded the rights and interests system for personal customers, and provided customers with comprehensive "financial + non-financial" services. The Bank adopted a service model covering all channels. It upgraded the mobile banking app and Mobile Card Space app to the 9.0 version, explored the "Iron Triangle" operation mode in remote channels, and accelerated the development of offline channels such as private banking centers and private banking studios, thus improving the localized service capability.

The Bank attached equal importance to "four links" to foster new growth points. Regarding further integration between sectors, the Bank launched comprehensive management of personal credit customers, advanced the "dual card integration" of debit and credit cards, and established a characteristic wealth management service system for credit card customers. Regarding Bank-wide collaboration, the Bank strategically advanced payroll business through corporate-retail collaboration and developed a characteristic "investment banking + private banking" operation model, providing differentiated and characteristic services for entrepreneurs and enhancing the "Cloud Enterprise Club" brand of the Bank.

The Bank continuously empowered operation management through "two wings". During the reporting period, it promoted the digitalization of retail business, and launched a one-stop sales platform for wealth products, a lifecycle management system for private banking products, and a new generation personal credit system. With an improved retail operation platform (M+), the Bank basically realized the integrated management of "all customers, all products and all channels" of retail business. The Bank built open, win-win and symbiotic values and organizational capabilities in the aspects of organizational mechanism, operation system, service capability and cooperation model.

6 Including the retail customers' asset under management of the Bank's subsidiaries.

2.6.2.2. Wealth Management for Corporate Customers

The Bank is committed to becoming a "comprehensive, professional, leading and integrated" wealth service provider for corporate customers. As required by the "342 Action Plan for Developing Core Business Capabilities", it builds an all-round accompanying marketing service system with customers as the center, intensified efforts in delivering richer products, better services, more convenient operation, and spared no effort to boost the sound development of corporate wealth management business.

During the reporting period, the Bank strengthened the connection with leading external institutions and cross-selling with internal business sectors such as retail banking and private banking, and continued to enrich the ecosystem of corporate wealth management products. At present, the ecosystem covers cash management, fixed income and fixed income+ products, and includes both customized public offering and private placement products, with the aim of providing customers with diversified and personalized value-added services.

The Bank strengthened the synergy within CITIC Group, and deepened cooperation with leading financial subsidiaries within CITIC Group such as CITIC Securities and CITIC Trust. During the reporting period, the Bank worked with CITIC Wealth Management to launch the first wealth management product themed on rural revitalization, and issued "Common Prosperity" wealth management products themed on charity, demonstrating an effective combination of corporate social responsibility and investment & wealth management. The Bank also worked with CITIC Securities to launch the "fixed income + REITs" wealth management products, with a total sales volume of RMB189 million during the reporting period, achieving a win-win result of providing services to real economy customers and completing the capital-light transformation of the Bank.

As at the end of the reporting period, the scale of corporate wealth management registered RMB199.856 billion, an increase of RMB20.903 billion over the end of last year. With the increase in customers, the Bank's corporate wealth management products and services have gained more recognition and built a stronger brand image.

2.6.3 Asset Management

Asset management business is the bridge and pivotal link in the value chain of "wealth management – asset management – comprehensive financing" of the Bank. Relying on the advantage in financial license, ability in asset allocation and investment management of CITIC Wealth Management, the Bank gave full play to the advantages of synergy across the Group and between parent and subsidiaries, so as to build an all-round asset management bank with core competitiveness, full range of products, wide customer coverage and leading comprehensive strength. While creating value for customers, the Bank also facilitated the transformation toward capital-light development and played an important role in building a bank of value.

The Bank's asset management business closely followed the national strategies and resolutely performed its responsibilities of serving the real economy. The Bank **actively promoted common prosperity**, took the lead in exploring the new model of "charity + finance", and issued "Common Prosperity" thematic products during the reporting period, with total donations of about RMB742.1 thousand. It **vigorously developed green finance**, actively communicated green value, made breakthroughs in green finance productization, and issued a number of ESG, green low-carbon thematic products. As at the end of the reporting period, the scale of green products reached RMB2.996 billion. The Bank **accelerated the arrangement in pension finance**, made multi-dimensional efforts in product creation, investment management, risk control mechanism, management rule and operation custody after obtaining formal approval for the pilot qualification of pension wealth management products, and actively reported the plan for personal pension wealth management business after the release of the *Notice of the CBIRC on Printing and Distributing the Interim Measures on the Management of Personal Pension Business of Commercial Banks and Wealth Management Companies*. The Bank **continuously served technological innovation**, supported enterprises with specialized, sophisticated techniques and unique, novel products, empowered technology-based innovative enterprises through direct equity investment, equity financing, industrial fund, patent technology financing and so on, thus promoting breakthroughs in the "bottleneck" core technologies. It also **actively implemented the national rural revitalization strategy**. Focusing on key rural industries, it strengthened innovation in financial products and service modes based on the positioning of wealth management business and its business advantages, and launched two rural revitalization-themed products during the reporting period, with a total scale of RMB3.118 billion. As at the end of the reporting period, the underlying assets of new products were all performing assets, indicating sound asset quality control.

With customer demands as the guide in asset management business, the Bank created a product system featuring "6+2", namely currency, currency+, fixed income, fixed income+, hybrid and equity plus project and equity, so as to fully satisfy the differentiated wealth management needs of different customers. Product scale hit another record high. During the reporting period, the Bank ranked second among national wealth management institutions in terms of increment of wealth management products. The product performance and market status in asset management business were highly recognized by the market. During the reporting period, it cumulatively won 40 authoritative awards such as "Golden Pixiu Award" and "Golden Bull Award". In the ranking of banks by comprehensive wealth management capabilities in the four quarters of 2022 issued by Pystandard, CITIC Wealth Management maintained its ranking as the second among nationwide wealth management institutions.

In terms of asset management business, the Bank continued with innovation and exploration, stepped up the transformation of financial technology innovation to application results, and vigorously explored external channels and accelerated the promotion of mutual progress of dual circulations. As at the end of the Reporting Period, CITIC Wealth Management established commission sales relationships with 27 commission sales corporation institutions, an increase of 15 compared with the end of the previous year, took the lead to launch the direct sales APP to serve customers, became the first wealth management subsidiary of joint-stock commercial banks to have a direct sales APP, and steadily pressed ahead with the layout of an open wealth management platform. The Bank applied block chain to strengthen the internal and external information interaction of investment advisory service for family trust, applied OCR (optical character recognition), biological recognition and other technologies to improve efficiency and enhance compliance in direct sales scenarios, and employed the RPA (robotic process automation) technology to improve the automation of eight operation scenarios such as valuation and reconciliation.

As at the end of the reporting period, the Bank's wealth management products amounted to RMB1,577.077 billion, an increase of RMB173.802 billion or 12.39% over the end of the previous year, of which the net value products meeting the requirements of the new regulations on asset management amounted to RMB1,490.789 billion, accounting for 94.53%, an increase of RMB224.066 billion over the end of the previous year.

2.6.4 Comprehensive Financing

The Bank made proactive efforts to implement the state's macro-policies, made solid progress in the "three-pronged integration"[7] project in three dimensions of customers, products and management, actively created an ecosystem of value, constantly enhanced the advantages of comprehensive financing service and strove to become the "best comprehensive financial service provider". As at the end of the reporting period, the balance of the Bank's comprehensive financing amounted to RMB12.30 trillion, up by 7.23% over the end of last year.

The Bank focused on the "three-pronged integration" project of products, customers and management systems. Through the integration of "commercial banking + investment banking", the Bank transformed from "credit intermediary" to "service intermediary" and "traffic operation" and moved ahead with capital-light business development. During the reporting period, the scale of debt financing instruments underwritten reached RMB739.340 billion, ranking the first place in the market. The Bank successfully rolled out "Chain Ecosystem" and launched a number of innovative products and platforms centered on the corporate asset pool, providing RMB1,210.785 billion financing support to over 30,000 enterprises. The balance of payments and foreign exchange transactions exceeded USD400.0 billion and USD200.0 billion, respectively, making the Bank rank first among joint-stock banks. The Bank energetically advanced the creation of small and medium-sized customer groups, built a "value inclusive" system, ramped up efforts in the management of large customers, government customers and institutional customers, focused on market players in the new economic area, stepped up marketing to high-quality customer groups such as listed companies and enterprises with specialized, sophisticated techniques and unique, novel products, and expanded channels for acquiring customers.

The Bank defined the ecosystems and tapped their value. It focused on building the ecosystems of more than 300 institutions in ten categories, formulated ecosystem guidelines, clarified the value and model of cooperation with ecosystem subjects, and fully tapped the multi-dimensional and multi-perspective value in fund, asset, customer, product, channel and license in the ecosystem. It promoted the development principle of "One CITIC, One Customer" in an all-round manner, continuously expanded the coverage of CITIC Group-wide collaboration, and provided customers with all-round comprehensive financing solutions. It also continuously improved the multi-dimensional system of finance and finance cooperation, industry and finance cooperation, business segment cooperation, fund-raising and capital cooperation, inter-branch cooperation and think tank cooperation, built an all-round financing ecosystem featuring "beyond a bank", achieved its capital-light development goals, and created value beyond customers' expectations.

Subsequently, the Bank will continuously integrate resources, optimize models, perfect mechanisms, open up the credit, capital and money markets, deepen cooperation with subsidiaries, strengthen the building of financial cooperation ecosystems, provide diversified financing services for the development of the real economy, and become a comprehensive financing provider leading the market.

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7 It refers to the building of the "1+3" product system integration project, the "1+3" project of customer management integration and the "1+3" project of management system integration.

2.6.5 Asset Quality

During the reporting period, the volatile international environment adversely affected China's economic growth, and various unpredictable risks and challenges obviously surged. With the high-quality development as the main task, the Bank faced difficulties head-on, sought progress while maintaining stability, firmly held the risk bottom line, and maintained a stable trend of asset quality.

As at the end of the reporting period, total loans of the Group amounted to RMB5,152.772 billion, representing an increase of RMB296.803 billion over the end of the previous year. Asset quality improved stably, and both NPL balance and ratio continued to drop. As at the end of the reporting period, the balance of NPLs were RMB65.213 billion, a decrease of RMB2.246 billion over the beginning of this year. NPL ratio was 1.27%, a decrease of 0.12 percentage point over the year beginning. Problematic loans balance and ratio decreased compared with the beginning of the year. The balance of problematic loans was RMB149.582 billion, a decrease of RMB2.767 billion compared with the beginning of the year. The problematic loan ratio was 2.90%, down by 0.24 percentage point over the beginning of the year. The risk resistance capability continued to improve. The ratio of allowance for impairment losses on loans to non-performing loans (or allowance coverage ratio) stood at 201.19%, up by 21.12 percentage point over the beginning of this year. The ratio of allowance for impairment losses on loans to total loans (or allowance for loan impairment losses to total loans) was 2.55%, up by 0.05 percentage point over the beginning of this year, indicating adequate provisioning.

The Bank continued to strengthen risk management and control. On the one hand, it strictly controlled increased risks. The Bank further tapped into a combination of five policies, and improved the market research and analysis ability to promote targeted credit extension. Efforts were made to enhance portfolio management, strengthen regional and customer concentration risk control, and optimize the credit structure. The Bank improved post-lending management, optimized the "online + offline" risk warning system, and strengthened risk management and control in key areas such as real estate, local government financing vehicles and large amount group customers. The Bank set the time window for early risk elimination, guided active reduction and exit of low-quality and inefficient customers, and effectively prevented the deterioration of asset quality. On the other hand, it accelerated the mitigation of existing risks, implemented the list-based management of key projects, adopted category-specific policies to speed up the resolution and disposal, made positive progress in the recovery and resolution of several key projects, and achieved major breakthroughs in the recovery and resolution of non-performing assets through Group-wide collaboration.

2.6.6 Risk Management of Real Estate Industry

The Bank strictly implemented the policies for stabilizing the real estate market, adhered to the positioning of "housing is for living, not for speculation", and introduced differentiated housing credit policies in different cities. In order to ensure steady extension of real estate loans, it distinguished real estate project risks from the risks in enterprise groups to meet the reasonable financing needs of real estate enterprises. It took prudent steps to carry out M&A loan business for real estate projects, facilitated high-quality real estate enterprises to issue debt financing instruments, and provided consulting services for M&A financing. The Bank also granted loan extensions for real estate sector to ensure the completion and delivery of projects. To ensure the delivery of housing projects and people's livelihood and stability, the Bank encouraged special financing support to the lending facilitation set aside especially for housing project. Moreover, the Bank supported rigid and improvement housing demands, improved the housing financial services for new citizens, and boosted the steady and healthy development of the real estate market. While ensuring the steady granting of real estate loans, the Bank strengthened prevention and control of credit risks. It implemented tiered and classified management of customers, with various risk resolution plans prepared in advance. In respect of key large-amount credit customers, the Bank promoted cooperation within CITIC Group to properly handle and resolve risks.

As at the end of the reporting period, the balance of the Group's corporate real estate financing bearing credit risk, including real estate-related loans, bank acceptance drafts, letters of guarantee, bond investment and non-standardized investment, stood at RMB373.433 billion, representing a decrease of RMB24.280 billion from the end of last year, of which the balance of corporate real estate loans amounted to RMB277.173 billion, representing a drop of RMB7.628 billion from the end of last year, accounting for 10.98% of the Group's corporate loans, a decrease of 1.21 percentage point from the end of last year. The balance of the Group's corporate real estate financing bearing no credit risk, including agency sale and investment with wealth management funds amounted to RMB48.362 billion, representing a decrease of RMB17.548 billion from the end of last year. And the balance of bonds underwritten stood at RMB52.946 billion, down by RMB2.205 billion over the end of previous year. The Group adopted differentiated policies for real estate corporate customers and increased efforts in risk mitigation and disposal. As at the end of the reporting period, the Group's ratio of non-performing loans in real estate was 3.08%, a decrease of 0.55 percentage point over the end of the previous year.

In the next step, the Group will continue to implement the policies and regulatory requirements regarding the real estate industry and conduct real estate business in a prudent manner. It will pay high attention to the macro policies on real estate, strengthen market research and make forward-looking judgment, so as to timely optimize internal management measures.

2.6.7 Stabilizing the Economy and Supporting the Real Economy

In 2022, the situations at home and abroad changed greatly, and the downward pressure on the economy obviously increased. After the CPC Central Committee and State Council issued a package of policies and measures to stabilize the economy, the Bank promptly formulated the *29 Measures of China CITIC Bank for Stabilizing the Economy*. Closely following the series of national plans to stabilize investment, promote consumption and ensure people's livelihood, the Bank resolutely shouldered its mission as a state-owned enterprise, continued to provide credit support to key areas supported by national macroeconomic policies, and increased credit extension to boost the steady growth of the real economy.

The Bank promoted loan granting and went all out to support the steady growth of the real economy. It advanced the combination of five policies, stepped up industry research and policy guidance in key areas such as manufacturing, strategic and emerging, high-tech, inclusive finance and agriculture-related industries, intensified marketing efforts and improved review and approval standards. The Bank actively undertook major government projects, increased investment in infrastructure construction projects, and moderately increased local bond investment and subscription. Attaching equal importance to energy supply guarantee and green development, it ensured the technological upgrading and the financing needs of key coal enterprises for working capital loans, and actively supported the construction of key projects such as wind and photovoltaic power. Furthermore, the Bank strengthened financing support for industrial and supply chains, consistently promoted online and scenario-based business development, and quickly responded to the financing needs of core and supporting enterprises on the industrial chain. Centering on the goals of "stabilizing land price, house price and expectations", the Bank met the reasonable financing needs of real estate enterprises.

The Bank ramped up risk prevention and control efforts to achieve high-quality and sustainable development. Upholding the principles of "making concessions in profits not risks", the Bank firmly held the bottom line of risk management and properly managed risks while giving supports to enterprises, alleviating difficulties and providing supports in loan granting. It actively promoted online and automated product innovation, gave full play to the advantages in fintech, and enhanced efforts in the building of risk control models. It also firmly defended the bottom line of zero systemic risk and safeguarded the security of credit funds.

During the reporting period, the Bank upheld the decisions and plans of the CPC Central Committee and the State Council, promoted the implementation of a package of policies and a series of measures to stabilize the economy, steadily improved the quality and efficiency of services for the real economy, and increased the reserves and credit supply for inclusive finance, strategic emerging industries and renovation and upgrading of traditional manufacturing industries. As at the end of the reporting period, the balance of inclusive loans amounted to RMB445.992 billion, up by RMB79.125 billion or 21.57% from the end of previous year. The balance of lending to strategic emerging industries was RMB424.210 billion, up by RMB113.613 billion or 36.58% from the end of previous year. The balance of medium and long-term loans to the manufacturing sector[8] stood at RMB202.262 billion, up by RMB52.145 billion or 34.74% compared with the end of previous year.

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8 From the S72 Statement on Financing of the Manufacturing Industry issued by the CBIRC, including corporate and personal business loans granted to the manufacturing industry.

2.6.8 Financial Holdings Platform

2022 is the first year of operation for CITIC Financial Holdings. As one of the first licensed financial holding companies and under the guidance of the "553" Strategy[9] of the Group, CITIC Financial Holdings formulated the "1435"[10] development strategy. The establishment of CITIC Financial Holdings injected new momentum and potential for the high-quality business development of the Bank, the largest financial subsidiary of the CITIC Group.

Improving unified customer service capabilities. Following the development principle of "One CITIC, One Customer", CITIC Financial Holdings integrated specialized financial service capabilities in banking, securities, trust, insurance, asset management and other sub-areas within the Group, and helped the Bank improve its comprehensive customer service capability. During the reporting period, CITIC Financial Holdings selected the first batch of strategic customers and entrepreneur customers, and established an "N+1+1"[11] inter-subsidiary service team to support the "individual-family-enterprise-society" office system for entrepreneurs. Through cooperation with the Bank, CITIC Financial Holdings implemented several key projects and achieved an increase in comprehensive financing volume and AUM balance.

Improving comprehensive financial service capabilities. CITIC Financial Holdings established a wealth management committee with 3 specialized committees for investment banking, retail banking and capital allocation, which integrated the expertise of various financial subsidiaries to create a value chain of three links, i.e., comprehensive financing, wealth management and asset management, so as to provide a package of full-stack financial services to meet the needs of different customers. During the reporting period, the Bank achieved full marketing coverage of listed enterprises sponsored by CITIC Securities and China Securities. Thanks to the new IPO projects from the two brokers, the number of fund-raising accounts, credit extension and credit use increased significantly. It also launched the first fund that makes direct equity investments in sci-tech enterprises in the banking industry, providing specialized and targeted solutions for the high-quality development of real enterprises.

9 The "553" Strategy refers to tapping deep in five sectors of comprehensive financial service, advanced manufacturing, advanced materials, new consumption and new-type urbanization, building five platforms of financial holding, industrial group, capital investment, capital operation and strategic investment, and mainly employing three methods of integration, collaboration and expansion to boost future development.

10 The "1435" Strategy refers to building the first-class platform of financial holding, improving four functional systems of comprehensive risk prevention and control, comprehensive financial services, unified customer services and advanced technological empowerment, developing three core capabilities of wealth management, asset management and comprehensive financing, and strengthening five sub-areas of banking, securities, trust, insurance and asset management.

11 i.e. A team of several subsidiaries is built to jointly serve a strategic customer.

Enhancing the capabilities for comprehensive risk prevention and control. CITIC Financial Holdings established a comprehensive risk management system from five perspectives, i.e. organization, policy, process, technology and culture, with the aim of exploring a new risk management model for comprehensive financial groups, which helped the Bank identify and eliminate potential dangers and risks in advance, and rely on the Group's advantage in industry-finance collaboration and coordination to accelerate risk disposal and resolution. During the reporting period, the Bank worked with CITIC Urban Development & Operation, China Huarong and other members of the Group to resolve the debt risk of Kaisa Group Holdings Ltd., worth RMB10 billion and successfully revitalized the assets worth nearly RMB100 billion, developing a new model of risk resolution through industry and finance cooperation.

Improving advanced FinTech capabilities. Adhering to the principal that technological innovation is the primary driving force, CITIC Financial Holdings is dedicated to building a new ecosystem that is open and integrated with "shared infrastructure, data resources, management applications and user experience". During the reporting period, the Bank relied on the platform of CITIC Financial Holdings to promote the sharing of data and information among financial subsidiaries, promoted the application of "synergy +" and "enjoyment +" systems, further promoted the conversion of CITIC Group's strategic customers and customers of CITIC Financial Holdings and customers of financial subsidiaries to the Bank's customers, advanced customer value analysis and data mining, further improved the efficiency and accuracy of comprehensive services, and achieved lifecycle customer management.

2.6.9 Digital CITIC

The Bank firmly pressed ahead with the strategy of strengthening itself through technology, with customer value as the guide and customer journey reshaping as the key point, thus promoting the joint upgrading of front, middle and back offices. Taking financial technology as a permanent driving force, the Bank comprehensively shaped the digital capability of its operation and management, built a smart, ecological and digital CITIC with human touch, and enhanced the Bank's competitiveness and market value, thus supporting the high-quality implementation of the action plan for developing core business capabilities on all fronts.

The Bank continuously improved the core technology capacities. It continued to deepen the integration of business, technology and data, established an end-to-end business demand management mechanism, and achieved a substantial increase in the efficiency and quality of R&D delivery. The annual number of production defects per 100 people decreased by nearly 80% year on year. The Bank continued to build and promote enterprise-level public business capabilities, with a service reuse rate of more than 60% in the business middle platform and access to 85% of newly developed or reconstructed systems, covering users, products, marketing and other major business areas, forming a service-oriented architecture, and vigorously supporting the flexible expansion and rapid innovation of front-office business. At the technological middle offices, a cloud native technology base was established with service grid, container cloud platform, Lego development platform and basic technology services as the main line, which helped improve the deployment process speed by 30% and increased launch efficiency by four times. At the data middle offices, the Bank continued to promote the development of enterprise-level data public platforms and tools. The layout of four clouds (production cloud, development and testing cloud, subsidiary cloud and ecosystem cloud) basically took shape. The scale of the IT innovation resource pool ranked first among joint-stock banks, the computing power increased by 2 times year on year.

To meet growing business demand, the Bank constantly promoted the research, development and application of cutting-edge technologies. An IoT financial platform was launched and applied to the high-end liquor industry for inventory control. The underlying platform of the CITIC blockchain has been fully localized. It is among the first batch of financial institutions to pass all the IT Innovation evaluation of the Ministry of Industry and Information Technology of the People's Republic of China at one time, with a processing capacity of more than 130,000 transactions per second, ranking first in the industry in terms of technical maturity. The Bank established the first integrated platform of "blockchain + privacy computing" through independent R&D in the industry, which was selected as an Excellent Case of FinTech Innovation in the 7th Rongcheng Cup in 2022. In order to achieve independent and controllable core technologies in key fields, the Bank made breakthroughs in business middle offices, technological middle offices, full-stack IT Innovation cloud and other leading-edge technologies in the industry. It took the lead in realizing independent control of the clustered system for financial market applications, significantly improved the Bank's capability in intelligent quotation, transaction, risk control and operations for the financial market business, and provided a "CITIC Solution" for the localization and architectural transformation of financial market applications in the banking industry, which was awarded the second prize of the 2021 FinTech Development Awards by the PBOC. At the 2022 World Artificial Intelligence Conference (WAIC), the Bank's multiple technology innovation achievements were presented, further expanding the influence of the CITIC technology brand.

The Bank worked to develop enterprise-class data capabilities and tap the potential of data as a factor of production. It set up the big data center as a tier-1 department, and stepped up efforts to build a bank-wide digital capability center, forming a new organizational structure of "one department and three centers". A bank-wide data strategic plan was made with a focus on the building of core capabilities in the three areas of data governance, data application and technical support, so as to develop industry-leading data capabilities. The Bank strengthened data governance and implementation of standards, and released 20,000 data dictionary entries on a cumulative basis, covering all basic business areas. Meanwhile, it fully implemented the integration of data tables into the data lake, with a year-on-year increase of 40%. The Bank continued to cement the data base. The calculation capacity of the data base platform increased by nearly 80% year on year, and the average time of data processing was shortened by 60%. The Bank established a Bank-wide real-time data service center. The demand for data collection and delivery increased by 48% year on year, and the average data collection efficiency increased by 50% year on year. Relying on the digital process system, the Bank promoted business conduct based on data and application of data in business. For example, based on machine learning, operations optimization and other intelligent technologies, the Bank realized the automatic generation of customer group management strategies. As a result, the upgrade rate of private banking customers increased by over 90%, with AUM[12] increasing by 30%. Based on CITIC Brain, high-precision OCR and other intelligent tools, the Bank promoted the digitalization of operation process with an accuracy of more than 90%.

12 AUM means Assets under Management.

The Bank continued to tap the potential of business digitalization. **Focusing wealth management business**, the Bank carried out a series of key projects such as the integrated wealth management sale platform (Benteng), the new-generation clustered personal credit system (Kunpeng), the retail operation platform (M+) (Phase II) and the e Manager (Qingyun). The Kunpeng system was designed with an enterprise-level architecture design for the first time. It introduced the business modeling method and adopted service grid, containerization and other cloud native technologies, marking the Bank's successful transformation toward new-generation enterprise architecture, and achieving full coverage of personal credit products, efficient and centralized operation system, and rapid access to multiple scenarios. Since the system was put into operation, it has achieved 24/7 uninterrupted trading, with an average daily trading volume of nearly 30 million transactions. **Focusing corporate banking**, the Bank launched Tianyuan treasury system, digital marketing platform for corporate customers, smart online banking 4.0 etc. To seize the opportunity arising from building treasury management systems for central and state-owned enterprises (SOEs), the Bank developed the intelligent treasury management system, one of the first pilot projects that were put into operation in the industry. The Bank launched 875 business functions under 70 modules in 12 centers to the system, integrated the Bank's leading ecosystem-based product system of transaction banking, and fully supported the multi-level organizational structure, multi-level penetration and multi-processing configuration of corporate groups, providing customers with personalized, customized and comprehensive financial management services, successfully building CITIC Treasury into an industry-leading brand. **Focusing the financial market business**, the Bank put into operation the centralized trading platform and the asset custody accounting system, and restructured the inter-bank third-party escrow system. The centralized trading platform provided access to major overseas counterparties and realized comprehensive ex ante risk control, covering 90% risk indicators for ex ante risk control. **Focusing middle and back-office businesses**, the Bank relied on the intelligent risk control system for bank-wide operation and maintenance, and realized automatic compliance inspection of operation and maintenance, covering risk identification, measurement and monitoring, resolution, improvement and other fields to support daily inspection, real-time modification and full coverage of risks.

During the reporting period, the Group invested RMB8.749 billion in information technology, an increase of 16.08% compared with the end of prior year, and accounting for 4.14% of operating income. Most of the investments went to cloud infrastructure, digitalization of front, middle and back-office business and big data R&D. As at the end of the reporting period, the Bank's technology personnel (excluding subsidiaries) hit 4,762, up by 11.11% compared with the end of last year, with the ratio of technology personnel reaching 8.40%.

2.6.10 Brand Upgrading

In order to adapt to changes in the internal and external development and banking business, expand brand influence and boost business growth, the Bank launched the brand change program in 2022 taking the opportunity of the 35th anniversary of its founding, and planned to build up "One CITIC Bank, One Brand Premise" and establish the "Single Brand Model", "Three-tier Brand Structure" and a brand system. At its anniversary on 16 September, the Bank issued the new brand premise "the more we care, the more you gain".

The Bank has raised improving its wealth management capacity to a strategic level, dedicated to meeting customers' lifecycle wealth management needs, providing long-term accompanying services, and actively responding to the concerns of customers, investors and other stakeholders in response the theme of the era "common prosperity".

The Bank commits to its stakeholders that it will bring new imagination and expectations to the market with a new image:

To society, it will shoulder the common mission of increasing social wealth, specifically, creating a virtuous circle of funds and assets, providing more secure and reliable asset allocation for society, guiding social funds to bolster the transformation of social and economic development achievements through diversified asset allocation and reliable channels, and shouldering its due social responsibility in following the national strategy of steadily increasing the wealth of the whole society.

For large institutions, it will fully support upgrading and strategic transformation of traditional industries, specifically, supporting medium and large manufacturing enterprises throughout the whole process of their value upgrading and innovative development by virtue of its comprehensive financial service capabilities, international and cross-market asset management, and the Group's "finance + real economy" resources.

For small and medium-sized enterprises, it will protect the healthy growth of emerging industries, specifically, supporting small and medium-sized enterprises throughout their development process from innovation to entrepreneurship, from product research and development to scale operation, from partnership to listing and financing, and helping them continuously improve competitiveness and sustainable healthy development by rapidly pooling resources for emerging industries through comprehensive financing services.

For personal customers, it will deliver wealth management services throughout their life, specifically, meeting each customer's advanced demand for professional wealth management by providing considerate financial services and through personalized and diversified wealth management services, and constantly encouraging customers to pursue high quality of life at all stages of life.

2.7 Business Overview

2.7.1 Corporate Banking

During the reporting period, the Bank's corporate banking business, with a focus on "three core capabilities" and "four business themes" continuously promoted the transformation of corporate banking business. Accordingly, great progress was achieved in the overall operating capacity and performance of corporate banking business.

During the reporting period, the Bank's corporate banking business registered a net operating income of RMB89.253 billion, down by 0.09% year on year, accounting for 45.13% of the Bank's net operating income. Specifically, the net non-interest income from corporate banking was RMB13.460 billion, up by 3.21% year on year, accounting for 24.41% of the Bank's net non-interest income, down by 1.61 percentage points from the previous year.

Liabilities

During the reporting period, the Bank worked to seek progress while maintaining stability, and achieved a balance between quantity and price of its corporate loan business. It promoted the step-by-step optimization of its loan structure, and maintained the balanced development featuring steady growth in total amount and reasonable cost management and control. As at the end of the reporting period, the Bank registered balance of corporate deposits of RMB3,637.995 billion, up by RMB37.747 billion over the end of last year, with a daily average balance of RMB3,756.265 billion, up by RMB211.699 billion over last year, continuing to lead joint-stock commercial banks. Specifically, the period-end balance of structured deposits accounted for 4.76% of the total, down by 0.09 percentage point from the end of last year, which was relatively low among joint-stock commercial banks.

The Bank maintained reasonable control over the scale of market-oriented deposit products, vigorously developed transaction banking, expanded the small and medium-sized customer group, promoted the growth of settlement deposits, and achieved effective cost control of corporate deposits. During the reporting period, the cost rate of the Bank's corporate deposits was 2.06%, an increase of 3BPs from last year. The Bank's cost of corporate deposits stayed at a relatively low level among joint-stock commercial banks.

Assets

The Bank thoroughly implemented relevant requirements of the state on economic work, and contributed CITIC strength in serving real enterprises and facilitating the stabilization of macroeconomy. As at the end of the reporting period, the Bank's balance of general corporate loans was RMB2,299.396 billion, an increase of RMB169.137 billion over the prior year-end, and greatly facilitating the high-quality development of the economy. The Bank guided branches to grant loans in key regions, fields and industries through credit assessment. During the reporting period, the credit growth in green credit, strategic emerging industries and other key areas of the real economy exceeded the planned target, and the asset structure was significantly optimized. A total of RMB7.374 billion was invested in 139 projects on the list of the National Development and Reform Commission and the People's Bank of China's three major policies on medium and long-term lending to the manufacturing sector, policy-related and developmental financial instruments and relending facility to support equipment upgrades.

During the reporting period, the cumulative weighted average interest rate of newly granted RMB corporate loans was 4.29%, and the pricing ability of corporate loans remained in the forefront of the industry.

2.7.1.1 *Customer Management*

Adhering to the "customer-centric philosophy", the Bank refined the stratified and classified customer management system, and improved the cooperation stickiness of high-growth and high-value customer groups. As at the end of the reporting period, the Bank recorded 1,037.3 thousand accounts of corporate customers, an increase of 110.6 thousand over the prior year-end. Among them, there were 252.9 thousand accounts of base corporate customers[13] and 140.4 thousand accounts of valid customers[14], up by 30.6 thousand and 16.1 thousand respectively from the end of the previous year.

Strategic Customers

The Bank continuously strengthened the upgraded marketing for strategic customers at the Head Office and branches. By collaboration between front, middle and back offices, and coordination between the Head Office and branches, the Bank fully tapped into the business opportunities from its 190 Head Office-level strategic customers, more than 1,600 branch-level strategic customers and their industrial chains.

Leveraging the synergistic advantages of CITIC Group, the Bank developed customized comprehensive financial solutions, innovated new supply chain financial products, streamlined business process, expanded business authorization and allocated differentiated resources for each strategic customer. During the reporting period, the Bank established strategic cooperation with CRRC Corporation Limited, China Overseas Land & Investment Ltd. and other customers, deepened comprehensive financing, wealth management and transaction settlement services for leading customers in key fields and industries such as new energy, new infrastructure, high-end equipment manufacturing, automobile, TMT and extensive consumption, and provided high-quality and efficient financial services for small- and medium-sized enterprises on the industrial chains of strategic customers.

During the reporting period, the Bank's daily average balance of deposits from strategic customers stood at RMB1,367.371 billion, an increase of 5.69% over the previous year-end; and operating income reached RMB27.259 billion. As at the end of the reporting period, the Bank's balance of loans to strategic customers stood at RMB781.575 billion, an increase of 6.24% over the end of the previous year, showing good overall loan quality[15].

Government and Institutional Customers

The Bank fully leveraged its distinctive strengths in government and institutional business, and enhanced the establishment of the government and institutional business system, working to build the brand of government financial services of CITIC Bank.

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13 Refers to corporate customers with daily average deposits of RMB100,000 and above.

14 Refers to corporate customers with daily average deposits of RMB500,000 and above.

15 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. For data comparability, relevant growth rates are adjusted according to changes in the scope of customers.

During the reporting period, the Bank's government and institutional business segment continued to intensively develop business in key fields such as public finance, social security, housing, education and healthcare and provided professional, efficient and quality financial services. It obtained qualifications for nearly 500 key government service accounts. The Bank played a positive role in practicing national strategies and safeguarding economic stability. For key fields such as water conservancy, transportation, education, medical care, renovation of old residential communities, rural revitalization, new urbanization, new infrastructure, etc., the Bank addressed the concerns of governments at all levels with full-process services for local government bonds. It provided consulting services for more than 3,000 local government bond projects. With a focus on government administration and people's livelihood, the Bank strengthened the digital transformation of the institutional business, continued to refine the smart governance service system, and launched over 200 projects in cooperation with hospitals, schools and courts, driving steady increase in the number of institutional customers.

As at the end of the reporting period, the Bank recorded 69.2 thousand accounts of institutional customers[16] of various types. During the reporting period, daily average deposits posted RMB1,262.533 billion, up by 1.94% over the same period of previous year, with an NPL ratio of 0.16%, indicating good asset quality.

Small and Medium-sized Customers

The Bank continued to strengthen the comprehensive and in-depth management of small and medium-sized customers[17]. By improving the top-level design, mechanism and supporting policies, it built a marketing service system featuring "targeted customer contact, effective customer acquisition, customer activation with various measures, and deepening of customer stickiness", which integrated the four toolboxes of "policies, services, products and cooperation" to improve the financial services for small and medium-sized customers.

The Bank formulated the *2022-2024 Action Plan for the Management of Small and Medium-sized Corporate Customers*, focusing on key customer groups in technological innovation, green economy, capital market etc., and developed comprehensive solutions based on key scenarios such as batch customer acquisition via "100 key customer acquisition channels and 1,000 customer acquisition chains", industrial park financing, and private and corporate banking interaction scenarios. As at the end of the reporting period, the Bank served a total of 15,294 enterprises with specialized, sophisticated techniques and unique, novel products, an increase of 5,905 enterprises compared with the prior year-end; and served 4,580 listed companies and pre-IPO companies, an increase of 592 enterprises compared with the prior year-end. As a result, the comprehensive financial services for new economy and new dynamic customers have been improved in terms of quality and efficiency.

As at the end of the reporting period, the number of small and medium-sized customers reached 242.8 thousand, an increase of 30.1 thousand compared with the prior year-end. During the reporting period, the Bank recorded an average daily balance of deposits (including wealth management) of RMB738.106 billion, an increase of RMB75.087 billion year on year.

16 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.

17 Refers to corporate customers with daily average deposits (including wealth management) between RMB100,000 and RMB50 million.

Micro and Small Enterprise Customers

During the reporting period, the Bank implemented relevant decisions and plans of the nation as well as regulatory policies and requirements, and put into practice a package of policies to stabilize economy. While fully supporting micro and small enterprises in reducing burdens and overcoming difficulties, and safeguarding macroeconomic stability, the Bank achieved remarkable results and was widely praised by regulators and all sectors of society. The Bank was named the "Annual Typical Case of Inclusive Finance" by China Banking Association and "Industry Finance Practice Case" by Asian Financial Cooperation Association.

The Bank continued to consolidate the system and mechanism foundation. During the reporting period, the Board of Directors listened to the 2021 report on the development of inclusive finance and the 2022 plan. The Senior Management held several meetings on inclusive finance and made key work arrangements. The steering group and working group for inclusive finance and rural revitalization held regular working meetings to coordinate and promote business development. The Bank continuously consolidated the support of specialized institutional mechanisms. It further improved the mechanism with "six unifications by the Head Office and four concentrations at branches"[18] at its core, moved faster to promote the building of direct operation teams, full-time customer managers, product managers and professional review & approval personnel.

The Bank continued to improve its product and service system. During the reporting period, it refined the intelligent product development credit factories, and increased the proportion of key online products. In total, the Bank developed and improved over 20 "CITIC Easy Loan" online loan products including "Sci-tech e loan" and "Equipment e loan". Meanwhile, it optimized mobile banking and other mobile service channels, established the "Inclusive Smart Marketing" zone to promote manufacturing loans, unsecured loans, first-time credit account service and loan renewal service without principal repayment.

The Bank improved its risk prevention and control capability. During the reporting period, it improved review and approval standards, the post-lending early warning management and other risk management policies and processes, promoted the iteration of the intelligent risk control platform, enriched intelligent risk control rules, and strengthened internal control and compliance management such as loan payment control, capital flow monitoring and anti-money laundering. Following the market-oriented principle on a sound legal footing, the Bank postponed the repayment of principal and interest for enterprises with temporary difficulties.

The Bank further strengthened policy resource support. During the reporting period, it implemented further fee reductions, lowering the interest of inclusive MSE loans for the fourth quarter of 2022 by 1 percentage point (annualized). Relevant inclusive financial indicators were incorporated into the comprehensive performance evaluation for branches, accounting for 10% or more of the evaluation. Furthermore, the Bank defined risk tolerance requirements, optimized the process to ensure no one who has fulfilled their duties shall be held liable, and set special-purpose rewards, fees and subsidies to fully motivate branch institutions.

18 "Six unifications by the Head Office" mean unification of "regulations, procedures, products, systems, risks and brands" of inclusive finance by the Head Office; "four concentrations at branches" means setting up an operation management platform that concentrates "review, approval, loan issuance and post-lending service" at branches' inclusive finance departments.

As at the end of the reporting period, the balance of loans to micro and small enterprises[19] stood at RMB1,248.199 billion, an increase of RMB264.135 billion over the end of the previous year; the number of customers with outstanding loans was 243.1 thousand, an increase of 51.6 thousand accounts from the end of the previous year. The balance of inclusive finance loans to micro and small enterprises[20] reached RMB445.992 billion, an increase of RMB79.125 billion over the end of the previous year, representing a growth of 16.10 percentage points faster than that of other loans; the number of customers with outstanding loans was 229.9 thousand, an increase of 48.2 thousand from the end of the previous year. The asset quality remained at a sound level, with an NPL ratio lower than the average NPL ratio of the Bank. The overall cost of financing from the Bank including loan interest for micro and small enterprises dropped steadily.

2.7.1.2 *Businesses and Products*

Investment Banking

Closely following the Bank's new three-year development plan, the investment banking business of the Bank strengthened Group-wide finance and finance cooperation, industry and finance cooperation, and fully integrated into the unified management of customers by focusing on the two themes of "value creation" and "product leadership". Upholding the customer-centric, product-driven and win-win principles, it was committed to becoming an integrated financial service provider across four financial markets, namely debt capital, equity capital, traditional credit and non-standard financing.

The Bank actively implemented national strategies in its investment banking business, insisted serving the real economy, supported key areas of economic transformation, and enhanced business advantages of "financing + intelligence", giving rise to the continuous and rapid development of all businesses. During the reporting period, the Bank successfully issued the first entity technological innovation notes and the first use-based technological innovation notes, with an accumulative underwriting amount of RMB19.310 billion, channeling funds from the bond market to support core fields in line with the national strategy. Following the national policy orientation, the Bank provided RMB16.600 billion medium and long-term manufacturing loans through syndicated loans, M&A financing etc., and invested a total of RMB37.300 billion in green finance, strategic emerging industries and rural revitalization projects. It proactively implemented regulatory requirements, and provided comprehensive investment banking services to ease difficulties of the real estate sector. A total of RMB56.331 billion was invested in the real estate sector through syndicated loans and M&A financing, which effectively satisfied the reasonable financing needs of real estate companies.

During the reporting period, the Bank achieved income of RMB7.429 billion from its investment banking business and financing of RMB1,208.500 billion. It underwrote RMB739.340 billion of debt financing instruments, ranking first in the market.[21] During the reporting period, the Bank won the "Gamma Award for Investment Banking as A Boutique Bank" and "Gamma Award for Outstanding Bond Underwriting" by *Securities Times*, the "Best Underwriter of Interbank Debt Financing Instruments", "Best Underwriter Award for Unsecured Bonds" and the "Best Underwriter" by Wind Info.

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[19] Refer to the loans for small enterprises, micro enterprises, individual businesses, and micro and small business owners.

[20] Refer to the loans for small enterprises, micro enterprises, individual businesses, and micro and small business owners with the total single-account credit amount of RMB10 million or below. According to the *Notice on Further Promoting the High-Quality Development of Financial Services for Micro and Small Enterprises in 2021* (CBIRC General Office Notice [2021] No. 49), since 2021, the balance and account number of inclusive finance loans shall exclude data on discounted bills and rediscounting business.

[21] Ranking based on Wind Info data.

International Business

The Bank's international business pursued high-quality and sustainable development, fully implemented national strategies, upheld the customer-centric service philosophy, promoted green, light and digital development, and achieved favorable progress in all respects.

During the reporting period, the Bank's international business focused on cross-border treasury business, created a full-chain product system of "settlement + trading + financing + intelligence", and developed a cross-border treasury service system. It promoted the digitalization of the international business in all respects, the amount of foreign exchange collection and settlement for small and medium-sized customers on cross-border e-commerce platforms exceeded USD18.343 billion, and the number of small and medium-sized export customers served totaled 72.9 thousand. The Bank strengthened the building of the "Foreign Exchange Manager" brand and the "Foreign Exchange Trading" platform for foreign exchange fund transactions, and launched the first RMB to foreign exchange American options and Asian options in China. It stepped up efforts to serve the real economy, optimized the product process to improve review & approval efficiency, and implemented differentiated authorization for international business customers in some industries. The Bank explored the L/C business scenarios, and vigorously developed gas, oil, heating and other scenarios on the basis of electricity fee payment and financing business. It innovated the SME trade financing models and issued *the CITIC Credit Approval Scheme for Credit Point Services for Export-oriented Enterprises*.

During the reporting period, the Bank's forex receipts and payments for international balance of payments registered USD400.824 billion, a year-on-year increase of 17.58%; and its forex purchase and sale recorded USD203.826 billion, a year-on-year increase of 5.67%.

Transaction Banking Business

Taking transaction banking business as an important pillar for transforming its corporate banking services, the Bank vigorously developed transaction banking business, and built the "Transaction+2.0" transaction banking ecosystem based on "Chain Ecosystem, Finance Ecosystem and e Ecosystem". Through innovation of its financial service models, the Bank provided enterprises with comprehensive "digital and intelligent" financial services.

The "Chain Ecosystem" is the supply chain ecosystem with the "asset pool" of enterprises as the core, making full use of the supply chain financial products such as the Credit e Chain, Credit e Purchase, Credit e Sales and Credit Guarantee to integrate the products, assets and entities on the entire chain. Through product lineup and flexible combination, it provides convenient services such as maturity mismatch, interest rate conversion, credit enhancement and liquidation of assets, so as to satisfy customers' capital needs in procurement, sales, warehousing etc., and help enterprises stabilize, strengthen and reinforce the chain. During the reporting period, the Bank's supply chain financing reached RMB781.587 billion, up by 44.55% year on year.

The "Finance Ecosystem" takes the intelligent treasurer at the core and the "account system" as the cornerstone to create an efficient and fast collection & payment system, and launched the CITIC Tianyuan Treasurer, the first of its kind in the industry, including 12 business centers, 70 modules and 875 business function points, so as to meet the enterprises' needs for lifecycle integrated management of treasury business, and help enterprises achieve more refined, intensive and intelligent financial management. Focusing on the four scenarios of "collection, payment, management and financing", the Bank expanded the settlement scenarios, including the "Supervision Assistant", a new model for batch supervision and platform supervision; "Nong Xin Tong", the payment service to pay wages to rural migrant workers; and "Pin Duo Bao", a payment and settlement product. With such efforts, the Bank effectively satisfied the diversified customer demands for fund supervision, convenient settlement and appreciation of capital value, and facilitated the positive circulation of the internal ecosystem.

The "e Ecosystem" is focused on "customer experience". The Bank integrated the "financial and non-financial" resources of eco-partners to improve its service capability in all channels, all customer groups, all services and all experiences, providing enterprises with more open, inter-connected, refined, intelligent and comprehensive online financial services. During the reporting period, the Bank launched Smart Online Banking 4.0 to serve customers with a new look. To improve the supporting financial services for transactions, reconciliation and bookkeeping, the Bank launched the WeChat Mini Program "Enterprise Wallet" to promote the connection between customer business, financial transaction and reconciliation processes.

As at the end of the reporting period, the Bank recorded 961.1 thousand accounts of customers in transaction banking, a growth of 14.88% over the end of the previous year. During the reporting period, the Bank registered trade finance of RMB1,210.785 billion, up by 31.58% year on year. It also completed 200,221.4 thousand deals of transaction banking worth RMB152.87 trillion, up by 0.76% and 13.87% year on year respectively. The Bank's ecosystem brand "Transaction+2.0" won the Most Trustworthy Financial Service Providers by Trade & Economic Enterprises in China – "Best Transaction Bank Brand" award; and the product "Supervision Assistant" was conferred the 2022 China Financial Service Innovation Award – "Top 10 Transaction Banks" by *The Chinese Banker*.

Auto Finance Business

During the reporting period, the Bank's auto finance business continued to lead the market, evolving from 1.0 "Chain Finance" to the new chapter of 2.0 "Auto Ecosystem". In the era of 1.0 "Chain Finance", the Bank focused on the supply chain of the auto industry with the manufacturers at the core, and tapped upstream and downstream resources to gain first-mover advantages. In the era of 2.0 "Auto Ecosystem", the Bank will develop three main scenarios of "auto manufacturing", "auto circulation" and "auto life", and will adopt a step-by-step approach to embrace the "Auto Ecosystem", i.e. from the main industrial chain to extension at each level.

The Bank supported all online service scenarios, so as to meet the customer demand for all-round financial services from signing, financing, lending, redemption and delivery to vehicle management. Through bank-enterprise direct connection service, the Bank realized online real-time interaction with mainstream manufacturers in respect of capital flow, logistics and information flow. Through exclusive client end, all auto finance businesses for dealers are handled online, with the automatic lending rate exceeding 70%.

As at the end of the reporting period, the Bank's auto finance business reached 8,644 auto business customers, up by 1,956 over the prior year-end. The balance of outstanding financing was RMB187.392 billion, up by RMB27.233 billion over the prior year-end. During the reporting period, loans of RMB608.964 billion were granted, representing a year-on-year growth of 38.39%, outperforming the market. The overdue advance ratio stood at 0.07%, indicating sound asset quality. The Bank's auto finance business won the honor of "Best Bank for Auto Financial Services" in the selection of "China Auto Golden Engine Awards" by *21st Century Business Herald* for the ninth consecutive year.

Asset Custody Business

Holding fast to the philosophy of "value-added custody business", the Bank deepened business coordination within the Group, intensified the move of bringing assets generated from internal resources under custody, spared no efforts in the development of the custody business, deepened customer management, and sped up technology empowerment. Specifically, it provided asset management agencies and corporate customers with basic custody services and value-added services from the perspectives of capital, product management and investment.

The Bank enhanced the promotion of asset management businesses such as mutual funds, annuity and cross-border custody. During the reporting period, the asset management products under custody increased by RMB1.55 trillion, ranking 1st[22] in the market.

During the reporting period, the Bank had 73 new mutual funds under custody with a total initial amount under custody of RMB92.351 billion, representing a market share of 6.03%. The mutual funds under custody amounted to RMB1.96 trillion, ranking 2nd[23] among joint-stock commercial banks. Through strategic synergic cooperation with CITIC Group, the Bank further improved its customer services. The Bank was recognized as "2022 Top Custodian Bank for Growth Funds" of the China mutual funds "Yinghua" awards. The annuity business maintained steady growth. The Bank won the qualifications of the custody bank of central government agencies and public institutions and 31 provincial, regional and municipal occupational annuities. The custody of enterprise annuities amounted RMB136.386 billion, ranking second among joint-stock commercial banks[24].

The Bank achieved rapid development in its cross-border business. The custody scale of QDII cross-border products reached RMB135.744 billion, and the performance indicators of southbound trading under the Bond Connect program ranked first among the three custodian and clearing banks, with partners including all the three types of investors in the southbound trading, namely, primary dealers of banks, securities traders and QDII/RQDII. The Bank won the first place in the 2022 Cross-border Innovative Service Award of the China Foreign Exchange Trading Center.

During the reporting period, the Bank recorded RMB3.511 billion of income from custody business, and as at the end of the reporting period, the Bank's AUM exceeded the milestone of RMB13 trillion for the first time, reaching RMB13.37 trillion, an increase of RMB2,009.796 billion from the end of last year. The custody accounts continued to beef up deposit growth, recording an average daily balance of deposits of RMB345.672 billion during the reporting period, of which the average daily balance of general corporate deposits on the custody accounts was RMB90.900 billion. The Bank was awarded the "Best Joint-stock Custodian Bank" for its asset custody business by *The Asian Banker*.

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22 The ranking is based on the latest data released by China Banking Association.

23 The ranking is based on the latest data released by China Banking Association.

24 According to the data released by the Ministry of Human Resources and Social Security.

2.7.1.3 *Risk Management*

The Bank followed the "customer-centric" philosophy in its corporate banking business line. Pursuing the theme of boosting high-quality development and striving towards the overall goal of "better structure, distinctive characteristics, consolidated foundation and enhanced earnings", it actively served the real economy, enhanced the capability of comprehensive customer management, improved the unified credit system of the Group, focused on strengthening customer limit management, prevented credit concentration risk, and hence achieved high-quality development of its corporate banking business.

In terms of customers, following the overall principle of "strict admission and further exploration", the Bank explored the all-round value of strategic customers. It conducted in-depth management on its key institutional customers, and continued to enhance the brand image of government financial services. It also actively expanded the medium, small and micro enterprise customers centering on core channels.

In terms of regions, the Bank promoted the high-quality development along the Belt and Road, coordinated the development of the western, northeastern, central and eastern sectors with the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the integrated development in the Yangtze River Delta as the lead, the development of the Yangtze Economic Belt and protection and high-quality development in the Yellow River basin as the support, and major agricultural production areas and important ecological function areas as the guarantee, to accelerate the formation of a regional economic picture of complementary and high-quality development.

In terms of industries, following national policies, the Bank continued to provide financial services to the real economy, actively adapted to the new direction and seized new business areas. It continued to increase credit support for green finance, strategic emerging industries, high-tech industries, rural revitalization and manufacturing. It actively provided financial services for infrastructure construction, real estate, energy supply and other areas. Focusing on new economy and new business patterns, the Bank intensified efforts in expanding customers from new energy chain, high-tech chain, and enterprises with specialized, sophisticated techniques and unique, novel products.

In terms of businesses, the Bank actively endeavored to build a "value inclusive" system, and continuously facilitated the high-quality development of inclusive business. It strengthened its support for the industrial chain and supply chain and made every effort to build a supply chain ecosystem centered on the asset pool. It improved the value contribution of international business and provided cross-border financing services for enterprises. It also accelerated the development of capital market business and provided customers with comprehensive financing services.

As at the end of the reporting period, the Bank's balance of corporate loans (excluding discounted bills) posted RMB2,299.396 billion, an increase of RMB169.137 billion over the end of the previous year; and its NPL ratio was 1.71%, down by 0.42 percentage point over the prior year-end. The Bank's corporate loan asset quality remained overall stable.

2.7.2 Retail Banking

The Bank aligned with market development trends. Adhering to the operation logic of retail banking, the Bank enlarged customer base, strengthened product drive, optimized channel potential, improved service experience, and provided customers with comprehensive "financial and non-financial" services.

During the reporting period, the Bank's retail banking business registered net operating income of RMB82.359 billion, up by 2.72% from the previous year, representing 41.64% of its net operating income. Net non-interest income from retail banking recorded RMB23.342 billion, up by 4.34% from the previous year, accounting for 42.33% of the Bank's net non-interest income, down by 2.31 percentage points from the previous year.

2.7.2.1 Customer Management

The Bank continued to enhance its 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 deepened such management system to realize value addition from ordinary basic customers, wealthy customers and VIP customers to private banking customers relying on all-channel advantages of "offline outlets + online mobile App" with professional capabilities in stratified services. As at the end of the reporting period, the Bank recorded 127 million accounts of retail customers, a growth of 6.31% over the end of the previous year.

For ordinary and base customers, the Bank made full use of online channels, and integrated online management, remote assistant and AI marketing to achieve vertical and intensive customer management for improved efficiency. As at the end of the reporting period, the number of the Bank's ordinary and base customers reached 15,767.0 thousand, an increase of 6.32% compared with the prior year-end.

For wealthy and VIP customers, the Bank promoted the iron triangle model of "wealth advisor + remote assistant + wealth manager" to empower wealth managers and reduce their burdens, and increase the operating income from affluent customers. As at the end of the reporting period, the number of the Bank's wealthy and VIP customers reached 3,971.8 thousand, an increase of 10.86% compared with the prior year-end.

For private banking customers, the Bank established a multi-strategy and full-category product system based on asset allocation, and a three-in-one specialized team of "private banking customer managers + investment advisors + product managers". It improved the private banking customer management and service system based on the "Yao Zuan Companion Plan", and relied on diversified scenario-based customer acquisition channels such as the corporate-private banking linkage brand "Cloud Enterprise Club" and the financial service for going abroad "Youth Travel" to unleash customer acquisition capacity, achieving steady growth in the number of customers and AUM. As at the end of the reporting period, the number of private banking customers reached 66.8 thousand, an increase of 10.81% over the end of the previous year. During the reporting period, the monthly average daily balance of AUM (based on the statistics of the Bank) reached RMB948.597 billion, up by 13.04% year on 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[25], senior customers[26] and business travel customers, strengthening the brand image of a retail bank "with a human touch".

For the going abroad finance customers, the Bank upgraded the benefits system for going abroad finance and developed the "Going Abroad Finance EasyGo" membership system, with differentiated benefits for ordinary members, cardholders and VIP members. For tourists, the Bank improved visa services by launching the Ruyi Visa, visa center value-added services and other benefits. For students studying abroad, the Bank issued the *2022 Blue Book for Studying Abroad* to provide analysis of the latest trend of studying abroad and guidance on study programs. As at the end of the reporting period, the number of the Bank's going abroad customers reached 9,608.0 thousand, an increase of 10.36% compared with the prior year-end.

For senior customers, the Bank further enriched the content of services and improved the quality of services. It combined the "Happiness Special Line" and "Platinum Advisor" services, launched the "Happiness + Companion" platform and upgraded the "Happiness + Club" online service platform. During the reporting period, the Bank cooperated with China Association of the Universities for the Aged to organize the featured event "Happy Home • Mamas & Papas Talent Competition" for senior customers, facilitating the acquisition and management of high-quality senior customers, and further expanding the influence of the Bank's "Happiness + with a human touch" brand. As at the end of the reporting period, the number of the Bank's senior customers reached 20.9295 million, an increase of 11.04% compared with the prior year-end.

Regarding business travel customers, the Bank continued to expand the "business travel +" ecosystem. It launched the "CITIC Marriott Co-branded Credit Card", and upgraded the "CITIC Cathay Pacific Co-branded Credit Card" based on the recovery of travel demands to provide high-quality travel experience to customers, which consolidated the Bank's leading position in the business travel customer system in the industry. As at the end of the reporting period, the number of effective business travel customers recorded 15,771.0 thousand.

2.7.2.2 Businesses and Products

Wealth Management Business

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 retail wealth management, the Bank actively implemented the new regulations on asset management, sped up the transformation towards net asset value (NAV) products, and expanded the partnership with head institution partners to provide customers with selected products. During the reporting period, the Bank entered into agency sales cooperation with ten leading wealth management companies, with agency sales of products of wealth management companies accounting for 10.23% of the total, up by 5.41 percentage points over the beginning of the year. As at the end of the reporting period, the balance of retail wealth management products recorded RMB1.19 trillion, up by 7.27% from the end of last year.

[25] Refers to customer group that has handled going abroad financial business.

[26] Refers to the customer group aged over 50 (inclusive).

In terms of agency fund sale, the Bank closely followed market changes. With customer profitability as the starting point, the Bank leveraged opportunities when market valuation was relatively low, allocated customized equity fund for customers, and planned for future growth opportunities. During the reporting period, the Bank launched 9 customized equity products, each of which led among the similar products during the same period in the market in terms of funds raised. The efficiency of online fund operation was greatly improved. Besides, the Bank fully upgraded the scenarios of fund channels in mobile banking APP, and optimized customer experience. The MAU[27] related to fund channels increased by 92.56% over the previous year.

In terms of agency insurance, the Bank stepped up efforts in agency insurance sales. In response to the regulatory requirements on "returning to the founding mission" transformation, the Bank continuously optimized its business structure. During the reporting period, the cumulative agency sales of insurance products providing long-term protection increased by 55.25% from the last year, leading the market in terms of growth rate.

In terms of deposit products, during the reporting period, the Bank streamlined and optimized the purchase process of deposit products via mobile banking, personal online banking, etc., and provided the deposit product allocation option on customer contact channels such as agency business and credit card business. Meanwhile, it continued to promote scenario-based application of payment & settlement products, launching the "e Manager" security deposit business for the performance guarantee scenario and the "ENN Natural Gas Card" business for the utilities payment scenario. It combined scenario expansion with customer acquisition and accumulated settlement deposits. As at the end of the reporting period, the Bank's balance of personal loans recorded RMB1,159.276 billion, an increase of RMB291.253 billion or 33.55% from the end of last year.

Ageing Finance Business

The Bank is one of the first commercial banks in China to launch exclusive services for senior customers, and a strategic partner of China National Committee on Ageing. During the reporting period, the Bank continuously improved the "Happiness +" pension finance service system, and strengthened its pension finance service capabilities supported by "six services", namely, "one account, one account book, one set of products, one set of services, one team and one report", so as to meet customers' needs changing from a basic "necessity" to a decent and quality "lifestyle".

In terms of pension accounts, the Bank is among the first batch of qualified banks to provide "the third pillar" pension, and officially launched personal pension account opening services, product sales and other services on 25 November 2022. Through cooperation with CITIC Securities, China Securities and China AMC on personal pension products, the Bank is able to provide "all CITIC" services for personal pension customers. As at the end of the reporting period, the Bank has 302.5 thousand personal pension accounts, with an accumulated contribution of RMB508 million and an average contribution amount of RMB1,678.65 per account.

[27] Refers to the number of users who visit relevant pages of the fund channel.

In terms of senior care account book, the Bank launched the innovative "Happiness +" senior care account book, and achieved a unified view of the three pillars of pension accounts through the integration of basic pension, enterprise/occupational annuities and personal pension. At the same time, the Bank provides customers with one-stop pension financial services such as pension fund asset allocation, electronic social security card and e-code for medical insurance, calculation system for pension planning, investor education and accompanying services. As at the end of the reporting period, the Bank had a total of 1,112.7 thousand "Happiness +" senior care account book.

In terms of pension products, the Bank sped up to improve the functions of the back-office system for pension wealth management, funds, insurance and savings products. As at the end of the reporting period, more than 120 pension financial products such as target pension funds and tax-deferred pension insurance had been launched, providing customers with high-quality and comprehensive pension finance services.

In terms of elderly care services, the Bank upgraded the "Happiness +" service system for senior customers, which is based on the six service sectors including "Happiness + Wealth Management", "Happiness + Health", "Happiness + Privileges", "Happiness + Education", "Happiness + Accomplishment" and "Happiness + Heritage", to satisfy the personal service needs of senior customers. Meanwhile, the Bank promoted the renovation of outlets and mobile banking for the convenience of senior citizens to improve their offline and online service experience.

In terms of the aging finance team, the Bank worked with Tsinghua University to launch the first talent training program in the banking industry for pension finance planning, which involved 1,380 excellent front-line wealth managers, in a bid to provide customers with "financial + non-financial" lifecycle pension services and companionship, and advance the Bank's capability in professional pension finance services.

In terms of aging report, the Bank cooperated with China AMC to issue the *Report on Development of Resident Pension and Wealth Management in China (2022)*. The report focused on the current situations of resident pension and wealth management and the supply of financial products and services, expounded the Bank's business practice of pension wealth management, and charted the path forward and strategies for pre-retirement planning, retirement financial plan, services for the convenience of senior citizens and whole lifecycle pension wealth management, as reference for the future development of pension and wealth management business in the industry.

Private Banking Business

The Bank adhered to the business philosophy of integrated management of all customers, products and channels, focused on the customer segmentation under the new retail system, and accelerated the development of a specialized private banking system.

During the reporting period, a specialized private banking service team was established to increase the comprehensive customer service capability. At the beginning of 2022, the Bank completed the staff augmentation plan. The number of full-time private banking customer managers was doubled over the prior year, and the average AUM per customer increased by RMB100 million. The Bank advanced the transformation toward the "buy-side investment advisory" service model, established an investment advisory team of over 200 professionals with AFP, CFP, and CPB certificates, who played a crucial role in the "1 + 1 + N"[28] service team.

28 It refers to the marketing service model for private banking customers consisting of "private banking customer managers at sub-branches + investment advisors at branches + expert team at the Head Office".

The private banking customer management and service system was further improved, effectively unleashing customer acquisition capacity. During the reporting period, the Bank improved "Yao Zuan Companion Plan", enriched the comprehensive service system featuring tiered and differentiated "financial + non-financial" services, and tapped the potential of existing customers based on the lifecycle of private banking customers. The Bank established a coordinated customer acquisition system, strengthened the corporate-private banking linkage brand "Cloud Enterprise Club", and enhanced the financial service for going abroad "Youth Travel" to provide children's education service with a human touch. As part of the coordinated marketing efforts, the "diamond team" and "infinite secretary" services were launched to enhance the brand value and unleash customer acquisition capacity.

The Bank promoted iteration of its private banking products, and established a multi-strategy, full-category product system to meet customer needs for asset allocation service, and promoted the upgrading and reshaping of the investment research system for major asset categories from buy-side perspective. It continued to improve the characteristic single hit products and services, released the plan to upgrade the comprehensive family trust services for "individuals, families, enterprises and society", launched the first charitable trust of the Bank, and developed core competitiveness in innovative family trust instruments. During the reporting period, the discretionary trust products achieved steady progress. The balance of discretionary trust products reached RMB85.0 billion, with an annual sales volume of RMB66.0 billion, up by 45% year on year, making the Bank highly recognized in the market. The balance of family trust products amounted to RMB55.0 billion, with an annual sales volume of RMB13.0 billion, up by 30% year on year.

The Bank continued to expand and optimize its private banking service channels. It empowered wealth management with digital transformation, developed an open and ecosystem-based private banking service platform, and continued to improve online service experience. At the same time, it further improved the localized offline service capabilities, accelerated the establishment of localized private banking centers, and expanded the coverage of customer services. During the reporting period, the Bank set up 17 new private banking centers and opened 170 private banking studios.

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 adhere to the positioning of "housing is for living, not for speculation", introduced differentiated housing credit policies in different cities, and actively carried out commercial personal housing loans in support of rigid and improvement housing demands. **In terms of personal business loans**, the Bank continued to optimize product policies and supporting functions, increased the supply of loans to micro and small enterprises, strengthened and improved the financial service capacity for micro and small enterprises, and continued to promote the establishment of a long-effect financial service mechanism where micro and small enterprises dare, are willing, can and know how to borrow from the Bank. **In terms of personal consumer loans**, the Bank adhered to the development principles of "independently-developed scenarios, risk control and products" and continued to improve marketing capabilities on consumer loans. In addition to focusing on the premier main customer groups, the Bank made continuous efforts to strengthen the integration of product innovation and application scenarios, and expanded the upgrading and application of high-quality scenario products such as "auto loan" and "comfortable housing", to provide customers with a full range of convenient and efficient online self-service financing services.

During the reporting period, the Bank successfully launched the "Kunpeng System", a new-generation personal credit system. The system has realized the in-depth integration of high-quality business development and technology empowerment, and is the industry's leading comprehensive digital platform for retail asset business.

As at the end of the reporting period, the balance of personal loans (excluding credit cards) of the Bank was RMB1,553.543 billion, an increase of RMB75.917 billion or 5.14% over the end of the previous year. The balance of commercial personal housing loans reached RMB944.088 billion, an increase of RMB0.411 billion or 0.04% over the end of the previous year.

Credit Card Business

The Bank adopted the "new retail" development strategy for credit card business. Under the premise of compliant operation and risk prevention and control, the Bank gave full play to the role of credit card as a "connector" between the financial supply side and consumer demand side, and injected new impetus to unlock consumption potentials, so that the customers may gain a stronger sense of gain, happiness and security. With such efforts, the Bank is dedicated to creating a "credit card with a human touch" and delivering greater value for customers and society.

The bank strengthened customer acquisition and management, and took multiple measures to encourage consumption. Based on customer segmentation and lifecycle management, the Bank boosted customer activity and transactions through key touchpoint management and enhance customer loyalty through the upgraded "99365"[29] brand campaign. The Bank actively expanded business travel, internet, new energy vehicles and other scenarios, and issued the "CITIC Marriott Co-branded Credit Card". It also deepened cooperation with platforms such as Alipay, Tenpay and JD.com., rolled out the first exclusive credit card "CITIC i Car Credit Card" and installment loans for car purchase by NEV owners, and established and improved the "U Car" platform in the Mobile Card Space APP. The Bank increased the penetration of installment payment services into diverse consumer groups, reaching a record high in the volume of installment payment business. The Bank developed more consumption scenarios such as home decoration and car purchase, and launched the "CITIC Bank Dream Card" to boost the growth in installment payment services. It refined its annual fee management strategy to consolidate its leading advantages in annual fee income, and deepened value-added services based on the membership business model to expand the intermediate income sources.

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[29] Refers to "RMB0.09 Movie Ticket Privilege" "RMB0.09 Exchange Privilege" and "Wonderful 365".

The Bank continued to consolidate the digital intelligence system to improve its customer service and management capabilities. **In terms of customer management**, the Bank accelerated the establishment of a comprehensive customer management platform, which integrated the AI intelligent auxiliary technology and the operating model of "human-machine collaboration" to increase the efficiency of call center comprehensive services by more than 10%. **In terms of marketing**, the Bank relied on AI technology and customer engagement models to create portrait labels for all customers, and carried out personalized marketing activities based on 5G all-IP service platform, improving service and marketing efficiency by 20%. **In terms of innovation**, the Bank promoted the application of VR and AI technology, and built the immersive 3D venue "Mobile Card Meta Space" in the Mobile Card Space APP to provide a new smart-life experience for credit card users in the digital era.

The Bank actively fulfilled its social responsibility in accordance with the development concept of "finance for the people". In order to promote innovation in green finance, the Bank launched "CITIC Carbon Account", the first carbon emissions reduction account for personal users in the industry, which, based on the CITIC Mobile Banking APP and the Mobile Card Space APP, introduces the concept of green and low-carbon development into the life of consumers. As at the end of the reporting period, the Bank opened 681.0 thousand "CITIC Carbon Accounts", and the total emission reduction amount reached 536.52 tons. The Bank facilitated rural revitalization with education, issued the "CITIC Bank Public Welfare Credit Card", upgraded the "Aixin Account 3.0", and donated 200 "Dream Center" multimedia classrooms and relevant courses to schools in 28 provinces, municipalities and autonomous regions across the country through the "Ai Xin Hui" public welfare platform.

As at the end of the reporting period, the Bank issued cumulatively 106.6029 million credit cards, an increase of 5.21% over the end of the previous year, and recorded RMB510.467 billion balance of credit card loans. During the reporting period, the Bank's credit card transaction volume stood at RMB2,792.263 billion, an increase of 0.44% year on year; it realized RMB59.823 billion income from credit card business, an increase of 1.18% year on year.

Payroll Service Business

The Bank strategically pushed forward payroll service through deep coordination between retail and corporate banking. Based on the management strategy of corporate customers, it continued to increase the corporate customers covered by the payroll business. The Bank took the payroll scenario as the core, provided access to other scenarios such as the "Smart Personnel" and "One Key Tax Declaration", and developed the "Easy Salary" open agency payroll platform into an essential toolkit for the digital transformation of the personnel and finance departments of enterprises. At the same time, the Bank integrated quality resources, enriched the products of payroll business, and optimized the customer experience. It provided offline "Happy Trade Union" services to enterprises, established the online community for payroll customers, thus enhancing the satisfaction of both enterprises and employees.

2.7.2.3 Risk Management

During the reporting period, in accordance with the strategic goal of "expanding retail banking business and continuously unleashing value contribution", the Bank increased personal loan extension, 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

Relying on the new personal loan system, the Bank continued to improve its risk systems and mechanisms, pushed forward the digital transformation of personal loan business in an all-round manner, and built the capacity for sustainable development.

In the pre-lending process, the Bank continued to optimize channel management and deepened differentiated management strategies for business access. It implemented the closed-loop lifecycle management over cooperation channels in the aspects of front office marketing, channel access, continuous evaluation, channel exit and so on. It amended and improved differentiated acceptance standards for personal loan products considering economic activity in different regions and risk management capabilities. **During the lending process**, the Bank continued to strengthen the identification, monitoring and management of credit risk and fraud risk, and continuously improved its centralized operation model. It sped up the building of an intelligent risk control system, and completed the unified credit strategy system for personal online unsecured loans and the star rating system for personal loan customers. Meanwhile, the Bank improved quantitative its risk monitoring and review system, monitored and analyzed risks for products, regions and cooperation channels, and continuously optimized the closed-loop operation mechanism for the development, monitoring, analysis and iteration of models and strategies. The Bank completed the establishment of the Head Office-level approval operation support platform, realized normalized, standardized and refined management of each link and between links, and demonstrated the effectiveness of the centralized approval operation system. **In the post-lending process**, the Bank reinforced the post-lending control and improved the risk early warning mechanism. By creating an intelligent risk control and post-lending early warning platform, the Bank fully applied internal and external data, continuously enriched risk monitoring and early warning rules, covering compliance risk, credit risk and fraud risk, and continuously upgraded the risk early warning management system for personal loans.

In the face of adverse factors such as the continued impact of the risk exposures in the real estate market, the Bank actively responded with multiple measures, and maintained the overall quality of individual loan assets at a reasonable level. As at the end of the reporting period, the Bank's non-performing balance of personal loans (excluding credit card loans) recorded RMB11.104 billion, an increase of RMB1.335 billion from the end of the previous year. The NPL ratio was 0.71%, up by 0.05 percentage points from the end of the previous year.

Risk Management of Credit Card Business

The Bank adhered to the whole-process risk management concept for its credit card business, continued to strengthen the risk management system, enhanced the ability to make accurate decisions through agile iteration of risk models, strengthened the optimal allocation of credit resources, and optimized the customer groups and asset structure.

The Bank relied on new technology to enhance data mining and risk identification capabilities, and promoted the iteration of risk models to enhance the identification of customer risks. It constantly optimized customer and asset structures, and improved the targeted credit granting capability based on the customer segmentation system. In order to reinforce control over fund use and fraud risk prevention, the Bank promoted the joint prevention and control of gambling and fraud operations, and effectively identified, resolved and prevented credit card risks to promote the healthy development of credit card business. Greater efforts were made to dispose of non-performing assets (NPA) with a focus on the recovery of substantial NPAs, thus enhancing the effect of NPA disposal.

As at the end of the reporting period, the Bank recorded RMB10.520 billion in the balance of non-performing credit card loans, an increase of RMB870 million from the end of the previous year. The NPL ratio was 2.06%, up by 0.23 percentage points from the end of the previous year. The quality of credit card assets remained stable overall.

2.7.3 Financial Market Business

In the face of such challenges as drastic fluctuations in the exchange and interest rate markets, continuous downward movement of returns on various assets and continued exposure of market credit risk, the financial market segment of the Bank closely followed the national policy direction and actively fulfilled its social responsibility. Guided by the "342 Action Plan for Developing Core Business Capabilities", it steadily improved business performance through such measures as more solid market research and analysis, optimized asset and liability structure, improved trading ability and further integrated business management for interbank customers.

During the reporting period, the Bank's financial market business recorded a net operating income of RMB25.382 billion, an increase of 20.95% over the last year, representing a 12.83% in the Bank's total net operating income. Of this income figure, non-interest net income from financial market business recorded RMB18.464 billion, an increase of 40.43% over the last year, accounting for 33.48% of the Bank's total net non-interest income, up by 7.25 percentage points from the previous year.

2.7.3.1 Customer Management

During the reporting period, on the basis of region-specific, stratified and classified customer management, the Bank explored to build a matrix sales model of product centers, customer teams and the Head Office and branches, and upgraded the integrated and in-depth management system for interbank customers, so as to effectively boost the collaboration across the Group and the development of the Bank's core business capabilities. The Bank gave full play to synergy across CITIC Group, exported its expertise in investment and trading in the financial market segment, built the network operation ecosystem of securities funds, factor market and city and rural commercial banks, and developed its differentiated competitive advantages in the financial market.

2.7.3.2 *Businesses and Products*

Financial Interbank Business

During the reporting period, the financial interbank business of the Bank made a great effort to overcome obstacles such as the increased downward economic pressure and intense competition among peers. It optimized the investment strategy, deepened customer management and adjusted business structure while strictly controlling market risk, resulting in a trended-up operating results.

During the reporting period, the Bank intensified efforts in serving the real economy, and its volume of bill discounting business reached RMB1,397.249 billion. It served 14,331 corporate banking customers, of which 9,634 or 67.22% were micro and small enterprises. The daily average balance of bill rediscounting reached RMB56.576 billion, representing an increase of 39.78% compared with the previous year, and thereby channeled low-cost funds to the real economy. As at the end of the reporting period, the balance of the Bank's bill assets amounted to RMB512.130 billion, up by 9.84% from last year-end.

With the "interbank +" platform, the Bank enhanced the integrated management of interbank customers, and improved its customer service capability driven by technology and data. During the reporting period, the online business volume exceeded the threshold of RMB1 trillion to reach RMB1,074.895 billion, an increase of RMB419.827 billion or 64.09% over the previous year. The platform supports up to 12 categories of online transactions, and has become an important carrier for interbank customer management, group collaboration and online-offline business integration. Meanwhile, the Bank strengthened technological empowerment. It developed a management information platform for interbank business to achieve digital, online, mobile and refined business management and higher business efficiency. The Bank leveraged its advantages in technology to improve the system-based risk prevention and control capability for interbank business, effectively preventing operational risk and moral risk.

Financial Market Business

During the reporting period, the Bank's financial market business applied the asset light development philosophy, persisted in improving quality and efficiency, gave play to its professional advantages, improved trading ability and profitability, and continued to promote the transformation and sustainable development of the financial market business.

Regarding forex business, the Bank actively fulfilled its market maker's responsibilities, kept innovating businesses and products, and helped enterprises prevent exchange rate risk. During the reporting period, the Bank continuously provided liquidity to the interbank forex market. Its market making volume recorded USD2,251.177 billion, maintaining at the front of the market. Adhering to the mission of serving the real economy, the Bank guided customers to establish the exchange rate risk neutrality concept. It continued to strengthen capability building in serving the real economy in exchange risk management, enriched relevant product system, conducted the first domestic American and Asian RMB foreign exchange options business on behalf of customers, and provided customers with flexible exchange rate risk management solutions that are compatible with their risk tolerance.

Regarding bond business, the Bank implemented a Bank-wide assets/liabilities arrangement, adhered to the principle that financial institutions should serve the real economy, provided customers with comprehensive financing services, and actively participated in bond investment. As an underwriting agent of government bonds, the Bank effectively fulfilled its responsibility in the underwriting, investment and trading of government bonds, leading the market in the proportion of government bonds underwritten during the reporting period. Giving full play to the role of serving the real economy, the Bank facilitated local governments to secure steady investment and expand domestic demand. It increased investment in local government bonds, assisted customers in green bond financing, carried out market-making quotations such as bilateral quotations and requests for green bonds and rural revitalization bonds, and provided pricing benchmark and liquidity support for the market. In response to the RMB internationalization, the Bank actively implemented the interconnectivity mechanism to facilitate the high-quality opening-up of the bond market. To implement its "capital-light transformation" strategy, the Bank optimized the asset structure, embraced the philosophy of business circulation, strengthened specialized asset management, carried out in-depth research and forecast of market trends, enhanced the ability to grasp market opportunities, enriched business models and investment strategies, and improved the return on investment step by step.

Regarding money market business, the Bank vigorously conducted treasury transactions such as bond repurchase and interbank lending, and actively met the short-term financing needs of non-banking financial institutions, small and medium commercial banks, etc. It expanded the scope of counterparties in an orderly manner, implemented the interbank customer integration strategy, proactively participated in the innovation and development of market trading mechanisms, and continued to expand diversified financing channels, thus further cementing its position as a core market trader in the money market. During the reporting period, the Bank recorded RMB28.14 trillion in the trading volume of RMB money market business, up by 12.98% year on year. The amount of RMB interbank certificates of deposit issued reached RMB762.630 billion.

As for precious metal business, the Bank supported the gold demand of brick and mortar companies along the industry chain, and provided customers with specialized precious metal leasing and warehouse receipt trading services, achieving a steady growth in the volume of gold leasing service. It actively fulfilled its responsibilities as a gold inquiry market maker, and continued to provide liquidity for the market, further expanding the scope of market-making service for precious metals. The Bank closely followed market trends, strengthened the band operation of arbitrage trades, and adopted diversified trading strategies to carry out gold import business. During the reporting period, the Bank was qualified as one of the first gold market makers on the international board of Shanghai Gold Exchange, ranking among the leading gold inquiry market makers.

Asset Management Business

Upholding the customer-centric philosophy and focusing on stable fixed-income products, the Bank's asset management business actively developed medium and long-term fixed-income plus products to serve the diverse investment needs of residents. Leveraging comprehensive financial service resources with CITIC Group's full range of financial licenses and advantages in diversified industries, the Bank gave full play to collaborative advantages, improved the Head Office-branch coordination mechanism, and enhanced its product creation capabilities. It established an around-the-clock product system covering the whole market, all assets and all channels, providing customers with rich wealth management instruments and comprehensive financial services.

During the reporting period, due to the big increase in new products, the Bank realized income of RMB7.790 billion from wealth management business, up by 13.19% over last year.

2.7.3.3 *Risk Management*

Financial Market Business

The Bank continuously tracked macroeconomic situations both in and outside of China, and analyzed in depth the monetary, fiscal and industry policy trends. To adapt to the changing conditions in the financial market, it established and improved the multi-tier and multi-dimensional credit rating system, refined the post-lending monitoring, early warning, resolution and other management mechanisms, and strengthened risk prevention and control of unsecured bonds. During the reporting period, the Bank's investment in bonds enjoyed excellent credit qualifications.

Asset Management Business

During the reporting period, the Bank optimized the comprehensive risk management model for wealth management business, and further improved the risk management system. **In terms of business,** through the development of a compliance inspection mechanism, regular re-inspection of work process, streamlining of job responsibilities and online monitoring of public opinions, the Bank established an effective internal control mechanism, keep reasonable control of compliance risk, operational risk and reputational risk, and avoided any relevant damages caused by such risks to the Bank's interest. **In terms of products**, the Bank reasonably controlled liquidity risk in the course of product operation through stress test and assessment, and analysis of product and asset structures. It maintained systematic rigid control over all types of risk limits through the ex ante and interim monitoring of risk limits. It also improved the risk evaluation standards for wealth management products, and enhanced investor appropriateness management to ensure that the operation of wealth management products is in line with the requirements in the product manual. **In terms of assets**, the Bank placed importance on market risk and credit risk. On the one hand, it closely monitored market changes, and used relevant tools such as scenario analysis for effective market risk management. On the other hand, it strengthened lifecycle asset management and maintained reasonable control of credit risk through ex ante investigation, interim review and ex post inspection. Based on effective pre-judgment of asset-related risks, the Bank issued alerts on the impact of relevant risks on the net value of wealth management products.

2.7.4 Distribution Channels

2.7.4.1. *Online Channels*

China CITIC Bank APP

During the reporting period, the Bank focused on the wealth management business and upgraded the China CITIC Bank APP 9.0 to support the refined, stratified and classified management of retail customers, providing personalized and exclusive user experience. It cooperated with partners to develop an open wealth ecosystem, and introduced several fund companies, wealth management subsidiaries and CITIC aiBank to the open wealth platform "Xing Fu Hao", which provided full-process intelligent wealth management and companion service to more than 0.36 billion users.

As at the end of the reporting period, the Bank had 32.7473 million APP online monthly active accounts (MAUs)[30]. During the reporting period, the Bank realized transaction amount of RMB12.74 trillion, an increase of 6.99% year on year.

Remote Customer Service

The Bank moved faster to upgrade the operating capacity of its remote customer services. It strengthened the output of AI capabilities, promoted the application of text-based chatbots and robo dialers, launched intelligent quality inspection and APP breakpoint services, and empowered the remote call center services. Furthermore, it improved the service center scripts to enhance customer experience, thus increasing the contribution of remote customer services to productivity through precision marketing. During the reporting period, the Bank's outbound call service covered 10,675.5 thousand customers, up by 30.24% year on year.

WeChat Account

The Bank promoted the application of the WeChat Account to strengthen long-term relationship with the customers. As at the end of the reporting period, the number of its WeChat Account followers exceeded 5 million to 5.2845 million, up by 74.07% year on year. Through the WeChat Official Account, the Bank established effective contacts with customers, achieving a gradual increase of annual average daily balance of AUM with an average increase of RMB88.1 thousand per customer.

Open Banking

The Bank advanced the development of open banking and the scenario-based ecosystem. Through standardized, modular and light docking solutions (including but not limited to API, SDK, H5 and WeChat Mini Program), it embedded financial/non-financial services into three-party cooperation scenarios and introduced third-party services, so as to promote the rapid output of retail banking, inclusive finance, corporate banking and other characteristic products and services, and the efficient introduction of external resources from cooperative platforms. As at the end of the reporting period, the Bank developed more than 18,000 scenarios such as account, payment and bill payment with industries through standardized product components, serving more than 28.69 million users, recording more than RMB431.7 billion in cumulative treasury transactions. In 2022, the Bank was awarded "China's Best API and Open Bank Project" by *The Asian Banker*.

30 Refers to the number of users using the mobile banking APP and Mobile Card Space APP in a month.

2.7.4.2. *Physical outlets*

As at the end of the reporting period, the Bank had 1,428 outlets in 153 medium-sized and large cities in the Chinese mainland, including 37 tier-one branches (directly managed by the Head Office), 125 tier-two branches, and 1,266 sub-branches (including 35 community/micro and small sub-branches), plus 1,542 self-service banks (including onsite and offsite self-service banks), 4,967 self-service terminals and 9,197 smart teller machines (including 3,085 vertical ones). As such, the Bank has developed a diversified outlet pattern that consists of comprehensive outlets, boutique outlets, community/micro and small outlets and off-bank self-service outlets. With its outlets basically covering all medium-sized and large 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 14th Five-Year Plan, the Bank set up outlets and offered services in key areas, and supported the economic development of key areas such as the free trade zones, special economic zones, new areas, comprehensive reform areas, high-tech areas and demonstration zones of common prosperity.

In terms of the layout of overseas outlets, CNCBI, an affiliate of the Bank, had 31 outlets and 2 business centers in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and the Chinese mainland. CNCB Investment had 3 subsidiaries in Hong Kong and the Chinese mainland. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan. During the reporting period, in line with its 2021-2022 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 steadily promoted the upgrading of Sydney Representative Office and the establishing of Hong Kong Branch.

2.7.4.3. *Overseas Branch Business*

London Branch, the Bank's first overseas branch directly managed by the Head Office, opened for business on 21 June 2019. It is engaged in wholesale banking, provides financial services including deposits, lending (including bilateral lending, syndicated lending, trade finance and cross-border M&A finance), agency spot foreign exchange trading, money market transactions, derivative transactions, offshore RMB trading, bond investment and other financial market businesses as well as financial services such as cross-border RMB payment settlement.

During the reporting period, based on the macroeconomic situations and international geopolitical situations, London Branch strengthened risk control and compliance management, deepened the collaboration between domestic and overseas operations, and gave full play to its functions as the financing center in Europe, the Middle East and Africa. It expanded cooperation with overseas subsidiaries of the Group in comprehensive services, and extended a total of USD849 million of loans during the reporting period. It continued to expand its financing channels, and accumulatively issued interbank CDs of approximately USD3.738 billion during the reporting period. It handled foreign exchange trading business on the European time trading platform on behalf of the Head Office, and delivered efficient and convenient foreign exchange trading services for customers around the clock. Besides, the Bank actively performed its functions as a market maker in the interbank foreign exchange market by providing continuous bilateral quotations for the market and handling foreign exchange transactions on behalf of the Head Office, with a total annual trading volume of USD26.340 billion.

As at the end of the reporting period, London Branch registered total assets of USD3.205 billion, an increase of 8.63% over the end of last year. During the reporting period, due to the growth of loan scale and favorable situations in the foreign exchange market, the branch registered operating income of USD39.8972 million and net profit of USD16.0279 million, a year-on-year increase of 93.00% and 606.17% respectively.

2.7.5 Subsidiaries and Joint Ventures

2.7.5.1 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 2,601 employees and no retired employees at the company's expense. It recorded HKD451.609 billion in total assets and HKD59.554 billion in net assets, up by 8.05% and 8.94% from the end of the previous year, respectively. During the reporting period, it realized net profit of HKD2.237 billion, up by 8.94% year on year.

CNCBI: CNCBI is a comprehensive commercial bank in Hong Kong SAR. Under the 4C framework[31], it has fully integrated into the ecosystem of CITIC Group, and actively interacted with group members to improve its comprehensive service capacity and market competitiveness. In response to a challenging business environment, CNCBI worked hard to promote its businesses and consolidate the customer base, and maintained the competitive advantages of its core products, achieving a solid progress in its business development. It was highly recognized by the market, ranking among the top four leading banks and bookrunners in the syndicated loan market in Hong Kong and Macao[32], and winning the "Northbound Trading Excellent Investor (Commercial Bank)" and "Primary Market Innovation Award" under the Bond Connect program. CNCBI promoted the optimization of customer structure. The number of high-net-worth personal customers increased by 20.86% compared with the prior year-end, among which private banking customers and CITIC *diamond*[33] customers increased by 18.90% and 32.11% respectively compared with the prior year-end, laying a solid foundation for future business growth. CNCBI promoted the FinTech-based transformation. During the reporting period, it rolled out a number of new functions and optimized existing processes of the InMotion Dynamic Banking, the flagship platform of mobile banking services. As a result, the number of customers increased by 39.53% over the same period of last year, and the transaction volume increased by 43.40% over the last year.

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31 Refers to culture, customer, collaboration and cyberspace.
32 Based on the rankings published by Refinitiv.
33 Refers to customers with an AUM of HKD4 million or more.

As at the end of the reporting period, CNCBI recorded an issued share capital of HKD18.404 billion, and posted total assets of HKD449.170 billion and net assets of HKD54.694 billion, up by 8.13% and 9.86% from the end of the previous year, respectively. During the reporting period, CNCBI realized operating income of HKD8.406 billion and net profit of HKD2.253 billion for the reporting period, up by 2.53% and 5.86% from the end of the previous year, respectively.

CIAM: CIAM is a cross-border asset management company, and is mainly engaged in private equity investment and asset management. During the reporting period, upholding the strategy of "controlling risks, increasing income, reducing costs and streamlining tiers", CIAM strengthened the management of projects and platform companies, exited in an orderly manner, and increased the recovery of debt projects. In addition, CIAM continued to strengthen expense management and control, promoted organizational optimization, continuously improved team operation efficiency, reduced operation costs and improved income.

2.7.5.2 *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%[34]. 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 versatile overseas investment bank serving the parent bank and featuring strong empowerment, capital-light development and outstanding performance". During the reporting period, CNCB Investment continuously advanced the building of its marketing service system, improved product chain and business strategies, moved forward to improve the license business system capabilities of overseas investment banking, and accelerated the development of an overseas asset management center. The bond underwriting business increased significantly, implementing 143 projects for the reporting period, 1.19 times of the same period of the previous year. The scale of active asset management business continued to expand, with increasingly diverse product service and steady progress in key channel and customer development. Its business performance was recognized by the market. In terms of bond underwriting, for the first time, it entered the top 12 list[35] of Chinese USD bond underwriters, a record ranking in the history, with its market influence significantly enhanced. During the reporting period, CNCB Investment successfully issued USD270 million of medium and long-term equity bonds, further optimizing its liability structure.

As at the end of the reporting period, CNCB Investment had 841 employees and 1 retired employee at the company's expense. It registered total assets equivalent to RMB31.660 billion, up by 38.13% over the prior year-end, net assets attributable to parent company equivalent to RMB4.774 billion, up by 7.31% over the prior year-end, and assets under management equivalent to RMB74.488 billion, an increase of 18.08% over the prior year-end. During the reporting period, due to impact of the capital market and fluctuations in asset prices, CNCB Investment realized net profit attributable to parent company equivalent to RMB371 million.

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34 Through the approval from regulatory authority, CNCB Investment repurchased and retired the 0.95% shares held by CNCBI. This share repurchase and retirement was completed on 3 March 2023, when the CNCB Investment became a wholly-owned subsidiary of the Bank.

35 According to the ranking of total underwriting amount of Chinese USD bond platforms of WST Pro/SereS.

2.7.5.3 *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 scientifically coordinates risk prevention and control and operation management, takes the initiative and actively takes the responsibility in seeking excellence and progress while maintaining stability. In 2022, despite of the difficult operating environment CITIC Financial Leasing hit a new high in the past five years in terms of business expansion, achieved steady growth of operating benefits, effective improvement of operation quality and excellent fulfillment of social responsibilities, and delivered satisfying annual results.

During the reporting period, CITIC Financial Leasing focused on the core leasing business, and significantly improved its ability to serve the real economy with the goal of achieving "effective improvement in quality and reasonable growth in quantity". Adhering to the 32 measures to help, stabilize and benefit enterprises, it served key industries supported by the state such as manufacturing companies and enterprises with specialized, sophisticated techniques and unique, novel products, issued *the Plan on Ensuring Credit for Small and Medium-sized Customers*, and took multiple measures to promote the development of small and medium-sized customers. In 2022, a total of RMB4.879 billion new loans were granted to the manufacturing industry, up by 71.86% year on year. It developed 34 small and medium-sized customers, with a total business balance of RMB1.792 billion, channeling financial resources directly to customers in the non-public sector.

In response to the government's call for supporting green development and rural revitalization, CITIC Financial Leasing promoted the high-quality development of green leasing under the two-wheel drive of corporate banking and retail banking. During the reporting period, CITIC Financial Leasing unswervingly promoted the construction of centralized photovoltaic and wind power stations, and launched the distributed photovoltaic retail leasing business for rural households adhering to the concept of "delivering financial services to all households". Taking advantage of digital transformation, it developed the customized "Financial Leasing e Farmer" photovoltaic financial leasing management system to serve 4,325 rural households. In addition, CITIC Financial Leasing intensified efforts to build an energy system integrating wind power, photovoltaic, hydropower, power storage and hydrogen energy, and made new breakthroughs in energy storage and hydrogen energy businesses, with the amount of projects launched during the reporting period reaching RMB308 million.

During the reporting period, CITIC Financial Leasing successfully launched the passenger car system, providing financial support for the entire industry chain from production, sales to relevant services. It obtained the qualifications to establish SPVs, and promoted the ship business in accordance with the national strategy of building China into a strong maritime country and a country strong in manufacturing. Through cooperation with leading companies, it provided financial leasing for 21 vessels and established a ship leasing service system with various vessel, asset portfolios and multi-currency businesses.

As at the end of the reporting period, CITIC Financial Leasing had 159 employees and no retired employees at the company's expense. It recorded total assets of RMB50.782 billion, down by 1.68% over the prior year-end, and net assets of RMB7.290 billion, up by 10.76% comparing with the end of the previous year. During the reporting period, CITIC Financial Leasing realized net operating income of RMB1.815 billion, an increase of 8.35% year on year, and net profit of RMB708 million, an increase of 156.56% year on year. The company recorded return on equity (ROE) of 10.21%, return on assets (ROA) of 1.38%, a ratio of allowance for impairment of loans to total loans of 4.01%, and a capital adequacy ratio of 13.34%.

2.7.5.4 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.

For the asset management business conducted by the Bank during the reporting period, please refer to relevant content on asset management in "2.6 Key Issues in Capital Market" and "2.7.3 Financial Market Business" in this chapter.

As at the end of the reporting period, CITIC Wealth Management had 411 employees and no retired employees at the company's expense. It registered total assets of RMB10.340 billion and net assets of RMB9.449 billion. During the reporting period, it recorded net operating income of RMB3.553 billion, and net profit of RMB2.048 billion, up by 16.88% and 13.40% over the same period of last year, respectively. It registered the return on equity (ROE) of 24.31% and debt asset ratio of 8.61%.

2.7.5.5 CITIC aiBank

CITIC aiBank is the first direct bank with independent legal person status in China jointly established by the Bank and Fujian Baidu Borui Network Technology Co., Ltd., and was officially opened for business on 18 November 2017. The Bank holds 65.70% of its shares.

During the reporting period, CITIC aiBank consistently adhered to the development model of open banking, and continuously consolidated its green and inclusive financial service capability. It completed the first "e-CNY + bill discount + green finance" business in China, and "Jing Lv Tong" ranked among the top in the market in terms of business scale. The Bank launched 21 measures to help enterprises overcome difficulties, contributing to its due efforts to stabilize the economic market. In order to implement the national food security strategy, it cooperated with leading agricultural enterprises on the industrial chain, and vigorously supported the development of Sannong (i.e. "agriculture, rural areas, and rural residents"). It successfully issued the first tier-2 capital bonds of internet banks, launched the first securities backed by assets with right to earnings at the Banking Registration Center for flat consumption in the industry, and received again a long-term AAA rating for entity credit from China Lianhe Credit Rating Co., Ltd. It unleashed the momentum of coordinated development in multiple dimensions, explored the scenario-based ecosystem of shareholders to jointly build business channels, enrich product ecosystem and promote technological innovation, and preliminarily formed a new pattern of coordinated development. It also actively explored the frontiers of financial technology, built a digital business hall and created a new pattern of future banking development. It was enrolled into the FinTech regulatory sandbox of the PBOC for three consecutive times and shortlisted in the KPMG China's China Leading FinTech 50 list for five consecutive years.

During the reporting period, CITIC aiBank continued to optimize its asset and liability structure, actively promoted the development of proprietary business, built up its intelligent risk control capability in an all-round manner, steadily advanced the empowerment and upgrade of user management, and fully unleashed the momentum of shareholder synergy and capital-light development. All these efforts helped to continuously improve its comprehensive strength and market competitiveness. As at the end of the reporting period, CITIC aiBank had 934 employees and recorded total assets of RMB96.922 billion, up by 22.06% over the prior year-end, total liabilities of RMB89.487 billion, up by 23.26% over the prior year-end, and net assets of RMB7.435 billion. During the reporting period, it realized net operating income of RMB3.968 billion, up by 32.35% over the previous year, and net profit of RMB656 million, a year-on-year increase of RMB393 million. CITIC aiBank once again received a long-term AAA rating for entity credit from China Lianhe Credit Rating Co., Ltd., and ranked 12th among global digital-only banks and 3rd in China by *The Asian Banker* in 2022.

2.7.5.6 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, in face of the severe external operating environment, JSC Altyn Bank grasped market opportunities brought by the changes, and made breakthroughs in business development. As a result, it achieved a record high in financial performance, maintained stable asset quality, and delivered great results to shareholders. Thanks to business opportunities in the foreign exchange market, during the reporting period, it realized non-interest income of 11.650 billion tenge[36], up by 192.70% year on year. Leveraging on the synergy with the Bank, JSC Altyn Bank enhanced collaboration with branches in Changsha, Zhengzhou, Nanjing, Qingdao, Lanzhou etc. and overseas institutions such as CNCBI and CNCB Investment. During the reporting period, JSC Altyn Bank made new progress in cross-border marketing, with more than ten Chinese enterprises opening accounts. At the same time, it launched innovative forward exchange rate management products to provide comprehensive financial services for Chinese enterprises under the Belt and Road Initiative (BRI). International rating agency Fitch Ratings confirmed that JSC Altyn Bank's long-term issuer default rating was BBB- with a stable long-term outlook, and bank viability rating as bb, indicating stable international ratings of JSC Altyn Bank.

As at the end of the reporting period, JSC Altyn Bank recorded share capital of 7.050 billion tenge, total assets of 979.748 billion tenge, net assets of 94.936 billion tenge. During the reporting period, it realized net operating income of 46.276 billion tenge, net profit of 24.270 billion tenge, and its ROA and ROE stood at 2.91% and 29.30%, respectively.

2.7.5.7 Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, located in Lin'an District, Hangzhou, 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 12 enterprises holding the rest 49%. Lin'an CITIC Rural Bank is mainly engaged in general commercial banking business.

[36] The rate on 31 December 2022 of tenge against Renminbi was 1:0.014923501.

During the reporting period, Lin'an CITIC Rural Bank organized the "Three Servings"[37], "financial liaison worker" and other financial services and activities for rural revitalization. Leaders of the Bank led observation groups to visit rural communities, markets and industrial parks, and inspected clusters of micro and small enterprises, markets of agricultural products and local communities. During the reporting period, the Bank acquired 35 new micro and small enterprise customers, providing a total of RMB521 million credit to private enterprises and micro and small enterprises. Indicators such as the average loan per household and the proportion of loans above RMB5 million continued to improve. As at the end of the reporting period, the average loan balance per household was RMB524 thousand, down by RMB38.6 thousand from the end of the previous year, among which loans above RMB5 million accounted for 10.97%, down by 2.99 percentage points compared with the prior year-end.

During the reporting period, Lin'an CITIC Rural Bank actively supported the real economy, implemented the inclusive finance and rural revitalization strategies, and increased credit extension meeting "two no-less-than and two control" target[38]. As at the end of the reporting period, the balance of agriculture-related loans stood at RMB1.078 billion, representing a decrease of 5.01% over the prior year-end. The balance of loans granted to micro and small enterprises was RMB1.485 billion, an increase of 2.06% over the end of the previous year. The proportion of loans to farmers and micro and small enterprises reached 93.07%.

As at the end of the reporting period, Lin'an CITIC Rural Bank had 58 employees and recorded RMB2.385 billion total assets, RMB404 million net assets, RMB1.819 billion balance of customer deposits, and RMB1.901 billion combined balance of various loans, an increase of 4.90%, 9.33%, 8.69% and 2.00% over the prior year-end, respectively. Its capital adequacy ratio stood at 24.37%, allowance coverage ratio was 492.27%, and the ratio of allowance for impairment of loans to total loans recorded 4.45%. It realized a net profit of RMB46 million for the reporting period.

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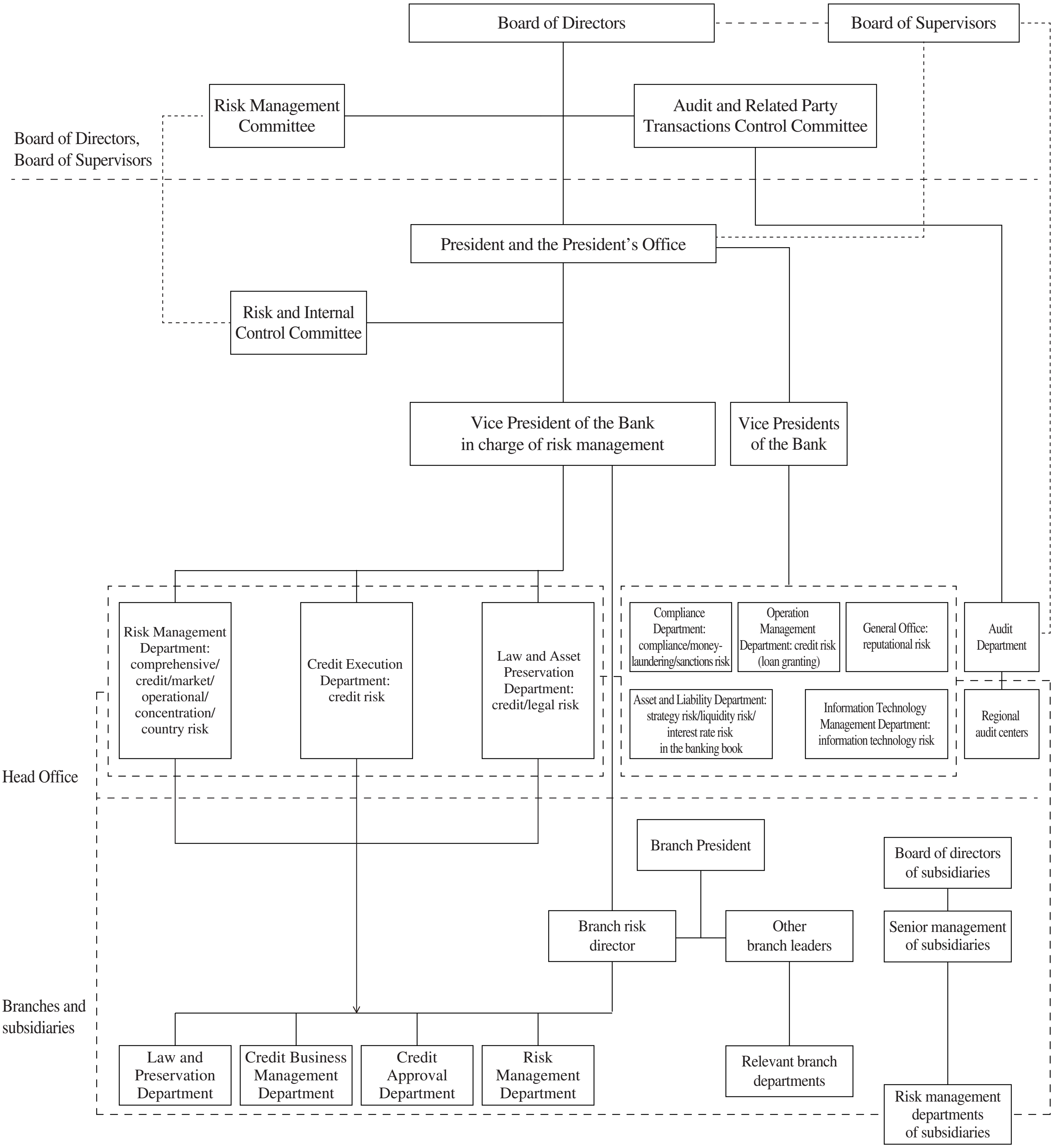
37 Refers to "serving enterprises, serving the people, and serving communities".

38 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 micro and small 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.

2.8 Risk Management

2.8.1 Risk Management Structure



2.8.2 Risk Management System and Techniques

During the reporting period, the Bank implemented national decisions and plans, made coordinated efforts to stabilize growth, ensure people's livelihood and guard against risks, helped stabilize the economy, spared no effort to stabilize asset quality and energetically ensured steady business operation. It continuously perfected the risk management system, effectively transmitted the prudent risk appetite and continuously deepened the risk compliance culture. It strengthened uniform credit management, and strengthened regional and customer concentration control. The Bank reformed the organizational structure for risk management, and realized the integration of approval, post-lending management and re-examination, as well as the integration of problematic asset management, disposal and recovery. It consistently deepened the reform in the review and approval system, adopted the mechanism of full-time reviewers and approvers across the board, improved the review and approval standards, raised the efficiency of the whole process of review and approval, and released the vitality of business institutions on the premise of firmly holding the bottom line for risks. The Bank pushed forward the transformation of post-lending management, and carried out in-depth differentiated management and classified monitoring in key areas. Meanwhile, the Bank deepened the establishment of a platform for the management of special assets, made active progress in the resolving of multiple high-value risks, and achieved "win-win results for multiple parties" based on coordination across the Group. It also intensified efforts in building a professional team for risk management and enhanced the Bank-wide risk management.

The Bank strengthened the overall planning for digital risk control, continued to improve the capability for research and development of risk management technology, and deepened the multi-level application of big data and artificial intelligence technologies. During the reporting period, the Bank continuously improved its risk control capabilities for online businesses such as personal credit, auto finance, inclusive finance, transaction banking and international business, and advanced early warning of risks based on big data. The Bank continued to build a smart platform for comprehensive risk management, integrated the system functions of credit, market and operational risks, supported the application of digital risk control tools for processes such as customer access, and post-lending management, and enabled business development of the Head Office and branches.

During the reporting period, the Bank strictly implemented the *Administrative Measures for Large Exposures of Commercial Banks* of the CBIRC and other relevant provisions, and actively carried out large exposure management under the comprehensive risk management framework. It continuously improved the policy system for large exposure management, optimized the management information system, strengthened data governance, enhanced data quality, and carried out statistical monitoring and regulatory reporting in an orderly manner. During the reporting period, the Bank met regulatory requirements for limits in terms of all indicators of large exposure management.

2.8.3 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 counterparties 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 book, derivatives trading and other businesses, as well as businesses with credit risk such as structured financing and financing wealth management. Under the overall objective of maintaining stable asset quality and increasing the proportion of high-quality customers and guided by the principle of serving the real economy and preventing risks, the Bank continuously optimized its credit structure, enhanced comprehensive financial service capabilities, strengthened the whole-process credit management, prevented systemic risks, and kept credit risks within a tolerable range. For details on the credit risk management of various businesses of the Bank during the reporting period, please refer to "Business Overview" of this chapter. 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 *2022 Capital Adequacy Ratio Information Disclosure Report of China CITIC Bank Corporation Limited* issued by the Bank.

During the reporting period, in order to actively adapt to the market development situation and changes in the policy environment, the Bank took various measures to improve the capability and level of post-credit and collateral management.

Stepping up the post-lending management system and mechanism development. The Bank took solid steps in the classified management of corporate credit customers, guided active reduction and withdrawal in a forward-looking way, prevented and controlled new risks and optimized credit assert structure. It consolidated post-lending management and risk monitoring mechanisms, implemented differentiated post-lending inspection over key customers and asset portfolios, and carried out stratified and classified risk monitoring. The Bank pressed ahead with the upgrading of the risk warning management system, formulated and improved legal person customer warning management policies, established a group customer warning management mechanism, continuously optimized warning business process, and thus made risk identification more forward-looking and effective.

Continuously promoting the digital transformation of post-lending management. The Bank increased the application of external risk data and enriched online warning strategy rules. With the help of the system automatically pushing prompts, the Bank realized the sharing of internal risk information across institutions, developed big data-based risk warning models, promoted relevant application and continuously optimized them. It also pushed ahead with online risk monitoring and post-lending execution monitoring, and improved the quality and efficiency of post-lending management.

Refining the collateral management system for credit business. The Bank comprehensively improved the collateral management rules and business process according to the goal of "good selection, accurate estimation and sound management", and strengthened the risk mitigation role of collateral on credit business. It proactively carried out existing collateral system optimization and collateral data governance to meet management needs and regulatory requirements. It also started the establishment of the new generation collateral management system for corporate credit business, and promoted the "online, automated and intelligent" transformation of collateral management.

2.8.4 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 policy system covering market risk identification, measurement, monitoring and control. It controls and prevents market risk through product access approval, risk limit management and risk reporting, hence improving its market risk management. The target of market risk management of the Bank is to control market risk within the reasonable range and maximize risk-adjusted returns based on its risk appetite.

During the reporting period, the Bank completed the main work of the implementation of the market risk capital measurement program under Basel III, and remarkably improved the risk measurement capability. It made active response to market volatilities in interest rates, foreign exchange, commodities, etc., continued to conduct risk investigation, monitoring and reminding, and implemented risk limits strictly, hence strongly supporting business development based on controllable risks. For details of market risk capital measurement, please refer to Note 55 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.

2.8.4.1 *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 market value loss according to features of different products, and regularly assessed the interest rate risk in the trading book through stress testing and other tools, so as to control the interest rate risk in the trading book within its risk preference.

The Bank's interest rate risk in the trading book is mainly affected by changes in yields of the domestic bond market. During the reporting period, the domestic bond market yields fluctuated within certain range except for great fluctuations from November to December, with the 10-year central government bond yield increasing by 6 BPs accumulatively. The Bank closely tracked market changes, strengthened market research and judgment, effectively carried out risk monitoring and warning, 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 overall earnings and economic value of the banking book arising from adverse movements in interest rate, maturity structure, and other factors. It 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 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, 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 (△NII) and economic value of entity fluctuation (△EVE). 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 combined effect of the above 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.

2.8.4.2 *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 exposure limits to control its exchange rate risk at an acceptable level.

The exchange rate risk of the Bank was mainly subject to impact of changes in the Renminbi exchange rate against the US dollar. During the reporting period, the Renminbi exchange rate against the US dollar rose after a drop, with a cumulative depreciation of 8.32% in the whole year. The Bank continuously improved the measurement and management of foreign exchange exposures, by strict control of the foreign exchange risk exposures of relevant businesses, 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.

2.8.5 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, in the face of the complex economic environment, the central bank maintained a flexible and appropriate prudent monetary policy, and adopted multiple instruments of monetary policy to guide the market to maintain reasonably ample liquidity. In 2022, the central bank cut the reserve requirement ratio (RRR) by 25 basis points (bps) twice, and lowered the interest rate of instruments of monetary policy by 10 BPs twice. It also used instruments such as MLF, OMO and PSL to put in base money, reduce market fluctuations and introduce a looser credit policy. The structural instruments of monetary policy continued to show effect. A series of measures, including the launch of a relending facility to boost technological innovation, inclusive elderly care services, transport and logistics and equipment upgrades, were introduced to provide more policy support for micro and small enterprises and other inclusive sectors and achieve precise “drip irrigation” of the real economy. The overall liquidity of the money market was abundant, while short-term interest rates fell amid fluctuations. The medium and long-term interest rates fluctuated downward in the first three quarters, and picked up slightly in the fourth quarter due to real estate financing and other factors.

The Bank constantly enhanced liquidity risk management, increased the foresight and proactiveness of liquidity management and kept optimizing the coordinated management of assets and liabilities. Adhering to steadily increasing deposits, it stepped up efforts in improving the total amount and structure of fund sources and utilization, and maintained a dynamic balance between liquidity and efficiency. It also enhanced liquidity risk measurement and monitoring, kept practicing liquidity risk limit management, and continuously worked to make liquidity risk meet regulatory requirements. Moreover, the Bank strengthened premium liquid asset management, and promoted the launch of pledge projects for credit assets rated by the central bank. It reinforced proactive management of liabilities and maintained a reasonable and proactive liability structure so as to ensure the smooth channels and diversified sources of financing. In addition, the Bank continued to promote the issuance of financial bonds to replenish and stabilize the sources of liabilities, properly conducted daily liquidity management, strengthened market analysis and forecast, and made forward-looking fund arrangements to improve the efficiency of fund utilization while ensuring liquidity safety of the Bank. 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 168.03%, 68.03 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 2022**	31 December 2021	31 December 2020
Liquidity coverage ratio	**168.03%**	146.59%	135.14%
Qualified premium liquid assets	**1,087,933**	929,568	823,822
Net cash outflow in the coming 30 days	**647,452**	634,132	609,593

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 107.64%, 7.64 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 2022**	30 September 2022	30 June 2022
Net stable funding ratio	**107.64%**	104.67%	104.97%
Available stable funding	**4,874,024**	4,756,829	4,453,589
Required stable funding	**4,528,272**	4,544,592	4,242,673

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.

2.8.6 Liability Quality Management

The Bank highly values liability quality management. It effectively measures, monitors and controls the quality of liabilities by establishing a science-based and complete liability quality management system, and ensures the quality of liabilities in terms of six aspects, namely, the stability of liability sources, the diversity of liability structure, the appropriateness of liability cost, the reasonable match between liabilities and assets, the initiative in obtaining liabilities, and the authenticity of liability items (the "Six Elements") in compliance with regulatory requirements. The Bank's liability quality management system is commensurate with the size and complexity of its liabilities, and its organizational structure consists of a decision-making level and an executive level. Specifically, the decision-making level includes the Board of Directors who bears ultimate responsibility for the liability quality management and the senior management who implements the liability quality management, while the executive level refers to relevant departments of the Head Office and branches. Focusing on the Six Elements, the Bank clarified the goals and process of liability quality management and built a corresponding limit and indicator system covering key regulatory indicators of liability quality management.

During the reporting period, in light of the internal and external environment as well as the Bank's business development plan, the Bank paid close attention to the internal and external factors affecting the stability of liability sources, continued to strengthen the monitoring, analysis and management of changes in the size and structure of liabilities, and improved the match between liabilities and assets in terms of maturity, currency, interest rate and exchange rate through various ways. Furthermore, the Bank established internal and external pricing mechanisms in line with its business strategies to ensure fund absorption at reasonable cost. During the reporting period, the Bank's regulatory indicators of liability quality management remained compliant with regulatory requirements, the liability cost decreased slightly, and the liability quality status and the implementation of the Six Elements of liability quality management were generally good.

2.8.7 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. The target of operational risk management of the Bank is to enhance its risk control capability and reduce operational risk losses, promote process streamlining and improve service efficiency, ensure business continuity and continuous operation, and reduce capital consumption and improve return to shareholders.

During the reporting period, the Bank continued to strengthen its operational risk control and intensified the daily management of operational risk. It implemented the new standardized approaches for operational risk under Basel III, carried out operational risk and control assessment of main business processes, and optimized the key risk indicator system. It also carried forward the data quality governance of historical loss data across the Bank, strengthened the operational risk system building of consolidated subsidiaries, and implemented new standardized approaches for the operational risk capital measurement. It upgraded functions of its operational risk management system, conducted stricter risk screening on the business stages highly prone to operational risk, and continuously enhanced the Bank-wide operational risk management. Moreover, it made further endeavors to establish a robust risk management system for its outsourcing business, strengthened the 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 contingency plans, and effectively ensured business continuity. In the meantime, it also re-examined its business continuity management system and conducted assessment of information technology risks. During the reporting period, the operational risk management system of the Bank operated stably, placing operational risk under control in the overall sense.

2.8.8 Reputational Risk Management

Reputational risk mainly refers to the risk that damages the Bank's brand value, adversely affects its normal operation and even affects market and social stability due to negative evaluation of the Bank by stakeholders, the public and the media resulted from the Bank's behaviors, employees' behaviors or external events.

During the reporting period, the Bank further improved its reputational risk management system in terms of governance structure, whole-process management, routine development and supervision management. It also 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 drills, and hence strengthened the capabilities of functional departments and branches 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.

2.8.9 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.

During the reporting period, 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, in accordance with regulatory requirements and business strategies, the Bank continued to improve the country risk management system, continuously assessed and monitored the trend of country risk changes, and duly and appropriately reviewed and adjusted country risk ratings and limits. It strengthened the consolidated management and exposure monitoring of country risk, and carried out stress tests on country risk, thus controlling country risk at an acceptable level.

2.8.10 Anti-Money Laundering (AML)

The Bank deeply practiced the "risk-based" regulatory principle, continuously strengthened the AML internal control management and money laundering risk management, and comprehensively enhanced AML 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.

The Board of Directors, the Board of Supervisors and the senior management earnestly performed the Bank's legal person AML responsibilities, gave full play to the role of the Anti-Money Laundering Work Leadership Group, continuously practiced an "all-employee, all-aspect and full-process" AML risk culture concept under the comprehensive risk management system, and urged the "three lines of defense" as well as the Head Office, branches and sub-branches to perform respective duties for AML. During the reporting period, the Bank optimized the AML authorization management mechanism, strengthened AML penetration management of its subsidiaries, and conducted the first self-assessment of institutions. It strengthened AML training for directors, supervisors, senior management members and employees at all levels, and organized four AML compliance campaigns on regulatory hotspots to fulfill its AML obligations as a commercial bank. It promoted AML subsequent supervision and data governance, conducted in-depth investigation of six key businesses, carried out six special subsequent supervisions of high-risk customers, and enhanced the ability of self-inspection and self-correction.

During the reporting period, the Bank dynamically reviewed and revised ten internal control rules for AML, consolidated the AML internal control rule system comprising of "top-level policies, special policies and line-specific policies", conducted 449 times of AML review of "new policies, new products and new systems", issued 1,709 review opinions, and gave full play to the value of AML review before the event. In terms of building the AML information system, during the reporting period, the Bank optimized 145 system functions, launched new functions in the list-based monitoring system, adjusted customer and product rating indicators, developed and upgraded 22 suspicious transaction monitoring modules, and hence improved the compliance of large-value transaction reporting.

2.9 Material Investments, Material Acquisitions, Material Sales of Assets and Equity

Except for the day-to-day businesses such as transfer of credit assets that were involved in its normal business operation, there was no other material investments, acquisitions, sales of assets and equity that took place in the reporting period.

2.10 Outlook

At present, the ever-changing external environment, including the macroeconomy and industry policies, brings rising challenges and expanding development opportunities to the banking sector.

On the one hand, commercial banks face challenges in business development. Against the backdrop of volatile geopolitical situations, the world economy faces greater downside risks. The foundations of domestic economic recovery are not yet solid, the triple pressures of shrinking demand, disrupted supply and weakening expectations remain high, and the economic and social risk points are still frequent. Since last year, China's real estate market has underperformed significantly, becoming a major factor affecting economic operation. In the near future, with the combined effect of real estate policies, the market is stable and predictable, but local credit risk remains a concern. The growth rate of local government debts has generally slowed down, but the amount of debts is still large. Impacted by frequent interest rate hikes by the US Federal Reserve and the central banks of other countries, continued Russia-Ukraine conflict and other adverse factors, some countries face even greater pressure of capital outflow and exchange depreciation. Therefore, close attention should be paid to the trends of stock market, bond market and foreign exchange market, to ensure that no major risks arise in the financial market.

On the other hand, there are new opportunities for commercial banks. In 2023, with "ensuring stable growth" becoming a top priority of the three major tasks of "stabilizing growth, employment and prices", and the combined effect of existing and new policies, China will unleash greater economic momentum, the total social supply will be sufficient, and market confidence will increase. Under such favorable conditions, the economy will recover at a faster rate on an upward trajectory. Due to macro policies, especially the strengthened and more effective fiscal policy and the more targeted and powerful monetary policy, a powerful synergy has been created for high-quality development. According to the proactive fiscal policy, China will not only increase spending on existing and new infrastructure projects, but will also step up efforts in developing the technology industry and new energy vehicles. In terms of economic aggregate, the monetary policy will maintain steady and moderate credit growth. In terms of economic structure, the monetary policy will guide financial institutions to support micro and small enterprises, technological innovation, green development etc. Efforts will be made to enhance the interaction between supply and demand, so as to promote the supply-side structural reform and expansion of domestic demand. On the supply side, China will build a modern industrial system, intensify manufacturing R&D and technological transformation, support enterprises with specialized, sophisticated techniques and unique, novel products, and open up new areas and new arenas such as new energy, artificial intelligence, biological manufacturing, green and low carbon, quantum computing, etc. On the demand side, priority will be given to expanding domestic demand, especially the expansion of consumption. With such efforts, there will be a more favorable business environment and broader development space for banks.

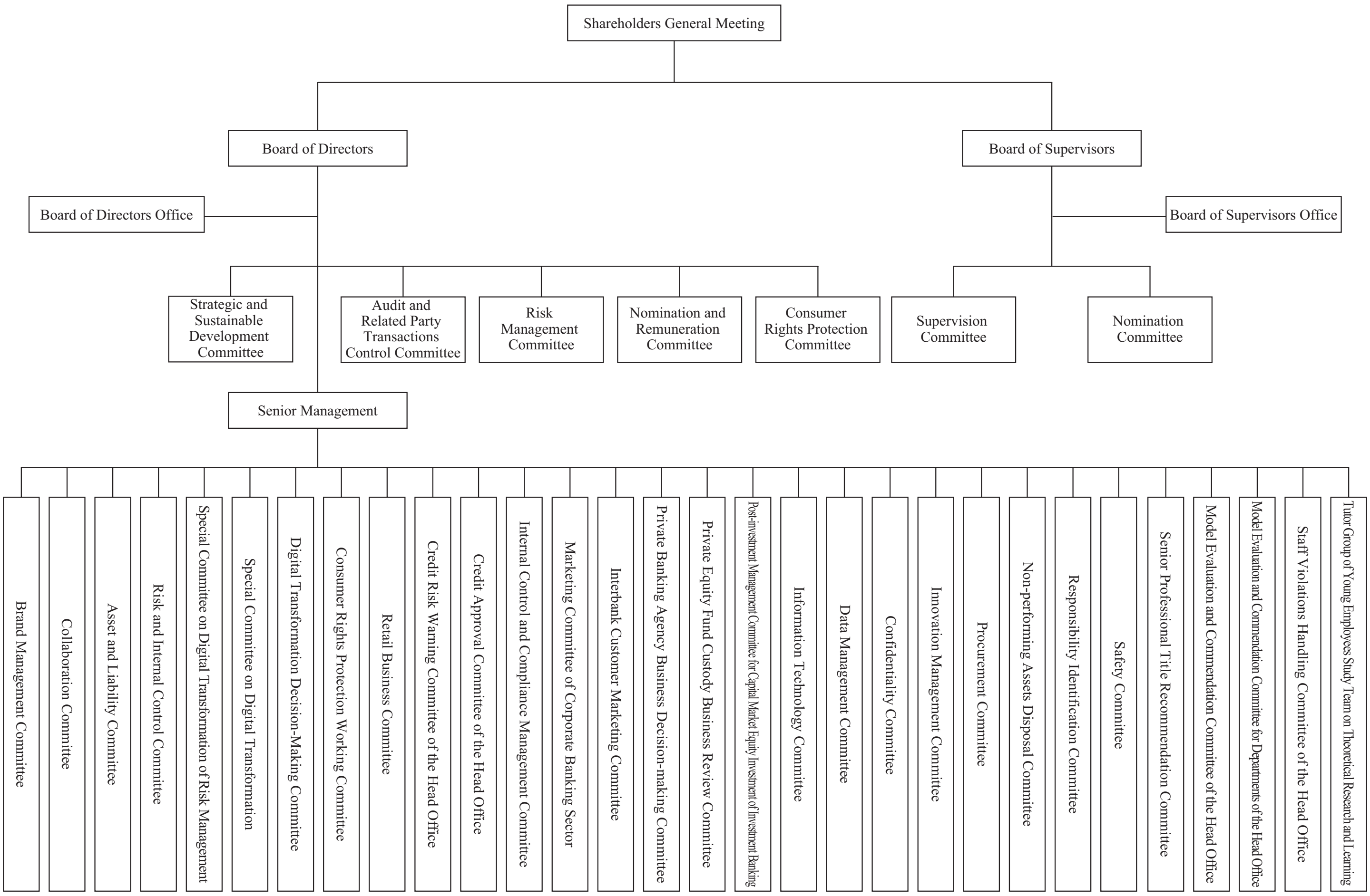
In 2023, the Bank will focus on serving the real economy, follow the guidance of macro-control, implement national strategies and credit policies, facilitate the expansion of domestic demand and supply-side structural reform, and promote innovation-driven development. It will focus on high-quality development, accelerate capital-light transformation, optimize customer structure, strengthen customer group management, and maintain stable asset quality. It will focus on the economic momentum and vitality, deepen the reform of the organizational system, press ahead with the reform of human resources mechanism, improve technology and digital empowerment, and continue to build three major capabilities. Furthermore, the Bank will focus on the "Safe CITIC Bank" project, leverage the Bank's advantages in Party building, improve internal risk control and management, clarify the management responsibilities of all parties, and improve the ability to resist and cope with various risks. With an expected asset growth rate of around 6%-8% for 2023, the Bank aims to maintain steady and rapid growth of operating efficiency, steadily improve asset quality and achieve high-quality development. Forward-looking statements such as future plans and development strategies involved in the above forecasts do not constitute substantive commitments of the Bank to investors. Investors and related parties should have sufficient awareness of risks in this regard, and understand the differences between plans, forecasts and commitments.

2.11 Information about Structured Entities

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

CHAPTER 3 CORPORATE GOVERNANCE

3.1 Corporate Governance Structure



3.2 Overall Profile of Corporate Governance

Sound corporate governance is the important cornerstone for the high-quality development of banks. During the reporting period, the Bank earnestly implemented the state's decisions and plans as well as regulatory requirements, continuously improved its corporate governance system, and accelerated the enhancement of its corporate governance capacity, thereby improving its corporate 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, system and mechanism to ensure the smooth coordination as well as checks and balances between governance bodies. The Board of Directors, the Board of Supervisors and their specialized committees operate according to specifications and 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 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 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 on its role in strategic decision-making to fully support the development of the real economy and reinforce the duty performance regarding risk prevention. It established and improved the whole-journey strategic management system, and solidly facilitated the implementation of strategies according to the development plan for 2021-2023 of the Bank. It deepened business transformation, continuously improved wealth management, asset management and comprehensive financing, the three core business capabilities, enhanced the value of light-capital transformation and development, and advanced the comprehensive upgrading of the Bank's financial technology empowerment, thereby making the business structure more coordinated and stable and improving the consumer rights protection. The Bank actively pushed forward the financial supply-side structural reform, actively supported and integrated a dual circulation into the domestic economic cycle and international economic cycle, fully supported the real economy, and vigorously bolstered the development of key fields such as inclusive finance, green finance, manufacturing and rural vitalization. In face of the complex and severe challenges brought by the external environment, the Board of Directors put risk prevention and control in a very prominent position, strengthened the concept of prudent operation, and vigorously pushed forward the reform of risk management system to improve the internal control and compliance management on all fronts.

In accordance with the guiding ideology of "fulfilling the functions of the Board of Supervisors" and relevant laws, regulations, regulatory requirements and the provisions in the Bank's Articles of Association, the Board of Supervisors, focusing on the Bank's development plans and central tasks and based on the Bank's legal position, responsibilities and obligations, continuously innovated its working mechanism and actively increased the quality and effectiveness of supervision. In doing so, it effectively protected the interests of the Bank, its shareholders, employees as well as the society. During the reporting period, the Bank participated in the selection of the "2022 Best Practice Cases of the Board of Supervisors of Public Companies" sponsored by China Association for Public Companies for the first time, and was successfully included in the "List of Best Practice Cases of the Board of Supervisors of Public Companies", which is the top list of the event.

During the reporting period, the Bank arranged the directors, supervisors and the board secretary to participate in training organized by external organizations such as the SSE and the CSRC Beijing Bureau, recording 31 person-times participation. The Bank also carried out surveys of 9 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 CBIRC, the CSRC and the SEHK; neither were there major corporate governance issues that the regulatory authorities required to resolve but remained outstanding.

3.3 Explanations on Independence from the Controlling Shareholder and de Facto Controller

The controlling shareholder and de facto controller of the Bank conduct a series of measures in accordance with the relevant regulatory requirements to ensure that the Bank maintains its independence in terms of assets, personnel, finance, institutional set-up and business.

In terms of assets, the Bank has the ownership of or right to use land, properties, trademarks, domain names and other intellectual property relating to its business operations, and none of its controlling shareholder and de facto controller or their related parties occupied or controlled the Bank's assets.

In terms of personnel, except that Mr. Fang Heying, President of the Bank, serves concurrently as Deputy General Manager of the Bank's controlling shareholder, no other senior management member of the Bank held any administrative position other than director or supervisor in the controlling shareholder. The above-mentioned position of Mr. Fang Heying is assumed based on the approval of the Organization Department of the CPC Central Committee and the State Council and the overall arrangement of CITIC Group. In order to ensure that Mr. Fang Heying has sufficient energy to perform relevant duties at the Bank, his main duty at the controlling shareholder is to preside over the Bank's overall work.

In terms of finance, the Bank has an independent finance and accounting department, has established an independent finance and accounting system as well as financial management policies, makes independent financial decisions, sets up independent accounts in accordance with laws, and does not share accounts with controlling shareholder and de facto controller. Its controlling shareholder and de facto controller follow the same procedures and lawful requirements for opening accounts with the Bank as those for third parties, and their accounts are independent from the Bank's funds and accounts.

In terms of institutional set-up, the Bank has established the shareholders general meeting, the Board of Directors and the Board of Supervisors, and set up business departments and management departments based on its own needs in operation and management. The Bank independently exercises the functions and powers of operation and management, and has no mixed organization with the controlling shareholder and de facto controller.

In terms of business, the Bank has a complete business system and the ability of independent operation to directly deal with the market, and independently engages in businesses within the approved business scope, without interference or control by its controlling shareholder or de facto controller. The completeness or independence of the Bank's operational autonomy is not adversely affected by the related relationship with the controlling shareholder or de facto controller. During the reporting period, the controlling shareholder, de facto controller of the Bank and other entities controlled by them did not engage in the same or similar business as that of the Bank.

3.4 Profit and Dividend Distribution of Ordinary Shares

To give investors reasonable return on investment and develop the stable expectation of investment returns, relevant provisions of the Articles of Association of the Bank lay down explicit dividend policy of ordinary shares including the basis, principles, intervals, methods and conditions of profit distribution for ordinary shares, highlight cash distribution as the Bank's preferred distribution method, require that the minimum cash distribution proportion should be no less than 10% of the net profit attributable to equity holders of the Bank except for special circumstances and that the amendment of profit distribution policy shall be valid after being brought in writing by the Board of Directors, reviewed and approved by the independent directors, as well as approved by special resolution in the shareholders general meeting whilst shareholders are offered an online voting platform for participation in voting for the proposals on distribution plans. Through compliant and transparent procedures as well as comprehensive decision-making process, the profit distribution policy of the Bank states definite criteria and proportion for profit distribution which 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)
2019	2.390	11,695	46,685	25.05%
2020	2.540	12,429	45,970	27.04%
2021	3.020	14,778	52,631	28.08%

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 in the Bank's 2022 audited financial statements prepared in accordance with the PRC Accounting Standards and IFRS were RMB57.895 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 RMB5.790 billion, and appropriated RMB2.476 billion to general reserve, namely 1.5% of the balance of risk assets as at the end of the reporting period.

In comprehensive consideration of factors such as financial and capital position, the Bank plans to pay cash dividends to all ordinary shareholders as shown on the Bank's register on the register date. Based on the total number of shares as at the register date, the cash dividends for A shares and H shares on the register will be RMB3.29 per 10 shares (tax-inclusive). With reference to the total number of A shares and H shares on the register as at 31 December 2022, the total cash dividends of 2022 for ordinary shareholders will be RMB16.100 billion[37], accounting for 28.09% of the consolidated net profit attributable to ordinary shareholders of the Bank of the year 2022.

It is planned 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. 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 the PBOC one week preceding the convening of the 2022 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 10.80% return on weighted average equity attributable to its ordinary shareholders in 2022 and is expected to maintain a certain level of return and contribution in 2023.

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 and Sustainable Development Committee under 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 23 March 2023 and approved thereafter. And it shall be submitted to the 2022 Annual General Meeting for approval. It is expected that the Bank will pay the 2022 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 2022 annual dividends to H shareholders on 20 July, 2023. 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 A shareholders shall be announced separately by the Bank.

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 2022 ordinary share profit distribution plan of the Bank is in compliance with relevant rules and requirements on annual profit distribution in laws, regulations and normative documents, consistent with the reality of the Bank, the need to safeguard the long-term healthy development of the Bank and has taken the overall interests of both the Bank and its shareholders, especially minority shareholders into consideration. We hereby endorse the Plan and agree to have the Plan submitted to the Annual General Meeting of the Bank for approval.

[37] 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.

When the Plan is submitted to the 2022 Annual General Meeting for approval, 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 appeals, and the compilation 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.

3.5 Shareholders General Meeting

3.5.1 Shareholders General Meeting and Shareholders' Rights

Responsibilities of the shareholders general meeting

The shareholders 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 the 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 more than 3% of the voting shares of the Bank; deliberating matters involving major investments, purchase or disposal of major assets within one 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, 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 shareholders 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 who are entitled to attend the meeting of the matters to be approved as well as the date and venue of the meeting. Shareholders who intend to attend the meeting shall send their written reply slips to the Bank 20 days before the date of the meeting. Directors, supervisors and the board secretary of the Bank shall attend the annual general meeting, while President and other senior management members of the Bank shall be present at the annual 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 annual general meeting as non-voting delegates 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 annual 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 more than 10% 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 more than 3% 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 more than 3% 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 approval.

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 more than 10% of the voting rights. The Chairman 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 more than 10% 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.

3.5.2 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 42 proposals were adopted after approval. 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).

On 20 January 2022, the Bank held the 1st extraordinary general meeting of 2022 in Beijing. The Chairman and non-executive director of the Bank Mr. Zhu Hexin presided over the meeting. Some directors, supervisors and the board secretary attended the meeting, and some senior management members were present at the meeting as non-voting attendees. The meeting reviewed and adopted five proposals regarding the general authorization to issue capital bonds, the general authorization to issue financial bonds, the total annual budget for external donations and the plan on authorization of the general meeting to the Board of Directors of the Bank, the election of Mr. Liu Cheng as an executive Director of China CITIC Bank Corporation Limited for the 6th Session of the Board of Directors and the election of Mr. Liu Tsz Bun Bennett as an independent non-executive Director of China CITIC Bank Corporation Limited for the 6th Session of the Board of Directors.

On 23 June 2022, the Bank held the annual general meeting of 2021, the first A shareholders class meeting of 2022 and the first H shareholders class meeting of 2022 in Beijing. The Chairman and non-executive director of the Bank Mr. Zhu Hexin presided over the meeting. Other directors, some supervisors and the board secretary attended the annual general meeting and shareholders class meetings, and some senior management members were present at the meeting as non-voting attendees. The meeting reviewed and adopted 19 proposals regarding the 2021 Annual Report, 2021 final accounts, shareholders' return plan for the years 2021-2023, 2021 profit distribution plan, 2022 financial budget plan, special report of related party transactions for 2021, report of the Board of Directors for 2021, report of the Board of Supervisors for 2021, engagement of accounting firms and their fees for 2022, public issuance of securities by way of the rights issue, amendments to the Articles of Association, the Medium-term Capital Management Plan for the years 2022-2024 etc. Among the proposals, 8 proposals including the public issuance of securities by way of the rights issue and amendments to the Articles of Association were also reviewed and approved at the first A shareholders class meeting of 2022 and the first H shareholders class meeting of 2022.

On 16 November 2022, the Bank held the 2nd extraordinary general meeting of 2022 in Beijing. The Chairman and non-executive director of the Bank Mr. Zhu Hexin presided over the meeting. Some directors, supervisors and the board secretary attended the meeting, and some senior management members were present at the meeting as non-voting attendees. The meeting reviewed and adopted 2 proposals regarding the amendments to the Administrative Measures on Equity and election of independent non-executive directors of the 6th Session of the Board of Directors.

3.6 Board of Directors

3.6.1 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 6th Session of the Board of Directors comprised 11 members. 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 work reports 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;, to determine the plans for major investment, major assets acquisition and disposal and other major matters of the Bank in accordance with the Articles of Association and within the scope of authorization of the general meeting; to prepare proposals for the amendments to 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.

3.6.1.1 Members of the Board of Directors

Members of the Board of Directors of the Bank as of the disclosure date of this report are listed as follows:

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)
Zhu Hexin	Chairman, Non-executive Director	Male	Mar. 1968	Jun. 2021-Jun. 2024	0	0	–	Yes
Fang Heying	Vice Chairman, Executive Director, President	Male	Jun. 1966	Sep. 2018-Jun. 2024	715,000	915,000	–	Yes
Cao Guoqiang	Non-executive Director	Male	Dec. 1964	Sep. 2018-Jun. 2024	0	0	–	Yes
Liu Cheng	Executive Director, Executive Vice President	Male	Dec. 1967	Mar. 2022-Jun. 2024	0	624,000	202.70	No
Guo Danghuai	Executive Director, Vice President	Male	May 1964	Sep. 2019-Jun. 2024	636,000	636,000	193.20	No
Huang Fang	Non-executive Director	Female	May 1973	Nov. 2016-Jun. 2024	0	0	–	Yes
Wang Yankang	Non-executive Director	Male	Mar. 1971	Apr. 2021-Jun. 2024	0	0	–	Yes
He Cao	Independent Non-executive Director	Male	Sep. 1955	Jun. 2016-when the new Independent Non-executive Director takes office	0	0	30.00	No
Chen Lihua	Independent Non-executive Director	Female	Sep. 1962	Jun. 2016- when the new Independent Non-executive Director takes office	0	0	28.00	No
Qian Jun	Independent Non-executive Director	Male	Jul. 1970	Dec. 2016- when the new Independent Non-executive Director takes office	0	0	31.00	No
Liu Tsz Bun Bennett	Independent Non-executive Director	Male	Dec. 1962	Jun. 2022-Jun. 2024	0	0	14.99	No

Notes:

(1) The starting time of the terms of office of the re-elected/re-engaged directors listed above is the time of their respective initial appointment/engagement.

(2) Mr. He Cao, Ms. Chen Lihua and Mr. Qian Jun have respectively submitted letters of resignation to the Board of Directors because they have been serving as the Bank's independent non-executive directors for six years. The resignation of the abovementioned three independent non-executive directors will take effect when the new independent non-executive directors elected by the Bank's general meeting take office after their qualifications are approved by the CBIRC.

(3) The final remunerations of the directors who receive remunerations from the Bank are still undergoing confirmation, and the remaining amounts will be disclosed upon completion of the confirmation process.

(4) The non-executive directors (not including independent non-executive directors) receive no remuneration for director from the Bank.

(5) Changes in shareholdings of directors, supervisors and senior management members of the Bank during the reporting period listed in Chapter 3 of this report were all attributed to shareholding increase in the secondary market. All of them held the Bank's ordinary H shares, except that Mr. Wang Kang held the Bank's ordinary A shares.

As the Board of Directors developed the *Policy on Diversity of Board Members*, the current session of the Board of Directors consists of members of different genders, ages, cultures, educational backgrounds and professional experiences. Two of the directors are female, making up 18% of the total. Therefore, the composition of the Board of Directors meets the requirement of diversity.

As at the end of the reporting period, none of the incumbent directors during the reporting period was subject to penalties imposed by the securities regulatory authorities in the past three years.

3.6.1.2 Resumes of Directors

Mr. Zhu Hexin Chinese Nationality

Chairman and non-executive director of the Bank. Mr. Zhu has served as the secretary of the Party committee and chairman of CITIC Group Corporation Limited, and the chairman of CITIC Limited and CITIC Corporation Limited since March 2020, and is concurrently the chairman of CITIC Myanmar (Hong Kong) Holding Limited and CITIC Group (Myanmar) Co., Ltd. Prior to that, Mr. Zhu successively served as the vice president of the Bank of Communications of China, the executive director and vice president of Bank of China, the vice governor of Sichuan Province, and the Deputy Governor of the People's Bank of China. Mr. Zhu has nearly thirty years' work experience in finance with rich theoretical knowledge and has accumulated extensive practical experience. Mr. Zhu graduated from Shanghai University of Finance and Economics with a bachelor's degree of engineering in economic information management system. Mr. Zhu is a senior economist.

Mr. Fang Heying Chinese Nationality

Secretary of the Party committee, Vice Chairman, executive director and President 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, vice president and Chief Financial Officer 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. Mr. Fang has 30 years of experience in the Chinese banking industry. He graduated from Hunan College of Finance and Economics (currently Hunan University) and attained with a master's degree in business administration for senior management member from Peking University. 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 and director and deputy general manager of CITIC Financial Holdings Co., Ltd since March 2022. He is concurrently a director of CITIC Agriculture Limited and CITIC Myanmar (Hong Kong) Holdings Limited. 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 (currently Hunan University) with a bachelor's degree in monetary banking and obtained his master's degree in monetary banking from Shaanxi College of Finance and Economics (currently Xi'an Jiaotong University). He is a senior economist.

Mr. Liu Cheng Chinese Nationality

Deputy Secretary of the Party Committee, executive director and Executive Vice President of the Bank. Mr. Liu is concurrently a director of CITIC International Financial Holdings Limited, CNCB (Hong Kong) Investment Co., Ltd. and Asian Financial Cooperation Association (AFCA). He used to be a teacher at the Finance Department of the Central College of Finance and Economics (now Central University of Finance and Economics), and had been working in the National Development and Reform Commission and the General Office of the State Council. He was the chairman of the Board of Supervisors of the Bank from April 2018 to November 2021. Mr. Liu has rich experience in development, reform and finance. He graduated from the Finance Department of the Central College of Finance and Economics, and the School of Finance at Renmin University of China. He obtained a bachelor's degree, a master's degree and a doctoral degree in economics and is a research fellow.

Mr. Guo Danghuai Chinese Nationality

Party Committee member, executive director and Vice President of the Bank. He is concurrently the chairman of CITIC Wealth Management Corporation Limited, CITIC Bank International Limited and CITIC International Assets Management Limited, a director of CITIC International Financial Holdings Limited (concurrently performing duties of CEO), and a director of CNCB (Hong Kong) Investment Co., Ltd. and CITIC aiBank 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), general manager of International Business Department, and assistant president and chief audit officer of the Bank. Mr. Guo has over 30 years of work experience in the 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. Wang Yankang Chinese Nationality

Non-executive director of the Bank. Mr. Wang has served as chief of State-owned Assets Management Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration since August 2016. Previously, he worked at the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration where he successively served as cadre, deputy chief staff member, and chief staff member of the Audit Division; deputy chief of the First Audit Division; deputy chief of the State-owned Assets Management Division; and consultant and deputy chief of the State-owned Assets Management Division. He was once temporarily appointed as the deputy county chief of Yunxi County, Hubei Province. Prior to that, Mr. Wang worked at the Finance Department of Tsinghua University and was assigned by the National Audit Office to the Audit Bureau of the State Tobacco Monopoly Administration. Mr. Wang graduated from Renmin University of China with a bachelor's degree in accounting, and obtained a master's degree in accounting from Beijing Technology and Business University. 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 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 12th and 13th sessions 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 Zhongrong Fund Management Co., Ltd. She used to be 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 director of Fudan University Committee of China National Democratic Construction Association, a research fellow at the Wharton School of the University of Pennsylvania and an associate editor of *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 *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 systems, 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 recently finished books include *Power of China's Finance*.

Mr. Liu Tsz Bun Bennett Chinese Nationality (Hong Kong)

Independent non-executive director of the Bank. Mr. Liu is now an honorary consultant of the Hong Kong Business Accountants Association, an independent director of Shenzhen WeBank Co., Ltd and chairman of the audit committee of its board of directors and an independent director of Ping An Insurance (Group) Company of China, Ltd. He used to be an accounting consulting expert of the Ministry of Finance of China and a Hong Kong member of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Liu had served as a managing partner of audit of KPMG Huazhen LLP China, a managing partner of audit of KPMG Asia Pacific, a chairman of KPMG China and a senior advisor of KPMG Hong Kong. Mr. Liu graduated from the London School of Economics and Political Science with a bachelor's degree in economics. He has the chartered accountant qualification in England and Wales as well as the Hong Kong Institute of Certified Public Accountants senior fellowship.

3.6.1.3 Appointment, Resignation and Dismissal of Directors

On 20 January 2022, the 1st Extraordinary General Meeting of 2022 of the Bank elected Mr. Liu Cheng as an executive director and Mr. Liu Tsz Bun Bennett as an independent non-executive director of the 6th Session of the Board of Directors of the Bank. Upon the approval by the CBIRC, Mr. Liu Cheng began to serve as executive director of the 6th Session of the Board of Directors of the Bank as of 28 March 2022, and Mr. Liu Tsz Bun Bennett began to serve as independent non-executive director of the 6th Session of the Board of Directors of the Bank as of 24 June 2022.

Working as the Bank's independent non-executive directors for six years, Mr. He Cao and Ms. Chen Lihua, on 28 June 2022, and Mr. Qian Jun, on 26 December 2022, respectively resigned from the Board of Directors as the Bank's independent non-executive directors and relevant positions at the special committees under the Board of Directors. As the resignation of the abovementioned three independent non-executive directors will cause the proportion of independent non-executive directors in the Board of Directors to be less than one third, the resignation of Mr. He Cao, Ms. Chen Lihua and Mr. Qian Jun will take effect when the new independent non-executive directors elected by the Bank's annual meeting take office after their qualifications are approved by the CBIRC. Prior to that, Mr. He Cao, Ms. Chen Lihua and Mr. Qian Jun will continue to perform their duties as the Bank's independent non-executive directors and members of the special committees under the Board of Directors in accordance with relevant laws, regulations, regulatory requirements and the provisions in the Bank's Articles of Association.

On 16 November 2022, the 2nd Extraordinary General Meeting of 2022 of the Bank elected Mr. Zhou Bowen and Mr. Wang Huacheng as independent non-executive directors of the 6th Session of the Board of Directors of the Bank. The qualifications of Mr. Zhou Bowen and Mr. Wang Huacheng as independent non-executive directors are to be reviewed and approved by the regulatory authorities.

3.6.2 Information on Work of the Board of Directors

During the reporting period, the Board of Directors convened 15 meetings (including 14 on-site meetings and 1 meeting via written resolutions). At the meetings, the Board of Directors deliberated and adopted 97 proposals, including the *2021 Annual Report, 2021 Profit Distribution Plan, 2022 Business Plan, 2022 Financial Budget Plan, 2021 Sustainable Development Report, 2022 Audit Plan, Development Plan for Tier-two Branches in 2022, Report for the First Quarter of 2022, 2022 Interim Report, Report for the Third Quarter of 2022*, amendment to the information disclosure management measures and supporting rules, amendment to the Articles of Association, nomination of Mr. Zhou Bowen and Mr. Wang Huacheng as candidates for independent non-executive directors of the 6th Session of the Board of Directors of China CITIC Bank Corporation Limited, amendment to the *Management Measures for Asset Impairment of China CITIC Bank*, and formulation of the *Management Measures for Implementation of the Expected Credit Loss Method of China CITIC Bank*. In addition, the Board of Directors listened to 42 presentations respectively regarding the reports on operating results of the Bank in 2021 and each quarter of 2022, reports on comprehensive risk management in 2021 and each quarter of 2022, reports on internal control & compliance and anti-money laundering in 2021 and the first half year of 2022, report on consumer rights protection in 2021 and the first half of 2022, report on outsourcing risk assessment in 2021, development of inclusive finance in 2021 and work plan for 2022, innovations of the Bank in 2021, regulatory circular and rectification in 2021, rectification of problems identified in audits in 2021-2022, etc. In accordance with regulatory requirements and the Articles of Association of the Bank, relevant significant events were all submitted to the on-site Board meetings for deliberation. Matters requiring voting by written resolutions and eligible for the same as per laws, regulations and the Articles of Association of the Bank were deliberated at the meetings for voting by written resolutions.

The resolutions of the Board meetings have been published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank(www.citicbank.com).

The attendance records of the directors of the Bank at the Board meetings in the reporting period are set out in the table below:

Directors	**In-person attendance/ number of meetings during his or her tenure**	**Attendance by proxy/ number of meetings during his or her tenure**	**Attendance of general meetings/number of meetings during his or her tenure**
Zhu Hexin	11/15	4/15	5/5
Fang Heying	15/15	0/15	5/5
Cao Guoqiang	14/15	1/15	4/5
Liu Cheng	10/12	2/12	4/4
Guo Danghuai	14/15	1/15	5/5
Huang Fang	15/15	0/15	5/5
Wang Yankang	15/15	0/15	5/5
He Cao	15/15	0/15	4/5
Chen Lihua	14/15	1/15	4/5
Qian Jun	12/15	3/15	5/5
Liu Tsz Bun Bennett	9/9	0/9	1/1

During the reporting period, none of the Bank's directors raised any objection to the resolutions of the Board of Directors or its special committees of the Bank. During the meetings and the periods when the meetings were not in session, directors of the Bank put forward numbers of advice and suggestions, which were all adopted or responded to by the Bank.

The Nomination and Remuneration Committee under the Bank's Board of Directors examined the qualifications of the nominated directors in terms of their independence, expertise, experience and competence, to ensure the Board of Directors to work efficiently and make scientific decisions. Comprising more than one-third of the members of the Board of Directors, the Bank's independent non-executive directors have no business or financial interest in the Bank or its subsidiaries, nor assume any management posts in the Bank. That ensures their independent status.

3.6.3 Special Committees under the Board of Directors

There are 5 special committees under the Board of Directors, namely the Strategic and Sustainable 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.

3.6.3.1 Strategic and Sustainable Development Committee

On 29 April 2022, upon review and approval at the meeting of the Board of Directors, the former "Strategic Development Committee of the Board of Directors" was renamed the "Strategic and Sustainable Development Committee of the Board of Directors", and the relevant responsibilities of environmental, social and governance (ESG) were added to the Committee's rules of procedures.

As at the end of the reporting period, the Strategic and Sustainable Development Committee of the Board of Directors of the Bank comprised 5 directors, with the Chairman and non-executive director Mr. Zhu Hexin as committee chairman, and Vice Chairman and executive director Mr. Fang Heying, non-executive director Mr. Cao Guoqiang, executive director Mr. Liu Cheng 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 proposals on major cooperation, investment, financing, and merger and acquisition, and make recommendations thereon to the Board of Directors; to supervise and examine the implementation of annual business plans and investment proposals as authorized by the Board of Directors; and to coordinate and promote the ESG system building, review the ESG-related work reports, and press ahead with the implementation of other ESG-related work as required by regulatory authorities.

During the reporting period, the Strategic and Sustainable Development Committee convened 8 meetings[37] in total. At the meetings, it deliberated and adopted 24 proposals, including the shareholder return plan for 2021-2023, 2021 profit distribution plan, 2021 business plan, report on shareholder equity management in 2021, 2022 work plan of the Strategic Development Committee[38] of the Board of Directors, medium-term capital management plan for 2022-2024, data strategy plan, name change of the Strategic Development Committee of the Board of Directors and addition of ESG coordination responsibilities. In addition, it listened to 3 presentations regarding the evaluation report on plan implementation in 2021, development of inclusive finance in 2021 and 2022 work plan, and put forward suggestions on relevant topics.

The attendance records of the Strategic and Sustainable 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 during his or her tenure**	**Attendance by proxy/ number of meetings during his or her tenure**
Zhu Hexin	8/8	0/8
Fang Heying	8/8	0/8
Cao Guoqiang	7/8	1/8
Liu Cheng	3/4	1/4
Qian Jun	7/8	1/8

3.6.3.2 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 Board of Directors of the Bank comprised 5 directors, with independent non-executive director Mr. He Cao as chairman, and non-executive director Mr. Wang Yankang and independent non-executive directors Ms. Chen Lihua, Mr. Qian Jun and Mr. Liu Tsz Bun Bennett as members. The principal responsibilities of the 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.

37 During the reporting period, the Strategic and Sustainable Development Committee held meetings on 20 January, 22 March, 24 March, 29 April, 17 June, 25 August, 1 December and 22 December.

38 This special committee of the Board of Directors was renamed the "Strategic and Sustainable Development Committee of the Board of Directors", the same below.

During the reporting period, the Audit and Related Party Transactions Control Committee convened 15 meetings[37] in total, where it deliberated and adopted 33 proposals including the *2021 Annual Report, Report for the First Quarter of 2022, 2022 Interim Report, Report for the Third Quarter of 2022*, special report of related party transactions for 2021, report on internal control assessment in 2021, 2022 work plan of the Audit and Related Party Transactions Control Committee of the Board of Directors, amendment to the information disclosure management measures and supporting policies, and performance evaluation of audit quality in 2022. It also listened to 11 presentations regarding the reports on operating results of the Bank in 2021 and each quarter of 2022, reports on internal control & compliance and anti-money laundering in 2021 and the first half year of 2022 and report on the effectiveness of audit work in 2022, rectification of problems identified in audits in 2021-2022, etc. and put forward suggestions on relevant topics protectively performing its role in supervision.

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 during his or her tenure	Attendance by proxy/ number of meetings during his or her tenure
He Cao	15/15	0/15
Wang Yankang	15/15	0/15
Chen Lihua	14/15	1/15
Qian Jun	13/15	2/15
Liu Tsz Bun Bennett	9/9	0/9

During the preparation and audit of the Bank's 2022 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 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 21 March 2023, and was of the opinion that the financial statements of the Bank gave a true, accurate and complete view of the overall situation of the Bank. The Audit and Related Party Transaction Control Committee reviewed the external auditor's summary report on annual audit and comprehensively and objectively assessed the performance and professionalism of the annual audit assignment.

37 During the reporting period, the Audit and Related Party Transactions Control Committee held meetings on 19 January, 21 March, 27 April, 26 May, 16 June, 28 June, 26 July, 15 August, 23 August, 27 September, 26 October, 7 November, 30 November, 21 December and 30 December.

3.6.3.3 Risk Management Committee

As at the end of the reporting period, the Risk Management Committee of the Board of Directors of the Bank comprised 6 directors, with Vice Chairman and executive director Mr. Fang Heying as chairman, and executive directors Mr. Liu Cheng and Mr. Guo Danghuai, independent non-executive directors Mr. He Cao, Mr. Qian Jun and Mr. Liu Tsz Bun Bennett as members. The principal responsibilities of the committee include the following: to supervise the senior management's controls of credit risk, liquidity risk, market risk, interest rate risk in the banking book, operational risk, compliance risk, money laundering risk, reputational risk, etc. (the above-mentioned risks refer to the material potential risks that cause direct or indirect economic losses or other losses to the Bank and may cause economic losses or other losses to the Bank in the future); to evaluate risk preference, credit policy, policies on management of liquidity risk, market risk, interest rate risk in the banking book, operational risk, compliance risk, money laundering risk and reputational risk, lawfulness and compliance of business operation, fraud prevention management, risk management profile and risk tolerance of the Bank on a regular basis, and to advise the Board of Directors on how to improve risk management and internal control of the Bank; to review the proposals on risk management submitted to the Board of Directors for review according to the Bank's overall strategies, and make recommendations thereon to the Board of Directors.

During the reporting period, the Risk Management Committee convened 7 meetings[37]. At the meetings, it deliberated and adopted 18 proposals, including the 2021 Report on Assessment of Internal Capital Adequacy, 2021 Report on Management of Capital Adequacy Ratios, 2021 Capital Adequacy Ratio Information Disclosure Report, details of disposed assets in existing wealth management business under the "one policy for one branch" strategy, 2022 Work Plan of the Risk Management Committee of the Board of Directors, and 2022 Risk Preference Statement. It also listened to 26 presentations regarding the reports on comprehensive risk management in 2021 and each quarter of 2022, reports on internal control & compliance and anti-money laundering in 2021 and half year of 2022, report on data governance in 2021, reports on the management of interest rate risk in the banking book in 2021 and half year of 2022, report on outsourcing risk assessment in 2021, report on innovations of the Bank in 2021, regulatory circular and rectification in 2021, and put forward suggestions on relevant topics.

[37] During the reporting period, the Risk Management Committee held meetings on 19 January, 18 March, 22 April, 23 August, 25 October, 1 December and 21 December.

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 during his or her tenure**	**Attendance by proxy/ number of meetings during his or her tenure**
Fang Heying	5/7	2/7
Liu Cheng	3/4	1/4
Guo Danghuai	7/7	0/7
He Cao	7/7	0/7
Qian Jun	5/7	2/7
Liu Tsz Bun Bennett	4/4	0/4

3.6.3.4 Nomination and Remuneration Committee

As at the end of the reporting period, the Nomination and Remuneration Committee of the Board of Directors of the Bank comprised 4 directors, with independent non-executive director Mr. Qian Jun as chairman, and non-executive director Ms. Huang Fang and independent non-executive directors Ms. Chen Lihua and Mr. Liu Tsz Bun Bennett as members. The 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 independent director candidates; 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.

During the reporting period, the Nomination and Remuneration Committee convened 7 meetings[37]. At the meetings, it deliberated and adopted 14 proposals, including the appointment of Mr. Cheng Pusheng as general manager of the Audit Department, Report of the Board of Directors on the Duty Performance of Directors in 2021, 2022 Work Plan of the Nomination and Remuneration Committee under the Board of Directors, appointment of Mr. Liu Cheng as a member of the Strategic Development Committee and Risk Management Committee of the Board of Directors, appointment of Mr. Liu Tsz Bun Bennett as a member of the Risk Management Committee and Audit and Related Party Transactions Control Committee of the Board of Directors, nomination of Mr. Zhou Bowen and Mr. Wang Huacheng as a candidate for independent non-executive director of the 6th Session of the Board of Directors of the Bank, and put forward suggestions on relevant topics.

[37] During the reporting period, the Nomination and Remuneration Committee held meetings on 19 January, 18 March, 27 April, 28 June, 23 August, 27 September and 25 October.

The Bank believes that the diversity of board members is conducive to enhancing its operational quality and is a key factor in attaining strategic goals, maintaining competitive advantages and achieving 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 of Directors.

When reviewing candidates for board directorship and making recommendations to the Board of Directors, 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 of Directors to seek improvement to its diversity in one or more aspects in order to maintain an appropriate and balanced composition of the Board of Directors in the light of the Bank's business development.

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 during his or her tenure**	**Attendance by proxy/ number of meetings during his or her tenure**
Qian Jun	6/7	1/7
Huang Fang	7/7	0/7
Chen Lihua	6/7	1/7
Liu Tsz Bun Bennett	3/3	0/3

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 regulators' requirements, pursued development amid transformation, maintained stable progress in operating results, and achieved sound development in 2022, 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, employee stock ownership plan or other employee incentive measures 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.

3.6.3.5 Consumer Rights Protection Committee

As at the end of the reporting period, the Consumer Rights Protection Committee of the Board of Directors of the Bank comprised 4 directors, with non-executive director Ms. Huang Fang as chairperson, and non-executive director Mr. Wang Yankang and independent non-executive directors Mr. He Cao and Ms. Chen Lihua as members. The principal responsibilities of the 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 as well as the duty performance of the senior management.

During the reporting period, the Consumer Rights Protection Committee convened 2 meetings[37] At the meetings, it deliberated and adopted the proposal on the 2022 Work Plan of the Consumer Rights Protection Committee under the Board of Directors, listened to 2 presentations regarding the report on consumer rights protection work in 2021, the work plan of consumer rights protection in 2022 and the report on consumer rights protection work in the first half of 2022, and put forward suggestions on relevant topics.

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 during his or her tenure**	**Attendance by proxy/ number of meetings during his or her tenure**
Huang Fang	2/2	0/2
Wang Yankang	2/2	0/2
He Cao	2/2	0/2
Chen Lihua	2/2	0/2

37 During the reporting period, the Consumer Rights Protection Committee held meetings on 18 March and 23 August.

3.6.4 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 assured. The Bank has received annual confirmation from each independent non-executive director confirming his/her independence and recognized his/her independence as such.

The Nomination and Remuneration Committee of the Board of Directors reviews the implementation and effectiveness of relevant mechanisms every year. After considering the following factors, the Nomination and Remuneration Committee deemed that the Bank maintained an effective mechanism to ensure the Board of Directors can obtain independent opinions and comments:

- The Board of Directors had four independent non-executive directors, accounting for more than one third of members of the Board of Directors. The chairmen of the Audit and Related Party Transactions Control Committee and the Nomination and Remuneration Committee of the Board of Directors are all independent non-executive directors, and most of their members are independent non-executive directors.

- When reviewing the qualifications of proposed independent non-executive directors, the Nomination and Remuneration Committee of the Board of Directors shall fully consider their independence.

- The Chairman held an annual meeting with all independent non-executive directors without the presence of other directors, and listened to their independent opinions on the Bank's corporate governance and operation management.

- In routine work, the Bank provided effective channels for independent non-executive directors to know about the Bank's operation, and organized business departments to fully communicate with independent non-executive directors according to the latter's reasonable requirements.

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 special 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 and its affiliates by multiple means including field surveys and symposiums. During the reporting period, each of the independent non-executive directors of the Bank worked not less than 15 business days at the Bank.

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

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 special 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 meetings during the reporting period, please refer to "Convening of General Meetings" and "Information on Work of the Board of Directors" in this chapter, respectively.

3.6.5 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.

3.6.6 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.

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

The Board of Directors deliberated the *2022 Sustainable Development Report of China CITIC Bank* as a separate proposal and had no objections to the content of the report.

3.7 Board of Supervisors

3.7.1 Composition and Responsibilities of the Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank accountable to the general meeting. The principal responsibilities of the Board of Supervisors of the Bank include the following: to supervise and guide the strategic planning, financial activities, business decision-making, internal control, risk management, remuneration management, etc. of the Bank; to guide and supervise the internal control of the Bank; and to supervise the duty performance and due diligence of the Board of Directors, the senior management and its members; among others.

3.7.1.1 Members of the Board of Supervisors

Members of the Board of Supervisors of the Bank as of the disclosure date of this report are listed as follows:

Name	Position	Gender	Year and month 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)
Wei Guobin	External Supervisor	Male	Mar. 1959	May 2020-Jun. 2024	0	0	26.00	No
Sun Qixiang	External Supervisor	Female	Sep. 1956	Jun. 2021-Jun. 2024	0	0	26.00	No
Liu Guoling	External Supervisor	Male	Jan. 1960	Jun. 2021-Jun. 2024	0	0	26.00	No
Li Rong	Shareholder Representative Supervisor	Female	Apr. 1968	Jan. 2021-Jun. 2024	364,000	364,000	152.40	No
Cheng Pusheng	Employee Representative Supervisor	Male	Feb. 1968	Mar. 2022-Jun. 2024	354,000	354,000	150.89	No
Chen Panwu	Employee Representative Supervisor	Male	Jan. 1964	Sep. 2017-Jun. 2024	0	334,000	148.39	No
Zeng Yufang	Employee Representative Supervisor	Female	Dec. 1970	Sep. 2017-Jun. 2024	188,000	188,000	119.00	No
Non-incumbent Supervisors								
Li Gang	Employee Representative Supervisor	Male	Mar. 1969	Aug. 2019-Mar. 2022	0	356,000	138.82	No

Notes: (1) The starting time of the terms of office of the re-elected/re-engaged supervisors listed above is the time of their respective initial appointment/engagement.

(2) The final remuneration of the supervisors who received remuneration from the Bank are being confirmed, and the remaining part will be disclosed after confirmation.

(3) The shareholder representative supervisor receives no remuneration for supervisor from the Bank.

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

3.7.1.2 Resumes of Supervisors

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. Sun Qixiang Chinese Nationality

External supervisor of the Bank. Ms. Sun is now a professor and Ph.D tutor of School of Economics, Peking University. Ms. Sun also holds many other prestigious titles, which include the C.V. Starr Professor, the chief expert of the projects sponsored by the National Social Science Fund of China, and the expert receiving Special Government Allowances from the State Council. Ms. Sun concurrently holds a wide array of posts: member of the CBIRC International Advisory Council, member of the Academic Committee at China Society for Finance and Banking, member of the U.S.-based International Insurance Society (IIS) Board, independent director of AVIC Industry-Finance Holdings Co., Ltd. (formerly AVIC Capital Co., Ltd.), and independent director of China Taiping Insurance Group Ltd. In her previous posts, she held a dean of the School of Economics of Peking University, chairperson of the Asia-Pacific Risk and Insurance Association, and visiting professor at Harvard University. Ms. Sun graduated from the School of Economics of Peking University with a doctorate degree in economics.

Mr. Liu Guoling Chinese Nationality

External supervisor of the Bank. Mr. Liu used to work at Agricultural Bank of China (ABC). The positions Mr. Liu ever held at ABC include deputy general manager of the Credit Management Department at the Head Office, vice president of ABC Guangxi Branch, deputy general manager of the Sannong Credit Department at the Head Office, deputy general manager of the Credit Management Department at the Head Office, and head of the Specialized Inspection Team at the Head Office. Mr. Liu is a senior economist and graduated from Renmin University of China, with a bachelor's degree of economics majoring in statistics.

Ms. Li Rong Chinese Nationality

Shareholder 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. Cheng Pusheng Chinese Nationality

Employee representative supervisor of the Bank. Mr. Cheng is now the general manager of the Audit Department of the Bank. Previously, Mr. Cheng was assistant general manager and deputy general manager of the Budget and Finance Department, general manager of the Centralized Purchasing Center, general manager of the Audit Department, and employee representative supervisor of the Bank, president of Taiyuan Branch of the Bank. Mr. Cheng graduated from Shaanxi University of Finance and Economics (now the School of Economics and Finance of Xi'an Jiaotong University) with a master's degree in economics, and is a senior economist.

Mr. Chen Panwu Chinese Nationality

Employee representative supervisor of the Bank. Mr. Chen serves as commissioner 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, general manager of the Culture, Labor Union Office & Security Department of the Bank's Head Office, and a general manager of the Culture and Labor Union 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 U.S. with a master's degree in business administration.

3.7.1.3 Changes in Supervisors

On 10 March 2022, Mr. Cheng Pusheng was elected as the employee representative supervisor of the 6th Session of the Board of Supervisors upon deliberation at the first joint meeting of the second staff representative conference of the Bank in 2022. Mr. Cheng Pusheng has served as employee representative supervisor of the Bank since 14 March 2022 and his term of office will expire at the end of the term of the 6th Session of the Board of Supervisors.

On 14 March 2022, Mr. Li Gang resigned from the positions of employee representative supervisor and member of the Supervision Committee of the Board of Supervisors due to work rearrangement. Mr. Li Gang's resignation took effect on 14 March 2022.

3.7.2 Information on Work of the Board of Supervisors

During the reporting period, the Board of Supervisors convened 11 meetings (all are onsite meetings). Centering on the Bank's central tasks, it strengthened the supervision of financial activities, business decision-making, risk management, internal control, duty performance, etc. At the meetings, the Board of Supervisors deliberated and approved 26 proposals, including those respectively regarding the Bank's periodic reports, profit distribution plan, internal control assessment report, sustainable development report and annual assessment report on the performance of duties. It also listened to 48 presentations respectively regarding the Bank's circular on regulatory policies that touch on corporate governance, plan implementation assessment report, report on operating results, report on comprehensive risk management, report on internal control and compliance, rectification of regulatory issues, consumer rights protection, audit work results, so as to gain an in-depth understanding of the Bank's operation and management status and actively perform its supervision responsibilities. The Board of Supervisors mainly performs its supervisory function through holding meetings. Based on comments and recommendations of supervisors, the Board of Supervisors issued 7 *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 whole process and closed-loop supervision mechanism for meetings, raised the quality and efficiency of the meetings of the Board of Supervisors, and enhanced the interaction of bodies involved in corporate governance. In addition, the Board of Supervisors attended shareholder general meetings, on-site meetings of the Board of Directors, meetings of the special committees of the Board of Directors and meetings of the senior management as non-voting delegates and reviewed various documents and materials submitted by the senior management to ensure adequate supervision over the decision-making process of the Bank's significant events.

During the reporting period, the Board of Supervisors actively explored new working methods, broadened the channels for duty performance, deepened the supervision influence, and promoted the transformation towards "proactive and dynamic supervision". After collective study of the Board of Supervisors, it issued two Supervision Reminder Letters concerning ESG management and the development of inclusive finance business to the Board of Directors and the senior management. By doing so, the Board of Supervisors reminded the Board of Directors and senior management of some trendy and emerging issues and provided pertinent and constructive suggestions concerning the following aspects: systematically putting forward comments and suggestions on improving the ESG management structure in a systemic manner, enhancing the ESG management capacity and strengthening the publicity of ESG management concepts. Under the strong supervision of the Board of Supervisors and the vigorous advancement of the Board of Directors and the senior management, the Bank's ESG management was further strengthened. The former "Strategic Development Committee of the Board of Directors" was renamed "Strategic and Sustainable Development Committee of the Board of Directors", with leading ESG work added into its responsibilities, so the ESG-related management enhancement was carried out in an all-round manner.

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 during his or her tenure	Attendance by proxy/ number of meetings during his or her tenure
Wei Guobin	10/11	1/11
Sun Qixiang	10/11	1/11
Liu Guoling	11/11	0/11
Li Rong	11/11	0/11
Cheng Pusheng	9/10	1/10
Chen Panwu	11/11	0/11
Zeng Yufang	11/11	0/11

Notes: (1) During the reporting period, before his departure as supervisor, Mr. Li Gang attended 1 meeting by proxy which took place during his tenure.

(2) From 14 March 2022 when Mr. Cheng Pusheng served as employee representative supervisor of the 6th session of the Board of Supervisors of the Bank to the end of the reporting period, the Bank held a total of 10 meetings of the Board of Supervisors.

3.7.3 Special Committees under the Board of Supervisors

The Supervision Committee and the Nomination Committee are the special committees set up under the Board of Supervisors.

Supervision Committee

As at the end of the reporting period, the Supervision Committee of the Bank's Board of Supervisors comprised 3 supervisors, with Mr. Wei Guobin as chairman, and Mr. Liu Guoling and Ms. Zeng Yufang as members. The principal 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 of the Bank, and to carry out supervisory inspections of the Bank's financial activities, operational decisions, risk management, internal control, etc.

During the reporting period, the Supervision Committee under the Board of Supervisors convened 4 meetings which deliberated and adopted 11 proposals including those respectively regarding the Bank's periodic reports, profit distribution plan, sustainable development report, internal control assessment report, engagement of the accounting firm for 2022 and their fees, 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 during his or her tenure	Attendance by proxy/ number of meetings during his or her tenure
Wei Guobin	4/4	0/4
Liu Guoling	4/4	0/4
Zeng Yufang	4/4	0/4

Notes: During the reporting period, before his departure as supervisor, Mr. Li Gang should attend 0 meeting taken place during his tenure.

Nomination Committee

As at the end of the reporting period, the Nomination Committee of the Bank's Board of Supervisors comprised 4 supervisors, with Ms. Sun Qixiang as chairperson, and Mr. Liu Guoling, Ms. Li Rong and Mr. Chen Panwu as members. The principal responsibilities of the committee include the following: to study standards and procedures on selecting and appointing supervisors, and to carry out preliminary review of the qualifications and conditions for office of supervisors elected by general meetings 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 2 meetings which listened to the report on the management measures for recourse and withholding of performance-related remuneration, and deliberated and adopted 4 proposals including the assessment report on duty performance of the Board of Directors, the Board of Supervisors, the senior management and its members by the Board of Supervisors, and code of professional ethics for directors, supervisors and senior management members.

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 during his or her tenure	Attendance by proxy/ number of meetings during his or her tenure
Sun Qixiang	2/2	0/2
Liu Guoling	2/2	0/2
Li Rong	2/2	0/2
Chen Panwu	2/2	0/2

3.7.4 Work Performance of External Supervisors

During their decision-making and supervision, the 3 external supervisors of the Bank were free from the influence of substantial shareholders and senior management members as well as other entities and individuals that had a stake in the Bank. They focused on safeguarding the legitimate rights and interests of minority shareholders and other stakeholders, and were able to perform their supervisory duties independently. During the reporting period, the external supervisors of the Bank attended the meetings of the Board of Supervisors, meetings of the Board of Directors and its special committees as non-voting delegates and participated in the thematic surveys of the Board of Supervisors to learn about the operation and management of the Bank. Through studying proposals and special reports, they could make independent, professional and objective judgments on matters of the Bank, and actively expressed comments and suggestions, thus improving the quality and efficiency of the supervision carried out by the Board of Supervisors. During the reporting period, the external supervisors of the Bank invested sufficient time and energy to perform their duties, as they all performed their supervisory function at the Bank for more than 15 business days, which complied with regulatory provisions.

3.7.5 Independent Opinions of the Board of Supervisors on Relevant Matters

3.7.5.1 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.

3.7.5.2 Truthfulness of the Financial Report

The compilation and review process of the financial report was compliant with laws, regulations and regulatory provisions and no misrepresentation, distortion or material defect was identified in the report.

3.7.5.3 Acquisition or Disposal of Assets

The Board of Supervisors was not aware of any acquisition or disposal of assets by the Bank that might constitute insider trading, impair shareholder rights and interests or result in loss of the Bank's assets.

3.7.5.4 Related Party Transactions

The Board of Supervisors was not aware of any related party transactions that might impair the interests of the Bank and its shareholders.

3.7.5.5 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 approval in 2022. 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.

3.7.5.6 Internal Control

The Board of Supervisors deliberated and approved the *2022 Internal Control Assessment Report of China CITIC Bank Corporation Limited*.

3.7.5.7 Performance of Social Responsibilities

The Board of Supervisors deliberated and approved the *2022 Sustainable Development Report of China CITIC Bank Corporation Limited*.

3.7.5.8 Profit Distribution Plan

The Board of Supervisors deliberated and approved the *2022 Profit Distribution Plan of China CITIC Bank Corporation Limited*, and was of the opinion that the profit distribution plan was in compliance with laws, regulations and the *Articles of Association of China CITIC Bank Corporation Limited*. It was in line with interests of all shareholders and conducive to the long-term development of the Bank.

3.7.5.9 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.

3.8 Senior Management

3.8.1 Composition and Responsibilities of the Senior Management

The senior management is accountable to the Board of Directors and subject to the supervision of the Board of Supervisors. There is a strict division of duties and separation of power between the Bank's senior management and the Board of Directors. Pursuant to the Articles of Association and as authorized by the Board of Directors, the senior management carefully carries out operation and management activities and implements the resolutions of the general meeting and the Board meetings. 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 timely, accurately and completely report the Bank's operation and management and provide relevant materials as required by the Board of Directors or the Board of Supervisors. As at the disclosure date of this report, the senior management consist of 11 members.

3.8.1.1 Members of the Senior Management

Members of the senior management of the Bank as at the disclosure date of this report are listed as follows:

Name	Position	Gender	Year and month 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	Vice Chairman, Executive Director, President	Male	Jun. 1966	Since Nov. 2014	715,000	915,000	–	Yes
Liu Cheng	Executive director, Executive Vice President	Male	Dec. 1967	Since Jan. 2022	0	624,000	202.70	No
Guo Danghuai	Executive director, Vice President	Male	May 1964	Since Nov. 2014	636,000	636,000	193.20	No
Wang Kang	Vice President, Chief Financial Officer	Male	Jun. 1972	Since Jan. 2022	16,800	16,800	193.20	No
Hu Gang	Vice President, Chief Risk Officer	Male	Mar. 1967	Since May 2017	666,000	666,000	193.20	No
Xie Zhibin	Vice President	Male	May 1969	Since Jun. 2019	0	353,000	193.20	No
Xiao Huan	Secretary of the Committee for Disciplinary Inspection	Male	Jul. 1972	Since Dec. 2019	640,000	651,000	187.70	No
Lü Tiangui	Vice President	Male	Oct. 1972	Since Aug. 2018	550,000	550,000	193.20	No
Lu Jingen	Business Director	Male	Jun. 1969	Since Aug. 2018	165,000	553,000	178.57	No
Zhang Qing	Board Secretary	Female	Aug. 1968	Since Jul. 2019	550,000	550,000	180.58	No
Liu Honghua	Business Director	Male	May 1964	Since Aug. 2019	540,000	540,000	178.80	No
Non-incumbent senior management members								
Lu Wei	Vice President	Male	Oct. 1971	Jan. 2017-Oct. 2022	530,000	530,000	156.24	No

Notes: (1) The starting time of the terms of office of the re-elected/re-engaged senior management members listed above is the time of their respective initial appointment/engagement.

(2) The final remunerations of members of the senior management who received remuneration from the Bank are still undergoing confirmation, and the remaining amounts will be disclosed upon completion of the confirmation process.

(3) Mr. Wang Kang held 16,800 ordinary A shares of the Bank on 10 January 2022 when he began to serve as Vice President and Chief Financial Officer of the Bank.

As at the end of the reporting period, none of the 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.

3.8.1.2 Resumes of Senior Management Members

Mr. Fang Heying Chinese Nationality

Secretary of the Party Committee, Vice Chairman, executive director and President of the Bank. Please refer to "Composition and Responsibilities of the Board of Directors" in this chapter for Mr. Fang's resume.

Mr. Liu Cheng Chinese Nationality

Deputy Secretary of the Party Committee, executive director and Executive Vice President of the Bank. Please refer to "Composition and Responsibilities of the Board of 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 "Composition and Responsibilities of the Board of Directors" in this chapter for Mr. Guo's resume.

Mr. Wang Kang Chinese Nationality

Party Committee member, Vice President and Chief Financial Officer of the Bank. Mr. Wang concurrently serves as secretary of Party committee and president of Hangzhou Branch of the Bank. He was general manager of the Budget and Finance Department of the Bank, president of Wuxi Branch, general manager of the Asset and Liability Department of the Head Office and Board Secretary of the Bank, director of the Board of Directors Office of CITIC Group Corporation Limited, and joint company secretary of CITIC Limited. Mr. Wang has over 20 years' experience in the Chinese banking industry. He graduated from Nanjing Agricultural University, Central University of Finance and Economics and Cheung Kong Graduate School of Business with a bachelor's degree in engineering, a master's degree in economics and an EMBA respectively. He is a senior economist.

Mr. Hu Gang　Chinese Nationality

Party Committee member, Vice President and Chief Risk Officer of the Bank. Mr. Hu concurrently serves as a director of CITIC Bank International Limited. He 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. 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 Party Committee member and Secretary of the Committee for Disciplinary Inspection 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 Corporation Limited, and served as head of the Organization Division of the Organization Department (Human Resources and Education Department) of the Party Committee of CITIC Group Corporation Limited; deputy chief and chief of the Organization Division and assistant director of the Party Affairs Department of CITIC Group; deputy secretary of the Committee for Disciplinary Inspection and general manager of Department for Disciplinary Inspection and Supervision of the 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. Lü Tiangui　Chinese Nationality

Party Committee member and Vice President of the Bank. Mr. Lü serves as the chairman of CITIC aiBank Corporation Limited and a board director of JSC Altyn Bank, and concurrently acts as a board director of China UnionPay Co., Ltd. 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, and Business Director of the Bank. Earlier, he was deputy chief officer of the risk management division at Jilin Branch of Bank of China Limited. Mr. Lü has nearly 30 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 previously served as the deputy chief of the corporate credit division, president of the Olympic Village sub-branch, president of the CITIC International Building sub-branch, and Party committee member and assistant general manager 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, the secretary of Party committee and president of Kunming Branch, Changsha Branch and Nanjing Branch of the Bank, and general manager of the Corporate Banking Department (Rural Revitalization Department) of the Bank. Mr. Lu has nearly 30 years' experience in the Chinese banking industry. He received his master's degree in economics from Renmin University of China, EMBA degree from Peking University and doctorate degree in management from Central South University. He is a senior economist.

Ms. Zhang Qing　Chinese Nationality

Board Secretary and Company Secretary of the Bank. Ms. Zhang serves as the general manager of the Risk Management Department of the Bank. 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, general manager of the Credit Management Department of the Bank, head of the Organizing Department of the Party Committee and general manager of the Human Resources Management Department of the Bank, and a board director of CITIC Financial Leasing and CNCB (Hong Kong) Investment Limited. 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 30 years' 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 the Party committee and chairman of CITIC Financial Leasing Co., Ltd. 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 of the Head Office. 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, and secretary of Party committee and president of the Bank's Beijing Branch. 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 more than 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.

3.8.1.3 Appointment and Dismissal of Senior Management Members

On 22 November 2021, the 6th meeting of the 6th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, approving the appointment of Mr. Liu Cheng as Executive Vice President and Mr. Wang Kang as Vice President and Chief Financial Officer of the Bank. They shall take office as of the date when relevant qualifications are approved by the regulatory authority. Upon approval by the CBIRC, Mr. Liu Cheng began to serve as Executive Vice President of the Bank as of 7 January 2022, and Mr. Wang Kang began to serve as Vice President and Chief Financial Officer of the Bank as of 10 January 2022. Mr. Fang Heying ceased to concurrently serve as Chief Financial Officer of the Bank.

On 14 October 2022, Mr. Lu Wei submitted his resignation to the Board of Directors of the Bank and resigned as Vice President of the Bank due to job adjustment. Mr. Lu Wei's resignation took effect on the date when the resignation was presented to the Board of Directors of the Bank.

3.8.2 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.

3.9 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 remunerations to directors, supervisors and senior management members who are at the same time the employees of the Bank 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 three parts, which are basic remuneration, floating remuneration and allowance, and shall be decided according to the *Proposal regarding the Director Allowance Policy of the Sixth Session of the Board of Directors and the Proposal regarding the Supervisor Allowance Policy of the Sixth Session of the Board of Supervisors* approved at 2020 Annual General Meeting. 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 contribution retirement schemes as 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 RMB29.4208 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.

3.10 Interests of Directors and Supervisors in Material Contracts

During the reporting period, neither the Bank, its holding companies, any of its subsidiaries nor 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.

3.11 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.

3.12 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.

3.13 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.

3.14 Liability Insurance for Directors, Supervisors and Senior Management Members

In 2022, the Bank bought liability insurance for all of its directors, supervisors and senior management members. In 2022, no director, supervisor or senior management member of the Bank has been benefited by any permitted indemnity provisions that had been or were in force.

3.15 Chairman and President

The Bank set separated positions of its Chairman and President. As at the disclosure date of this report, Mr. Zhu Hexin was Chairman and non-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 the Vice Chairman, executive director and President 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 Chairman and President of the Bank was clearly defined and in compliance with the *Hong Kong Listing Rules*.

3.16 Amendments to the Articles of Association

In May 2025, pursuant to laws, regulations and regulatory requirements and in light of the actual conditions of the Bank, the Bank improved Party building requirements, standardized the management of share repurchase and investment & financing matters, and further improved articles on the management of substantial shareholders, rights and obligations of shareholders, powers and duties of the shareholders general meeting, responsibilities of governance bodies, composition and rules of procedures of the Board of Directors and the Board of Supervisors, and related party transactions in the Articles of Association. The proposal for the amendments to the Articles of Association was considered and approved at the Annual General Meeting of 2021, the First A Shareholders Class Meeting of 2022 and the First H Shareholders Class Meeting of 2022 held on 23 June 2022 and is to be approved by 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.

3.17 Implementation of Share Incentive Scheme, Employee Stock Ownership Plan or Other Employee Incentive Measures during the Reporting Period

The Bank did not have any share incentive scheme, employee stock ownership plan or other employee incentive measures in effect as at the end of the reporting period.

3.18 Company Secretaries as per the Hong Kong Listing Rules

As at the disclosure date of this report, the Bank engaged, externally, Ms. Kam Mei Ha Wendy (FCG, HKFCG) 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 the joint company secretary of the Bank. The contact information of Ms. Zhang Qing is Tel: +86-10-66638188, Fax: +86-10-65559255.

3.19 Independent Non-Executive Directors' Statement on Undertakings Made by CITIC Group and CIFH under the Non-Competition Deed

CITIC Group had transferred its 70.32% equity interest in CIFH to the Bank since 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.

3.20 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, in light of its own real situations and relevant regulatory requirements, the Bank developed the *Code of Professional Ethics for Directors, Supervisors and Senior Management Members of China CITIC Bank Corporation Limited*, and revised corporate governance policies including the *Articles of Association of China CITIC Bank Corporation Limited*, the *Management Measures for Shareholdings and Changes in Shareholdings by Directors, Supervisors and Senior Management Members of China CITIC Bank Corporation Limited*, the *Measures for Equity Management of China CITIC Bank Corporation Limited, the Measures for Consolidated Management of China CITIC Bank Corporation Limited*, the *Management Measures for Investor Relations of China CITIC Bank Corporation Limited*, and the *Rules of Procedures for the Strategic and Sustainable Development Committee under the Board of Directors of China CITIC Bank Corporation Limited*. By doing so, the Board of Directors continued to optimize the corporate governance mechanism of the Bank, improved the mechanism for the performance of its duties, adjusted the responsibilities of the special committees, and clearly defined the code of professional ethics and code of conduct to be observed by the Bank's directors, supervisors and senior management members, hence providing strong support for the Bank to strengthen science-based corporate governance and further standardize shareholders' rights and obligations.

The Board of Supervisors of the Bank continued to strengthen the top-level design, optimized the workflow for agenda item management of meetings of the Board of Supervisors, and defined key supervisory responsibilities. Based on laws, regulations, regulatory requirements and the Bank's reality, the Bank sorted and detailed statutory supervisory duties, revised the Supervisory Duty List for the Board of *Supervisors of China CITIC Bank Corporation Limited* (Version 4.0, 2022) and issued it across the Bank. Increasing and detailing the supervisory responsibilities of the Board of Supervisors, the list covered 42 duties under 6 categories, and was aimed to urge all departments of the Head Offices, all branches and subsidiaries to increase the awareness of actively supporting the work of the Board of Supervisors and make supervision more comprehensive and pertinent. In line with the latest supervisory policies and requirements, the Bank revised the chapter about the Board of Supervisors in the *Articles of Association of China CITIC Bank Corporation Limited* by improving the statements about the deliberative procedures for the rules of procedures of the Board of Supervisors and the composition of the Board of Supervisors, as well as the process for nominating, electing and appointing shareholder representative supervisors, made clear process for electing, dismissing and replacing employee representative supervisors, and revised the statements about the requirements for duty performance by external supervisors. The abovementioned revisions to the Articles of Association were reported to the 11th meeting of the 6th Session of the Board of Supervisors of the Bank, and, in line with the corporate governance rules, were submitted to and approved by the general meeting after being reviewed by the Board of Directors, and are to be effective once being approved by the CBIRC.

3.21 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 them to enhance comprehensive quality and competence for performance of duties in particular. During the reporting period, the Board of Directors and the Board of Supervisors gathered 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 trainings provided by relevant institutions:

Name	Title	Trainer	Training Model	Training Duration (day)
Zhu Hexin	Chairman, Non-executive Director	CSRC Beijing Bureau	Online training	1
Fang Heying	Vice Chairman, Executive Director, President	CSRC Beijing Bureau	Online training	1
Cao Guoqiang	Non-executive Director	CSRC Beijing Bureau	Online training	1
Liu Cheng	Executive Director, Executive Vice President	CSRC Beijing Bureau, SSE	Online training	3.5
Huang Fang	Non-executive Director	CSRC Beijing Bureau	Online training	1
Liu Tsz Bun Bennett	Independent Non-executive Director	SSE	Online training	4.5
Wei Guobin	External Supervisor	CSRC Beijing Bureau, CITIC Group, China CITIC Bank	Online training	5
Sun Qixiang	External Supervisor	CSRC Beijing Bureau, CITIC Group, China CITIC Bank	Online training	5
Liu Guoling	External Supervisor	CSRC Beijing Bureau, CITIC Group, China CITIC Bank	Online training	5
Li Rong	Shareholder Representative Supervisor	CSRC Beijing Bureau, CITIC Group, China CITIC Bank	Online training	5
Cheng Pusheng	Employee Representative Supervisor	CSRC Beijing Bureau, SSE, CITIC Group, China CITIC Bank	Online training	8
Chen Panwu	Employee Representative Supervisor	CSRC Beijing Bureau, CITIC Group, China CITIC Bank	Online training	5
Zeng Yufang	Employee Representative Supervisor	CSRC Beijing Bureau, CITIC Group, China CITIC Bank	Online training	5
Zhang Qing	Board Secretary	CSRC Beijing Bureau, SSE	Online training	2.5

Ms. Zhang Qing, the board secretary and company secretary of the Bank, participated in relevant professional training sessions organized by the regulators and other relevant organizations, had completed 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**
Zhu Hexin *(Chairman, Non-executive director)*	✓	✓
Fang Heying *(Vice Chairman, Executive director, President)*	✓	✓
Cao Guoqiang *(Non-executive director)*	✓	✓
Liu Cheng *(Executive director, Executive Vice President)*	✓	✓
Guo Danghuai *(Executive director, Vice President)*	✓	✓
Huang Fang *(Non-executive director)*	✓	✓
Wang Yankang *(Non-executive director)*	✓	✓
He Cao *(Independent non-executive director)*	✓	✓
Chen Lihua *(Independent non-executive director)*	✓	✓
Qian Jun *(Independent non-executive director)*	✓	✓
Liu Tsz Bun Bennett *(Independent non-executive director)*	✓	✓

3.22 Review and Monitoring of the Company's Policies and Practices in Respect of 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 and control system. It established the working mechanism featuring "head office special rectification, discipline committee in-process monitoring and regular result reporting" and conducted in-depth regulatory rectification result publicity. And it finished internalization of regulatory rules in key aspects of transition such as digitalization so as to give full play of pre-emptive risk prevention and control. It carried out especial review on personal loans and escrow accounts for in-depth governance in key processes. It conducted risk check in key position with multiple departments' cooperation and made substantial breakthroughs in the establishment of the big supervision system. It completed the problematic account governance and introduced sanction-related compliance policies. It also strengthened the duty performance in anti-money laundering, further improved the money laundering and terrorist financing risk prevention and control system, enhanced the synergy in anti-money laundering control, accelerated the transition of auti-money laundering from "compliance-based" towards "risk-based", and intensified the compliance management of overseas institutions to ensure compliance with regulatory requirements. The Board of Directors reviewed internal control and compliance reports on a regular basis, guided and coordinated the building of a compliance risk culture, further enhanced the compliance value recognition of all employees, and reinforced the concept of compliant operation.

The Bank strictly complied with the requirements of the *Announcement on Carrying out Special Governance Actions of Listed Companies* (CSRC Announcement [2020] No. 69) issued by CSRC, conducted self-inspection based on its actual situations, and submitted the self-inspection results in a timely manner. As at the end of the reporting period, Mr. Fang Heying, the President of the Bank concurrently served as Deputy General Manager of the controlling shareholder of the Bank. The above-mentioned position of Mr. Fang Heying is assumed based on the approval of the Organization Department of the CPC Central Committee and the State Council and the overall arrangement of CITIC Group. The Bank with its complete corporate governance structure and effective internal control rules takes concrete and effective measures to ensure its independence..

3.23 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 2022, except for the following:

According to Code C.5.3 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 180 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 C.1.6 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 all general meetings of the Bank in person due to conflict of schedule or other arrangements.

The part "B. Board of Directors" of the *Corporate Governance Code* requires disclosure of details about the non-compliance with Rule 3.10A of the *Hong Kong Listing Rules*. On 20 January 2022, the 1st Extraordinary General Meeting of 2022 of the Bank elected Mr. Liu Cheng as an executive director and Mr. Liu Tsz Bun Bennett as an independent non-executive director of the 6th Session of the Board of Directors of the Bank. On 31 March 2022, the Bank received the reply from CBIRC, which approved Mr. Liu Cheng's qualification as the Bank's executive director. And at that time the qualification of Mr. Liu Tsz Bun Bennett was still under the process of approval by CBIRC. After Mr. Liu Cheng took office as the Bank's executive director, the Board of Directors consisted of four non-executive directors, three executive directors and three independent non-executive directors. That is a temporary non-compliance with Rule 3.10A of the *Hong Kong Listing Rules*, which requires independent non-executive directors shall account for at least one-third of the members of the board of directors. Upon the approval by the CBIRC on 24 June 2022, Mr. Liu Tsz Bun Bennett took office as an independent non-executive director of the Bank. After that, the Board of Directors consisted of four non-executive directors, three executive directors and four independent non-executive directors, which is in line with Rule 3.10A of the *Hong Kong Listing Rules*.

The part "E. Board Committees" of the *Corporate Governance Code* requires the disclosure of the details of non-compliance with Rule 3.21 of the *Hong Kong Listing Rules*. On 10 December 2021, Mr. Yan Lap Kei Isaac was unable to continue performing his duties due to health reason and resigned from the position of independent non-executive director of the Bank. Following the resignation of Mr. Yan Lap Kei Isaac, the Bank temporarily failed to comply with the requirements of Rule 3.10(2) and Rule 3.21 of the *Hong Kong Listing Rules* that at least one of the independent non-executive directors on the Board of Directors and the Audit and Related Party Transactions Control Committee must have appropriate professional qualifications or accounting or related financial management expertise. On 20 January 2022, the Bank's 1st Extraordinary General Meeting of 2022 elected Mr. Liu Tsz Bun Bennett as the independent non-executive director of the 6th Session of the Board of Directors of the Bank. Mr. Liu Tsz Bun Bennett possesses the appropriate professional qualifications and the appropriate accounting or related financial management expertise required by the *Hong Kong Listing Rules*. Upon the approval by the CBIRC, Mr. Liu Tsz Bun Bennett began to serve as an independent non-executive director of the Bank as of 24 June 2022. Upon the approval at the 15th meeting of the 6th Session of the Board of Directors on 29 June 2022, Mr. Liu Tsz Bun Bennett was appointed as a member of the Audit and Related Party Transactions Control Committee of the 6th Session of the Board of Directors, with a term of office as that of his term as a director. After Mr. Liu Tsz Bun Bennett took office as an independent non-executive director of the Bank and a member of the Audit and Related Party Transactions Control Committee of the Board of Directors of the Bank, the composition of both the Board of Directors and the Audit and Related Party Transactions Control Committee of the Bank complied with the requirements of Rule 3.10(2) and Rule 3.21 of the *Hong Kong Listing Rules*.

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.

3.24 Investor Relations

Attaching great importance to communication with investors, the Bank continued to improve its investor relations management and strove to create more value for investors. In the face of the complicated and volatile external environment, the Bank always adhered to an investor-orientated principle, took multiple measures to continuously enhance the depth and breadth of communication with investors, and actively conveyed to the market the Bank's initiatives and achievements in promoting high-quality development. During the reporting period, the Bank ranked among the tops in terms of growth in market capitalization of A and H shares in the Chinese banking industry.

To further increase its communication with investors, particularly minority investors, the Bank held its annual and interim results release conferences via online video live for the whole society for the first time, livestreaming the whole processes through its APP and several other platforms. The annual and interim results release conferences attracted about 13,400 and 22,000 person-times, respectively, which hit record highs, and received positive feedback from the market. After the conferences, the Bank publicized conference records on its official website in time for the investors who were unable to attend the conferences to learn about the Bank's operation and management updates in time. After publicizing results, the Bank launched results roadshows via telephone or video for investors in places like Beijing, Shanghai and Shenzhen, actively introducing the Bank's operational conditions and development strategies to the market, showcasing its development potential and differentiated advantages in wealth management, asset management and comprehensive financing, and thus continuously enhancing investors' recognition of the Bank's values. During the reporting period, the Bank held over 80 investor communication activities, including roadshows, receiving investors for surveys, and attending brokers' strategic meetings. The Bank recorded the abovementioned investor reception and communication activities according to relevant regulatory requirements, and properly kept relevant documents. Moreover, for effectively protecting the rights and interests of minority investors, the Bank actively communicated with minority investors through responding to the SSE e-interactive platform and answering questions from investor via hotline and emails, so as to convey the investment value of the Bank to investors who follow the Bank's development. After the interim results were released, the Bank held a 2-week campaign themed "Upward for Light" to mark its 15th anniversary of listing, inviting minority shareholders to the Bank for visits and communication and listening to shareholders' opinions and suggestions.

3.25 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 nearly 400 periodic reports, extraordinary announcements and other documents at the SSE and the SEHK, totaling more than 4 million words. Meanwhile, in the light of hotspot issues on the capital market, the Bank kept improving the framework and contents of its periodic reports, demonstrated the effectiveness of its strategy implementation and differentiated competitive advantages from multiple perspectives, 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 *Information Disclosure Management Measures for Listed Companies*, the *Rules Governing the Listing of Stocks on the Shanghais Stock Exchange* and other newly amended laws and regulations as well as regulatory provisions, the Bank revised 11 policies including the *Information Disclosure Management Measures* and other supporting rules, further fortifying the compliance foundation for information disclosure. At the same time, the Bank kept improving its management mechanism for inside information, and properly registered inside information and insiders at critical time points, so as to prevent the risks of inside information divulgence and insider trading. During the reporting period, the Bank was not aware of any circumstance where any insider traded the Bank's shares by virtue of inside information.

3.26 Management of Related Party Transactions

During the reporting period, according to the policy changes and management requirements of the CBIRC, the CSRC, the SSE and the SEHK, the Bank continued to attach great importance to the management of related party transactions, improved the management mechanism for related party transactions, optimized its rules and mechanism for such management, enhanced internal control management, review and approval, advanced the IT application and intelligent development for related party transactions, and raised the management quality and efficiency for related party transactions. The Bank also promoted the creation of synergistic value and shareholder value under the premise of compliance, and effectively maintained the interests of the Bank and its shareholders.

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 its 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 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, chaired by an independent non-executive director, has independent non-executive directors as majority members. It 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, attaching importance to the nature of transactions and creating value through compliance" and considering policy changes and regulatory requirements, the Bank reexamined the effectiveness and standardization its related party transactions, pressed ahead with the system and mechanism reform regarding related party transactions, continuously improved the IT application and intelligent operation of related party transactions management, and ensured the compliance and orderly conduct of related party transactions. The Bank studied and implemented regulatory policies. Based on the CBIRC's *Administrative Measures for Related Party Transactions of Banking and Insurance Institutions,* the *SSE Listing Rules* and other policies[37], the Bank conducted in-depth research and analysis of their impact, made implementation plans with reference to the new rules, steadily advanced the implantation of new regulatory rules. It also requested for instructions from regulators concerning doubts and difficulties in new rule implementation, to ensure the management of related party transactions complied with regulatory requirements. It strengthened the compliance awareness of related party transactions continuously, kept close communication with shareholders' related parties based on policy changes and management requirements as well as internal publicity of guiding principles in the new rules, urged shareholders to fulfill their obligations as shareholders in accordance with regulatory requirements, and conducted related party transactions in a compliant manner. As the scope of related parties of shareholders expanded, the Bank effectively carried out the limit management of related party transactions quote and conducted reasonable limit reallocation within the applied upper limits, comprehensively checked future business needs, and timely initiated the adjustment of annual caps of continuing related party transactions, to ensure all related party transactions were carried out in a compliant and orderly manner within the upper limit. Pursuant to the CBIRC's regulations on related party transactions and the Bank's requirements for related party transaction management, the Bank carried out self-inspection and special audits on compliance of related party transactions, improved the day-to-day management of related party transactions and effectively prevented risk of benefit transfer further enhancing internal management. Meanwhile, the Bank moved faster in improving the related party transactions management system. Based on the integration of information on related parties and related party transactions and considering regulatory policy changes and new information reporting requirements, the Bank made active efforts to realize the connection of the related party transaction management system to the human resources system, business systems and external data platforms, thus realizing the automatic system review of related party transactions step by step, continuously increasing the automated collection and statistical processing of information.

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37 SSE released the revised *Listing Rules* on 7 January 2022 (which was revised again in February 2023). The *Administrative Measures for Related Party Transactions of Banking and Insurance Institutions* (the "Administrative Measures") promulgated by the CBIRC took effect as of 1 March 2022. According to the CBIRC notice, the transition period is within one year from the date of implementation of the Administrative Measures, and banking and insurance institutions shall adopt the Administrative Measures within one year.

3.27 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 *2022 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 2022 (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).

3.28 Development and Implementation of Internal Control Policies

During the reporting period, the Bank pressed ahead with the building of "five systems" about internal control and compliance to consolidate the foundation for internal control management across the Bank. To be specific, the Bank built a compliance management system featuring self-discipline, institutional regulation and authorization guidance, and progressively formed a system for compliance risk prevention and control characterized by active management and prevention and control at earlier steps. It established a deviation correction system, and continued to reinforce the work mechanism that integrates rectification, screening and increment control. By defining evaluation indicators scientifically, the Bank built an internal control assessment system that is risk-oriented, based on comprehensive assessment, focused on special assessment and supplemented by trigger assessment. It built a comprehensive supervision system, constantly facilitated the integration between behavior management and business management, and effectively strengthened the management of employee behaviors. The Bank built a money laundering and sanction prevention and control system characterized by coordinated governance, gave play to the synergy of ex ante prevention, interim monitoring and ex post supervision, actively conducted early warning and monitoring of risks, and formed an integrated system for money laundering and sanction risk prevention and control.

The Bank carried out regular policy governance. It established the working mechanism for regular policy governance aimed to strengthen compliance, tighten internal control and promote development, organized the Head Office and branches to conduct policy re-inspections, and, with a focus on problems like insufficient development of internal policies and procedures in line with the latest regulatory rules, less effective implementation of policies and irrational process for policy management, established, revised and abolished policies in time. During the reporting period, with 2,133 policies released and 2,910 policies abolished, the Bank continued to build a streamlined and efficient policy system.

The Bank developed a differentiated authorization plan. In line with the overall requirements, i.e. varying authorization with persons, places, quality and customers, the Bank exercised refined management over the contents of authorization, scope of authority and requirements on the exercise of authority. It improved relevant business management systems, locked the authority of approval, and strengthened machine control authorization and rigid system control. Also, the Bank established a mechanism for authorization supervision and inspection, to supervise and inspect re-authorization and the implementation of authorization, and standardize the management of authorization and the exercise of powers.

The Bank perfected the working mechanism for integrated rectification. Based on national macro policies, focuses of regulation and operation reality, the Bank tailored a list of problem rectification. By using governance tools for assessment, screening and incremental control, etc., all branches and sub-branches systematically rectified and corrected key and difficult problems. These efforts helped improve the effectiveness of internal control management across the Bank.

The Bank popularized the mechanism for grid-based score management in an all-round way. It built and applied the grid-based structure for the supervision and management of employee behaviors, which was characterized by "seven horizontal and seven vertical grids", systematically combined management means including "three inspections and four visits", unannounced inspections and behavior check, and developed effective tools for management grids at all levels. On such basis, the Bank innovatively introduced the mechanism for grid-based score management of employees' abnormal behaviors, and intensified supervision over duty performance in primary-level grids, to effectively promote the identification of illegal behaviors at earlier stages when they just emerged.

The Bank deepened the building of compliance culture. It followed the requirements imposed by the Group for the "Year for Compliance Culture Cultivation", and organized nearly 60 thousand compliance trainings at multiple levels and more than 6,000 lectures in Head Office and branches. And it continuously push contents such as regulatory trends, policy explanation and experience sharing through its Wechat account, 5C platform and many other online channels. And it organized the "compliance season" activities for seven consecutive years and conducted "compliance face to face", warning lessons and risk checks in key areas and many other works in the light of overall annual work plan to create the atmosphere of risk compliance culture featuring "upholding fundamental principles and focusing on the behavior of oneself".

3.29 Internal Audit

The Bank established an independent and vertical system for internal audit, with the internal audit departments carrying out work under direct leadership of the Board of Directors and responsible and reporting to the Board of Directors. The Board of Directors is responsible for the independence and effectiveness of internal audit and provides necessary protection for internal audit to be carried out independently and objectively. The Bank's internal audit departments consist of the Head Office's Audit Department and eight regional audit centers under its direct management, which perform the duty of audit and supervision and are independent from business operation, risk management, and internal control and compliance.

Aligning internal audit with the orientation of preventing risks, strengthening management and facilitating development, the Bank, guided by the *Five-Year Plan for the Development of Audit Work (2021-2025)*, deepened the transformation of audit, steadily advanced the implementation of annual audit plans, built a long-lasting mechanism for problem supervision and rectification, and gave play to the role of risk warning, supervision and assessment, and valued-added governance.

During the reporting period, the Bank continuously accelerated the digital transformation of internal audit, and promoted the off-site continuous audit model. Following the risk-oriented principle, it reasonably and dynamically allocated resources, and stepped up audit and supervision over the implementation of major policies, prevention against major risks and exercise of major powers. It also increased audit efforts targeted at tier-two branches with weak internal control, key positions with centralized power, key fields with intensive capital and other abnormalities. During the reporting period, the Bank carried out special audits on corporate credit granting, real estate financing, government credit-based financing, personal unsecured loans, comprehensive risk management, liability quality, performance-based compensation, anti-money laundering and information technology, paid continued attention to internal control risks amid complex operating environment and contributed to the high-quality and sustainable development of the Bank.

3.30 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 2022 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 relevant 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) on the disclosure date of the report.

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 2022.

3.31 Auditors and Their Remunerations

With regard to the auditors engaged by the Bank for the reporting period and their remunerations, please refer to Chapter 5 "Report of the Board of Directors – Engagement of Auditors" of this report for details thereof.

PricewaterhouseCoopers was the overseas auditor engaged by the Bank. Its statement of reporting obligation in respect of the consolidated financial statements is set out in Chapter 9 "Independent Auditor's Report and Audited Financial Statements" of this report.

3.32 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. Considering 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 2 "Management Discussion and Analysis – Risk Management" of this report.

3.33 Management and Control over Subsidiaries

During the reporting period, in accordance with relevant regulatory requirements, the Bank continued to improve the management systems and mechanisms for subsidiaries, further enhanced the management capability, and participated in the corporate governance of subsidiaries in compliance with laws and regulations. It pushed subsidiaries to establish an independent and effective corporate governance structure with effective checks and balances, reinforced internal control over risks, and refined the business collaboration mechanism between the parent company and its subsidiaries, enabling subsidiaries to enhance market competitiveness. Developing the guidelines for subsidiary management after in-depth survey, the Bank formulated new policies and procedures in line with regulatory rules in all aspects, re-examined and revised the *Measures for Consolidated Management of China CITIC Bank Corporation Limited*, further improved various management policies, and put in place a matrix-like consolidated management system covering all elements like corporate governance, comprehensive risk management and business synergy. The Bank set up a cross-functional working group headed by the senior management and held regular meetings, established a mechanism for regular communication between the parent company and subsidiaries, supervised the implementation of the guidelines for subsidiary management, continuously enhanced management efficiency and advanced the progress in key affairs in a coordinated manner. The Bank pressed ahead with the "delayering and downsizing" move, refined the structure of subsidiaries, reduced equity levels, focused more on primary duties and businesses, optimized the allocation of resources, and increased the quality and effectiveness of penetration management. The Bank has initially built a consolidated management platform covering "all institutions, all elements, all processes and all aspects" to further enhance the systematic and digital management of subsidiaries. No new subsidiaries were purchased during the reporting period.

3.34 Information on Staff and Affiliates

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

As at the end of the reporting period, the Group had 61,103 employees, including 60,314 under labor contracts with the Group and 789 dispatched to the Group or hired with letters of engagement by the Group. The Bank had 57,023 employees, of which 12,046 served as managerial function, 41,685 as business function and 3,292 as supporting function, accounting for 21.13%, 73.10% and 5.77% respectively. 14,622 employees, 25.64% of the total, held post-graduate degrees or above; 40,354 employees, 70.77% of the total, held bachelor's degrees; and 2,047 employees, 3.59% of the total, held junior diplomas and qualifications below junior diploma level. The Group bore fees for 2,238 retirees.

The Bank attached a great importance to the diversity of its employees, and as at the end of the reporting period, male and female employees (senior management included) accounted for 44.91% and 55.09% of the total respectively. The Bank is of the view that the diversity at the level of employees (senior management included) had been achieved.

The Bank's Affiliates List (subsidiaries not included)

Division of Region	Name of the affiliate	Business Address/Postal code	Number of outlets	Number of staffs	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	2,295	2,927,154
	Credit Card Center	Address: CITIC Bank Building, No. 121 Fuhua 1st Road, Futian Street, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	1	5,256	504,861

Division of Region	Name of the affiliate	Business Address/Postal code	Number of outlets	Number of staffs	Total assets (RMB million)
Bohai Rim	Beijing Branch	Address: Building C, 1/F Building D, 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	77	3,260	1,253,047
	Tianjin Branch	Address: A5 No. 162 Zhangzizhong Road, Heping District, Tianjin Postal Code: 300020	36	973	111,392
	Shijiazhuang Branch	Address: CITIC Tower, No. 10, Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei Province Postal Code: 050000	63	1,816	127,834
	Jinan Branch	Address: CITIC Plaza, No. 150, Luoyuan Street, Jinan, Shandong Province Postal Code: 250002	47	1,577	126,399
	Qingdao Branch	Address: No. 22, Hong Kong Middle Road, Qingdao, Shandong Province Postal Code: 266071	53	1,672	139,247
	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	24	770	64,239
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	55	1,890	552,755
	Nanjing Branch	Address: CITIC Tower, No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	85	3,365	468,381
	Suzhou Branch	Address: West Building, Business Center, Financial Harbor, No. 266 East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province Postal Code: 215028	28	1,188	187,445
	Hangzhou Branch	Address: No. 9 Jiefang East Road, Shangcheng District, Hangzhou, Zhejiang Province Postal Code: 310016	92	3,867	572,397
	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	28	866	110,215

Division of Region	Name of the affiliate	Business Address/Postal code	Number of outlets	Number of staffs	Total assets (RMB million)
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	1,505	108,718
	Xiamen Branch	Address: 334-101, 201, 301, 401, Hubin South Road, Siming District, Xiamen, Fujian Province Postal Code: 361000	16	465	28,223
	Guangzhou Branch	Address: CITIC Plaza, No. 233, Tianhe North Road, Guangzhou, Guangdong Province Postal Code: 510613	104	3,378	431,628
	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	51	1,697	413,585
	Haikou Branch	Address: Banshan Garden, No. 1 Jinmao Middle Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	11	336	19,022
Central China	Hefei Branch	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	40	1,146	127,403
	Zhengzhou Branch	Address: CITIC Bank Building, No. 1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	86	2,354	237,025
	Wuhan Branch	Address: CITIC Tower, No. 747 Jianshe Avenue, Hankou, Wuhan, Hubei Province Postal Code: 430000	48	1,515	193,129
	Changsha Branch	Address: No. 1500 Third Section of Xiangjiang North Road, Kaifu District, Changsha, Hunan Province Postal Code: 410011	41	1,221	124,883
	Nanchang Branch	Address: Building D3, Lvdi Central Plaza, No. 998, Hongguzhong Avenue, Honggutan District, Nanchang, Jiangxi Province Postal Code: 330038	20	703	91,674
	Taiyuan Branch	Address: 1-17/F, Building 31, No. 65 Pingyang Road, Xiaodian District, Taiyuan, Shanxi Province Postal Code: 030006	30	926	67,333

Division of Region	Name of the affiliate	Business Address/Postal code	Number of outlets	Number of staffs	Total assets (RMB million)
Western China	Chongqing Branch	Address: No. 5 Jiangbeicheng West Avenue, Jiangbei District, Chongqing Postal Code: 400021	32	1,108	140,303
	Nanning Branch	Address: No. 36-1, Shuangyong Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	19	554	52,507
	Guiyang Branch	Address: North Second Tower, BL Zone, Guizhou Financial City, Changling North Road, Guanshanhu District, Guiyang, Guizhou Province Postal Code: 550081	15	445	36,970
	Hohhot Branch	Address: CITIC Tower, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010010	32	857	47,827
	Yinchuan Branch	Address: No. 160 Beijing Middle Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	8	247	17,536
	Xining Branch	Address: Building 2, Shengshida Financial Center, Wenyuan Road No.1, Chengxi District, Xining, Qinghai Province Postal Code: 810008	9	223	16,233
	Xi'an Branch	Address: No. 1, Middle Section of Zhuque Road, Xi'an, Shaanxi Province Postal Code: 710061	38	1,139	94,302
	Chengdu Branch	Address: La Defense Tower, No. 1480 North Section of Tianfu Avenue, High-Tech Zone, Chengdu, Sichuan Province Postal Code: 610042	44	1,324	148,417
	Urumqi Branch	Address: CITIC Bank Tower, No. 165, Xinhua North Road, Urumqi, Xinjiang Uygur Autonomous Region Postal Code: 830002	12	387	25,208
	Kunming Branch	Address: Fulin Square, Baoshan Street, Wuhua District, Kunming, Yunnan Province Postal Code: 650021	31	854	78,848
	Lanzhou Branch	Address: No. 9 Minzhu West Road, Chengguan District, Lanzhou, Gansu Province Postal Code: 730000	13	333	20,313
	Lhasa Branch	Address: No. 22 Jiangsu Road, Lhasa, Tibet Autonomous Region Postal Code: 850000	2	123	6,580

Division of Region	Name of the affiliate	Business Address/Postal code	Number of outlets	Number of staffs	Total assets (RMB million)
Northeastern China	Harbin Branch	Address: CITIC Tower, No. 236, Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150000	18	509	32,181
	Changchun Branch	Address: No. 718, Jiangong South Road, Chaoyang District, Changchun, Jilin Province Postal Code: 130000	21	491	37,669
	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	46	1,358	52,358
Overseas	London Branch	5th Floor, 99 Gresham Street, London, EC2V 7NG, UK	1	35	22,152
	Sydney Representative Office	Level 27, Gateway, 1 Macquarie Place, Sydney, NSW 2000, Australia	1	3	–

Notes: (1) In addition to the data listed in the above table, the Bank's staff also included 2,984 employees at its directly affiliated Software Development Center, Big Data Center and Technology Operation Center, 3 employees at Hong Kong Branch (under preparation) as well as 5 employees seconded to JSC Altyn Bank.

(2) The Credit Card Center mentioned in the above table had 76 sub-centers.

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

3.34.2 Human Resources Management

During the reporting period, the Bank strengthened the top-level design for talent work, developed a plan for talent development, and refined the system and mechanism for selecting members of leadership and gathering and training talents. Aligned with business transformation, the Bank precisely allocated human resources, training resources and renumeration resources across the Bank, and advanced the building of talent teams in a coordinated manner to increase their professional competence and continuously stimulate their vigor in working and entrepreneurship.

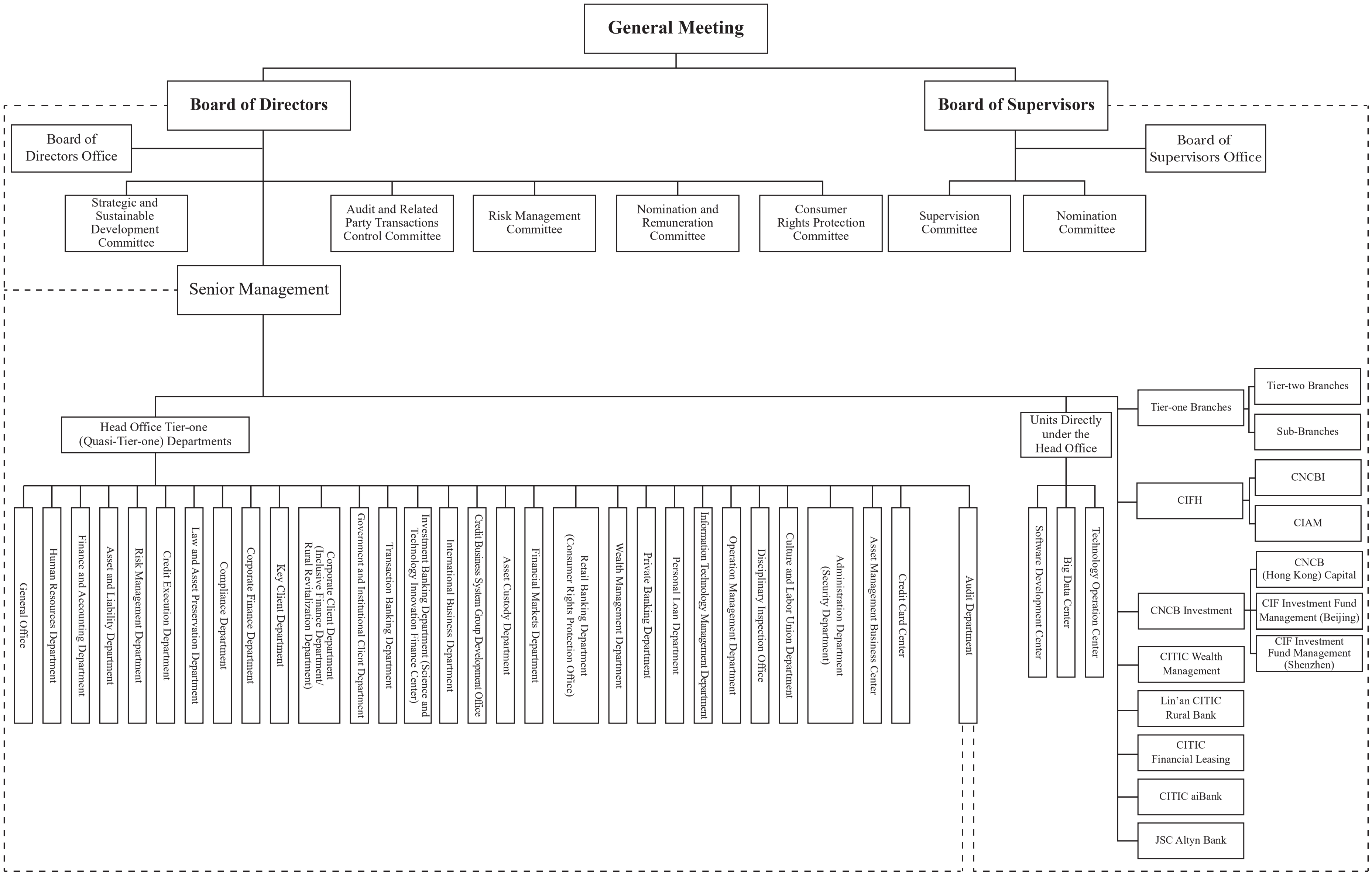
During the reporting period, the Bank adhered to a remuneration concept featuring position value, performance contribution and competence unleashing. In accordance with the principle of unifying effective incentives with strict constraints, the Bank constantly optimized the remuneration distribution mechanism with value creation at the core, improved the structure for internal income distribution, channeled more remuneration resources to front office and basic-level employees, and gave full play to the positive incentive role of remuneration, so as to drive the strategic development of the Bank and implement various regulatory requirements.

Employee renumeration of the Bank consists of basic remuneration and performance-based remuneration, with the former determined by employees' job responsibilities and abilities in duty performance, and the latter linked to the Bank's overall operating results and employees' personal performance. In accordance with national policies, the Bank put in place a remuneration mechanism that matches renumeration incentives with performance and risk, continuously improved the policy of delayed payment of performance-based renumeration for middle and senior-level officials and employees in key positions, and established a system for the clawback of performance-based remuneration paid to employees violating rules or disciplines or performing duties poorly based on the decisions about accountability.

3.34.3 Human Resources Training and Development

The Bank carried out training centering on the Bank's business development and employee growth, and held 3,737 training sessions during the reporting period, recording 850,300 person-times participation. Focusing on key themes like wealth management, treasury business, digital operation and anti-money laundering practice, the Bank provided business training by levels and categories for first-line employees, and pressed ahead with the face-to-face "pre-service and on-the-job" training for management personnel and the cultivation of various talent teams. The Bank developed and initiated the *Three-Year Plan for the Education and Training of Party Members of China CITIC Bank Corporation Limited*, and, with the online Party school as the main training venue, advanced the education and training of Party members across the Bank in a deep-going way. Meanwhile, aligned with the strategy of digital transformation, the Bank initially built a bank-wide digital competence training system, and held online training for the "Accelerated Digitalization Campaign", raising employees' digital thinking and awareness and creating a sound atmosphere for digital transformation. Thanks to its outstanding performance in talent training, the Bank was honored by the *Training* magazine awards including "Excellent Practice Case", "Brand Learning Project" and "Selected Training Course" for enterprise talent development.

3.34.4 Organizational Chart



CHAPTER 4 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The Bank attaches great importance to the mutual sustainable development along with all stakeholders. It fully integrates the sustainable development concept into its strategy and culture, continuously improves the sustainable development management system, and is committed to becoming a green bank, humanistic bank, caring bank, honest bank, value bank and brand bank.

During the reporting period, the Bank reinforced the role of the Board of Directors in providing strategic guidance for ESG development. The "Strategic Development Committee" under the Board of Directors was renamed to the "Strategic and Sustainable Development Committee", which is responsible for coordinating ESG system development. The Bank continuously improved the ESG management system, formulated the *Measures of China CITIC Bank Corporation Limited for Environmental*, *Social and Governance Management*, and further optimized the ESG mechanism. The Bank drafted the *Environmental, Social and Governance Action Plan of China CITIC Bank Corporation Limited*, setting short and medium-term ESG development objectives and charting a clear implementation path.

In November 2022, the Bank officially became the supporter of Task Force on Climate-Related Financial Disclosure (TCFD).

For further information about the Bank's ESG, please refer to the *2022 Sustainable Development Report of China CITIC Bank Corporation Limited* published by the Bank on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on the publication date of this report.

4.1 Environment Information

The Bank incorporated green finance into its strategic planning, established a green finance development system, formulated green finance credit policies, and actively supported the development of green finance. Following the requirements of national policies on energy conservation and environmental protection, the Bank actively pushed forward relevant measures for green operation, always advocated "green office", strengthened "carbon footprint" audit, and supported the realization of the goals of "peak carbon emissions" and "carbon neutrality". During the reporting period, there was no administrative punishment imposed to the Bank due to environmental issues.

4.1.1 Green Finance

The Strategic and Sustainable Development Committee under the Board of Directors is responsible for reviewing green finance development strategies, objectives and reports, supervising and assessing the Bank's implementation of green finance. The steering group for green finance headed by the President of the Bank was established to be responsible for coordinating the management and advancement of the Bank's green finance business, developing green finance business development strategies and objectives, and guiding the implementation of green finance.

During the reporting period, the Bank conducted in-depth research on green finance sector, and completed the industrial research on green and low-carbon areas such as new energy vehicle, new energy and carbon trading as well as the areas under high carbon reduction pressure such as coal, steel, cement and thermal power. The Bank formulated green finance credit policies, clarified its green finance policies and business orientation, proactively supported the industries abreast with green development trends, and raised the proportion of green business. As at the end of the reporting period, the balance of green credit was RMB334.082 billion, representing an increase of 66.97% compared with the end of the previous year, a growth rate exceeding that of other credits of the Bank.

In response to the state's major policies and strategic plans, the Bank made unremitting efforts in business innovation, increased support to green finance, and endeavored to boost green economic development.

In terms of green bonds, during the reporting period, green bonds underwritten by the Bank totaled RMB5.526 billion. Meanwhile, the Bank paid continuous attention to the financial products themed on ecology and environmental protection such as carbon neutrality, and further strengthened support to green bonds. As at the end of the reporting period, the investment in green bonds totaled RMB10.676 billion.

In terms of structured deposits related to carbon neutrality, with strong product design capacities, the Bank issued the first structured deposit product pegged to carbon neutrality interest rate bond in China. As at the end of 2022, the Bank issued 11 structured deposit products related to carbon neutrality accumulatively, surpassing RMB1.13 billion in total amount, and effectively increased the activity of trading for green bonds related to carbon neutrality in the market.

In terms of green wealth management, CITIC Wealth Management actively delivered green value, and made breakthroughs in green finance products. During the reporting period, it issued 9 products themed on ESG and green concept. As at the end of the reporting period, there were 12 green wealth management products with a total scale of RMB2.996 billion.

In terms of green leasing, CITIC Financial Leasing leveraged its specialized advantages to accelerate the development of household distributed photovoltaic and promote the development of green and intelligent shipping, with the focus on three fields which are new energy, new materials and new environment. As at the end of the reporting period, the leasing balance in the green and environmental protection filed accounted for nearly 60% of the total, and the green leasing balance reached RMB27.474 billion.

4.1.2 Green Operation

The Bank actively put green operation and office concept into practice, and constantly managed its environmental footprint in five aspects including energy, carbon emission, water use, paper consumption and waste, with a view to minimize resource consumption and pollutant discharge.

In terms of energy management, the Bank took a range of energy saving measures to reduce carbon emissions from operating activities. **In terms of the use of official vehicles**, the Bank implemented allocation and procurement standards for official vehicles, and gave priority to new energy vehicles to control gasoline consumption at the source. **In terms of the use of natural gas**, the natural gas valves were closed in time to reduce natural gas consumption, and at the same time, natural gas pipelines were checked on a regular basis and problems were processed. **In terms of the use of the lighting system**, the Bank preferably selected energy-saving lamps and electric appliances, and kept lighting facilities off in idle offices and meeting rooms. **In terms of the use of the air conditioning system**, the Bank's headquarters are set at a suitable temperature, with the volume automatically adjusted in different periods, and the air conditioning is kept off on Saturdays, Sundays and statutory holidays.

In terms of water resource management, the Bank refined the management of water resources. It proactively promoted water-saving appliances, stepped up the maintenance of water-using equipment, used water dispensers in tea rooms and regularly replaced filter. Employees were reminded to turn off faucets after use.

In terms of paper management, the Bank pursued paperless office and encouraged email instead of printing and copying. The mode is defaulted as "double-sided printing" on computers, and the paper weight in the headquarters was reduced from 80g to 70g.

In terms of waste management, the Bank adopted sound and reasonable methods to ensure proper treatment and disposal of different types of waste.

The Bank vigorously facilitated social transformation towards low carbon. It constantly enriched online products and improved online services to create premium personalized customer experience. In addition, it streamlined the repayment process via mobile banking through intelligent solutions to achieve one-key repayment, and optimized the error page prompts and operation guidance, reducing customers' physical travel needs to outlets.

The Bank launched a folder product for e-voice management for corporate customers. As at the end of 2022, it provided full-process e-voice management services such as e-invoice collection, authentication and duplication check, reimbursement and filing for 8,838 corporate customers to reduce the waste caused by printing of accounting documents, helping enterprises to realize paperless e-invoice management in the whole process. It also introduced electronic credential standards in the form of OFD recognized by the MOF, providing directly linked customers with online electronic credentials such as corporate bank receipt and full statement in the form of OFD.

4.2 Social Responsibility Information

The Group took solid steps to fulfill its social responsibilities. In response to the national strategic plans for rural revitalization, it boosted rural revitalization through financial services. The Bank constantly promoted the targeted financial assistance, consolidated the achievements of poverty alleviation, tried to protect customers rights and interests, enhanced the popularization and education of financial knowledge, focused on the data and privacy security, and reinforced the control of the security operation.

4.2.1 Rural Revitalization

The Bank conscientiously implemented the strategic plans of the CPC Central Committee and the State Council for rural revitalization, and strictly observed the policies of the People's Bank of China and CBIRC. It developed an action plan for rural revitalization, increased the granting of rural revitalization loans through system and mechanism development, policy support and other measures, consistently improved the quality and efficiency of financial services to boost rural revitalization, and developed distinctive service capacities.

During the reporting period, the Bank kept improving its rural revitalization system, set up a steering group for inclusive finance and rural revitalization headed by the President, strengthened institutional setting and staffing of the Head Office and branches, and preliminarily built an organizational structure for rural revitalization.

During the reporting period, the Bank further improved its performance evaluation incentive and risk policies for rural revitalization, expanded the scope of subsidies applicable to rural revitalization loans, perfected business authorization and NPL tolerance evaluation mechanisms, and instructed branches to expand rural revitalization business through policies and supporting measures.

As for business expansion, the Bank regularly held rural revitalization business advancement and discussion meetings, strengthened cooperation with companies in the national agricultural credit guarantee system, and leveraged online products to serve new-type agricultural operation entities such as micro and small agricultural enterprises at the upstream and downstream of core enterprises and farmer cooperatives. It launched products exclusive for rural revitalization such as high-standard farmland construction loan and forest ownership mortgage loan, and created agriculture-related distinctive products and models such as "Forest Loan", "Silage Loan" and "Silage Financing" based on regional characteristics. During the reporting period, the Bank witnessed a surge in agriculture-related loans, surpassing 10% of all general loans and enabling the Bank the only joint-stock bank named "excellent financial institutions in serving rural revitalization" in regulatory evaluation.

As at the end of the reporting period, the Bank had 48.3 thousand accounts of agriculture-related customers, up by 2.2 thousand accounts compared with the end of the previous year. The balance of the Bank's agriculture-related loans stood at RMB486.930 billion, up by RMB90.339 billion or 22.78% compared with the end of the previous year, faster than average growth rate of all general loans. Among them, the balance of personal agriculture-related loans amounted to RMB35.125 billion, an increase of RMB4.613 billion or 15.12% from the beginning of the year; the balance of agriculture-related inclusive loans was RMB33.066 billion, an increase of RMB8.984 billion or 37.31% from the beginning of the year; loans granted to key areas such as agriculture, forestry, animal husbandry and fishery as well as rural infrastructure also recorded growth.

4.2.2 Consolidation and Expansion of Achievements in Poverty Alleviation

Precision Assistance with Financial Services

During the reporting period, the Bank proactively fulfilled its responsibilities as a state-owned financial enterprise, and effectively consolidated and expanded achievements made in the fight against poverty alleviation through the regular meetings held by inclusive finance and rural revitalization leader group and the working group consisting of more than 30 related departments.

During the reporting period, the Bank strictly implemented the requirements of shaking off no responsibilities, policies, assistance and regulations even when poverty has been shaken off, maintained supporting policies and efforts stable, and advanced the sustained growth of balance of loans for precision poverty alleviation with financial services and loans in previously impoverished areas. The Bank increased guidance for credit granting, focused on key areas such as industrial assistance, employment assistance and micro-credit for those who have got rid of poverty, and strengthened credit support based on the list of poverty alleviation identification information to make assistance with financial services more precise. The Bank scaled up product service support, pressed ahead with infrastructure construction such as mobile banking and online banking, optimized and promoted online products and supply chain financial services, and expanded the coverage of financial services. It provided continuous policy and resource support, incorporated the business performance of loans for precision poverty alleviation into the comprehensive performance appraisal of branches and put in place the allocation of special subsidies. Furthermore, the Bank specified requirements for risk tolerance, and implemented due diligence liability exemption. As at the end of the reporting period, the Bank's balance of loans for precision poverty alleviation with financial services stood at RMB32.833 billion, a rise of RMB1.984 billion from the end of last year. The number of customers with outstanding loans was 1.016 million. During the reporting period, the risk interest rate of loans newly granted was basically balanced.

In 2023, following the decisions and plans of the nation, the Bank will conscientiously implement regulatory requirements, strengthen top-level planning and support in key areas, improve project screening and risk management, grant loans in compliance with the law, and effectively consolidate and expand the poverty alleviation outcomes.

Poverty Alleviation with Donations

With the focus on four aspects of paired assistance, assistance through education, charity, and assistance through consumption during the reporting period, the Bank continued to carry out paired poverty alleviation in Xietongmen County of Tibet, Aksu City and Payzawat County of Xinjiang, Dangchang County of Gansu Province, Pingbian County of Yunnan Province and Qianjiang District of Chongqing as well as projects of poverty alleviation through education in 19 provinces, cities and autonomous regions across China. Under the organization of local governments, 23 branches of the Bank consistently supported 57 villages which have shaken off poverty to consolidate poverty alleviation achievements and pursue rural revitalization. As at the end of 2022, the Bank dispatched a total of 73 full-time and part-time officials (including 24 officials serving as the first secretary and 3 officials residing at counties (districts)) to 42 villages in 3 counties (districts).

Unit: RMB10,000

Item	Numbers and Progress
Overview	
Invested funds	855.04
Benefited Low-income People or People in Need	122.1 thousand people from 36.8 thousand households
Inputs by major category	
Paired Assistance	
Including: Types of Assistance	Rural industries, infrastructure, education, culture, ecological revitalization, consolidation of poverty alleviation results and others
Number of Assistance Projects (unit)	98
Invested Amount	469.72
Assistance through Education	
Including: Amount of Financial Assistance for Students in Difficulty	241.14
Number of Students Assisted (person)	8,204
Charity	
Including: Types of Implemented Projects	Urban and rural social welfare activities, disaster relief, etc.
Number of Projects (unit)	92
Amount of Donations of Charity Projects	161.09
Assistance through Consumption	
Including: Amount of Agricultural Products Procured from Less Developed Areas	4,590.26

4.2.3 Consumer Rights Protection

Upholding the "people-centered" development philosophy, the Bank put customers in the first place when providing financial services, strictly carried out relevant requirements of the People's Bank of China and CBIRC, constantly improved the quality and efficiency of consumer protection, and committed itself to providing considerate financial services for consumers. During the reporting period, the Bank was rated A in the 2021 consumer protection assessment of the People's Bank of China.

During the reporting period, the Bank made more efforts to mechanism and system development for consumer rights and interests protection. It formulated the consumer rights and interests protection rule system featuring "1+14+2" (1 basic system, 14 specified systems and 2 rules of procedures) including the *Administrative Measures for Consumer Rights Protection*, the *Administrative Measures for the Protection of Consumer Financial Information*, the *Administrative Measures for Accountability of Violations in Consumer Rights Protection Complaints from Consumers*, and the *Rule of Procedure of Consumer Rights Protection Working Committee* focusing on key aspects in consumer rights and interests protection such as consumer protection management, information disclosure, complaint management, consumer protection review, financial knowledge publicity and financial consumer information protection. It improved the quality and effectiveness of preliminary review of consumer rights and interests protection. During the reporting period, the Bank reviewed 10,853 transactions in connection with consumer rights and interests protection. It conducted special governance in connection with protection of financial information about consumers, updated the agreements with customers and the cooperation agreements with third parties to ensure their rights to information, independent selection and information security. The Bank reinforced training on consumer protection in width and breadth, covering nearly 54,500 personnel including senior executives, business line employees and new employees. It raised the weight of consumer rights protection in the performance evaluation of the Head Office's departments and branches.

During the reporting period, the Bank further enhanced complaint management and incorporated it into all links of corporate governance. It made persistent efforts to enhance tiered and classified management of complaints by category, advanced diverse settlement mechanism development, ramped up efforts in rectifying problems related to complaints, and moved ahead with the digital system for analyzing customer complaints, in a bid to improve complaint management in an all-round way. During the reporting period, the Bank received a total of 23,862 regulatory referrals for complaints, which mainly involved business such as credit cards, personal loans and debit card account management with a proportion of 78.53%, 9.19% and 6.02% respectively. In terms of geographical distribution, the complaints were mainly concentrated in Guangdong[37], Shandong and Beijing, accounting for 80.86%, 1.98% and 1.86% respectively.

During the reporting period, the Bank prepared a plan for integrating centralized and regular publicity and education activities. It took an active part in the publicity and education activities organized by regulators, and conducted 10,340 activities reaching consumers for 426 million person-times. Its online activities received clicks of more than 95.97 million. In "3•15" Education and Publicity Week of CBIRC and the education and publicity campaigns of four ministries and commissions, the Bank was awarded the honorary title of "Outstanding Organizer". The Bank set apart a zone for publicity and education in outlets, and proactively carried out publicity activities in communities, enterprises and campuses. It actively pushed forward online publicity. Some works of authorship were reposted and pushed by regulators, national anti-fraud centers and colleges for the elderly.

4.2.4 Privacy and Data Security

The Bank attached great importance to customer privacy protection and data security management. During the reporting period, the Bank constantly improved information security rules and specifications, reinforced the customer data security protection system, and comprehensively strengthened privacy and data security protection through risk assessment and audit supervision, participation in external test certification and other measures.

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[4] As the Credit Card Center of the Bank is located in Shenzhen, the complaints of credit card business have been included in Guangdong Province.

During the reporting period, the Bank revised and issued the *Administrative Measures for Information Security of China CITIC Bank*, the *Administrative Measures for Customer Information Protection of China CITIC Bank*, the *Administrative Measures for Digital Data Security of China CITIC Bank* and other personal information protection rules and specifications, setting forth the security protection management requirements for all links throughout the lifecycle of personal information and electronic data. On the premise of safeguarding the rights and interests of customers and respecting the wishes of customers, the Bank standardized control measures such as data encryption, minimum authorization and anonymization in customer information collection and use, and established a complete working mechanism including emergency plan, risk treatment, event reporting and public opinion monitoring, thus effectively preventing data and personal information security risks.

During the reporting period, the Bank strengthened lifecycle security management of customer data mainly in the aspects of data resource, user and transmission. **In terms of data resource**, the Bank refined data resources level by level (network layer, system application layer, functional and user behavior layer) and took measures such as integrated network partition, user and authority management and user behavior audit to strengthen customer information and data security protection. **In terms of data user**, the Bank ensured the security and compliance of operation and use of customer data through stricter authentication of personnel access to network, terminal security management, user behavior audit and other measures at the data user side. **In terms of data transmission**, the Bank ensured the security of data transmission through measures such as review & approval, sensitive data screening, and data encryption & desensitization mechanisms. Moreover, the Bank developed and promoted tiered data protection by category, classified the security by sensitivity of customer information and data, and strengthened the protection of highly sensitive data through encryption, desensitization and other measures.

During the reporting period, after strict testing and certification review at an early stage, the Bank's ten APPs such as mobile banking and Mobile Card Space successively passed "FinTech Product Certification" and were filed in real name through the application software on mobile financial client of National Internet Finance Association of China, as a result the quality standards were achieved and controllable in the aspects of client software security, barcode payment security and protection of customers' personal information. In November 2022, as one of the first 17 institutions having passed the "FinTech Product Certification", the Bank was awarded the title of "FinTech Product Certification Demonstration Institution" at the certificate granting ceremony titled "Transfer of Trust and Service for Development" held by National Fintech Certification Center.

During the reporting period, the Bank's information systems operated stably, without any major information system production event, cybersecurity, information security or privacy leak event.

4.3 Governance Information

The Bank's sustainable development was comprehensively supervised and guided by the Board of Directors. The Board of Directors and its special committees regularly reviewed and discussed important topics related to ESG and effectively performed their ESG-related responsibilities such as green finance, inclusive finance, consumer rights protection and anti-money laundering.

During the reporting period, the Board of Directors reviewed and approved the *2021 Annual Report* and the *2022 Interim Report* (the annual report and interim report cover ESG-related contents such as inclusive finance, green finance and information security), the *2021 Sustainable Development Report*, the *Professional Code of Ethics for Directors, Supervisors and Senior Management Members*, the *Renaming of and Addition of ESG Coordination Duty to the Strategic Development Committee under the Board of Directors*, the *Strategic Plan for Data* and other proposals, and listened to the Development of Inclusive Finance in 2021 and the Work Plan for 2022, the reports on consumer rights protection for 2021 and half year of 2022 and other reports. The committees under the Board of Directors reviewed and listened to the above topics in advance within the scope of their duties, and put forward suggestions to the Board of Directors.

With respect to risk assessment relating to social and environmental responsibilities, the Bank's senior management delivered to the Board of Directors the regular comprehensive risk management reports, the *Report on Information Technology Risk Management in 2021*, the *Report on Reputational Risk Management in 2021*, the Outsourcing Risk Assessment Report for 2021, the Report on Internal Control Compliance and Anti-money Laundering for 2021 and half year of 2022 and other reports, involving reputational risk, money laundering risk, supplier risk, protection of consumers' financial information and other ESG-related risks.

The Bank's Board of Supervisors highly valued ESG-related work. During the reporting period, the Board of Supervisors reviewed and approved the *2021 Annual Report*, the *2022 Interim Report* and the *2021 Sustainable Development Report*. It issued the *Supervision Reminder Letters*, prompting problems, putting forward opinions and suggestions, and improving the quality and effectiveness of ESG supervision from the supervision perspective.

For details of corporate governance, please refer to Chapter 3 of this report.

CHAPTER 5 REPORT OF THE BOARD OF DIRECTORS

5.1 Principal Business

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

5.2 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 97 outstanding litigation and arbitration cases (regardless of the disputed amounts) in the Group's ordinary and usual course of business where the Group acted as defendant/respondent with an aggregate disputed amount of RMB0.577 billion.

The Bank is of the view that the above-mentioned litigations or arbitrations have no significant adverse impacts on either its financial position or its operating results.

5.3 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 2022. 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.

5.4 Material Related Party Transactions

The Bank identified related parties and conducted related party transactions in accordance with the requirements of regulators such as the CBIRC, SSE and SEHK as well as accounting standards. When engaging in transactions with related parties during its ordinary and usual course of business, the Bank executed the transactions with terms no more favorable than those available to independent third parties according to general business principles, which served the overall interests of the Bank and its shareholders. For statistical details of the related party transactions, please refer to Note 58 to the financial statement contained in this report, of which the transactions constituting connected transactions as per Chapter 14A of the *Hong Kong Listing Rules* all complied with the disclosure requirements of Chapter 14A of the *Hong Kong Listing Rules*. Except what has been disclosed under this sector, other related party transactions constitute no connected transactions as per Chapter 14A of *Hong Kong Listing Rules*.

According to regulatory rules of the CBIRC, the Bank submitted material related party transactions with related parties to the Audit and Related Party Transactions Control Committee of the Board of Directors for preliminary review on a case-by-case basis, and then presented them to the Board of Directors for deliberation and disclosure, and filed them with the CBIRC for record. According to regulatory rules of the SSE and the SEHK, the Bank strictly controlled as that the businesses with applied annual caps of related party transactions were conducted within the caps; for the businesses without applied annual caps of related party transactions the Bank properly managed and monitored and once the review or disclosure requirements were triggered, timely performed review or disclosure procedures according to the regulatory requirements. According to rules of the Ministry of Finance, the Bank accurately disclosed related party transactions information in the notes to the financial statements. On the basis of reporting credit and non-credit related party transactions to the Audit and Related Party Transactions Control Committee of the Board of Directors on a quarterly basis, the Bank submitted data to the related party transactions regulation system in accordance with the requirements of the CBIRC. During the reporting period, each of the Audit and Related Party Transactions Control Committee and the Board of Directors held 14 meetings concerning related party transactions, reviewed and approved 15 proposals regarding related party transactions involving 154 material related party credits totaling RMB432.952 billion. The Bank published 30 extraordinary announcements on related party transactions in SSE and SEHK, and disclosed material related party transactions and continuing related party transactions in two periodic reports, which met regulatory requirements.

5.4.1 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 or acquisition of assets or equity under the *rules of the SSE*.

5.4.2 Credit Extension Continuing Related Party Transactions

In line with the need for business development, and with approval from the 2nd Extraordinary General Meeting of 2020 convened on 30 October 2020, the Bank applied to SSE for the respective annual caps on credit extension from 2021 to 2023 for related party transactions with CITIC Group and its associates, with related parties where the Bank's related natural persons invested in/worked for. In line with the need for business development, and with approval from the 32nd meeting of the 5th Session of the Board of Directors convened on 27 August 2020, the Bank applied to SSE for the respective annual caps on credit extension from 2021 to 2023 for related party transactions with Xinhu Zhongbao and its associates, and with China Tobacco and its associates. Subject to the regulatory requirements applicable to the Bank, the 2022 annual caps on credit extension for related party transactions with the aforementioned parties under the SSE regulatory criteria are listed as follows:

Unit: RMB100 million

Counterparty		Business type	Basis of calculation	Annual cap in 2022
CITIC Group and its associates		Credit extension transactions	Credit line	2,000
Xinhu Zhongbao and its associates				200
China Tobacco and its associates				200
Related parties where the Bank's related natural persons invested in/worked for	Ping An Insurance (Group) Company of China, Ltd.			100
	New China Life Insurance Company Ltd.			50
	Cinda Securities Co., Ltd.			20
	China Life Pension Company Limited			50

In addition, as per relevant CBIRC requirements, the balance of the Bank's credit extension to a single related party may not exceed 10% of the Bank's net capital of the preceding quarter end, the total balance of the Bank's credit extension to its group customer which the single related legal person or non-legal person organization belongs to may not exceed 15% of the Bank's net capital of the preceding quarter end, and the balances of credit extension to all related parties may not exceed 50% of the Bank's net capital of the preceding quarter end.

The Bank attached great importance to the day-to-day monitoring and management of related party credit extension 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 RMB119.942 billion, including RMB114.369 billion to CITIC Group and its associates, RMB3.536 billion to Xinhu Zhongbao and its associates and zero to China Tobacco and its associates; and RMB2.037 billion to related parties where the Bank's related natural persons invested in/worked for (specifically zero to Ping An Insurance (Group) Company of China, Ltd. and RMB0.2 billion to Cinda Securities Co., Ltd[37]. which have applied for upper limits, and a total of RMB1.837 billion to other related enterprises where the Bank's related natural persons invested in/worked for which have not applied for upper limits[38]). Under the CBIRC regulatory criteria, the total balance of credit that the Bank and its subsidiaries extended to all related enterprises amounted to RMB145.625 billion, including RMB78.684 billion, RMB18.496 billion and RMB0.147 billion to CITIC Group, Xinhu Zhongbao and China Tobacco, respectively, and RMB48.298 billion to other related parties. Such credit extensions to related enterprises were of good quality in general, with 4 being special mention loans (RMB1.661 billion), and 3 being loss loans (RMB1.319 billion), and all others being performing loans. As such, these credit extension transactions exerted no material impacts on the normal operation of the Bank in terms of transaction volume, structure and quality. The credit extension businesses conducted between the Bank and the aforementioned related parties were conducted on normal commercial terms within the caps and were executed with terms no more favorable than those terms available to independent third parties.

The Bank stringently followed the SSE and CBIRC requirements on review and disclosure procedures. As at the end of the reporting period, there was no fund exchange, appropriation or other situations as set forth in the *Regulatory Guidelines for Listed Companies No. 8 – Regulatory Requirements for Fund Transactions and External Guarantees of Listed Companies* (CSRC Announcement [2022] No.26). The related loans that the Bank extended to CITIC Group and its associates, Xinhu Zhongbao and its associates, China Tobacco and its associates, and the related parties which the Bank's related natural persons invested in/worked for have no material adverse impact on the operating results or financial position of the Bank.

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37 Since 24 June 2022, New China Life Insurance Company Ltd., and China Life Pension Company Limited no longer constituted related parties of the Bank. On 30 June 2022, the Bank and it subsidiaries' balances of credit to New China Life Insurance Company Ltd., and China Life Pension Company Limited were both zero.

38 None of the occurring amounts of credit extension related party transactions of related parties where the Bank's related natural persons invested in/worked for which have not applied for upper limits reached the disclosure standard as specified in the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*.

5.4.3 Non-Credit Extension Continuing Related Party Transactions

In line with the need for business development, and with approval from the 32nd meeting of the 5th Session of the Board of Directors convened on 27 August 2020 and the 2nd Extraordinary General Meeting of 2020 convened on 30 October 2020, the Bank applied to the SSE and the SEHK for the annual caps on the seven main categories of non-credit extension continuing related party transactions with CITIC Group and its associates for 2021-2023, and has entered into relevant continuing related party transactions framework agreements on the same day of the Board of Directors' meeting. In line with the need for business development, and with review and approval from the 8th meeting of the 6th Session of the Board of Directors convened on 24 December 2021, the Bank revised the annual caps on continuing related party transactions under asset custody services for 2021-2023 with CITIC Group and its associates and entered into the new *Framework Agreement on Asset Custody Services* with CITIC Group on the day of the meeting of the Board of Directors. The non-credit extension transactions between the Bank and the aforementioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties.

The Bank carried out continuing related party transactions with CITIC 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 for the reporting period thereof are described as follows:

5.4.3.1 Third-Party Escrow Services

Third-party escrow services between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its 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 payment, 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 third-party escrow services to be provided under the agreement shall be made on terms no more favorable than those comparable terms available to independent third parties.

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2022	Transaction amount in 2022
CITIC Group and its associates	Third-Party Escrow Services	Service fee income/ expense	2.5	0.17

As at the end of the reporting period, none of related party transactions on third-party escrow services between the Bank and CITIC Group and its associates exceeded the corresponding approved annual cap of the Bank.

5.4.3.2 Asset Custody Services

Asset custody services, account management services and third-party regulatory services provided between the Bank and CITIC Group and its 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, private funds, enterprise annuities, QDII, QFII, social insurance funds, welfare plans, asset custody services and account management services for funds of third-party transactions and etc.; (2) to conduct third-party supervising services, the service recipient shall pay the service fees; (3) the service recipient shall, and will procure its associates to, pay service fees to the service provider; and (4) the asset custody, account management and third-party regulatory services to be provided under the agreement shall be made on terms no more favorable than those available for comparable independent third parties.

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2022	Transaction amount in 2022
CITIC Group and its associates	Asset Custody Services	Service fee income/ expense	18	11.87

As at the end of the reporting period, none of related party transactions on asset custody services between the Bank and CITIC Group and its associates exceeded the corresponding approved annual cap of the Bank.

5.4.3.3 Financial Consulting and Asset Management Services

The financial consulting and asset management services provided between the Bank and CITIC Group and its 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 on the principle that the terms are no more favorable than those available to any independent third party. 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, 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 loans, etc.; (2) the service recipient shall, and will procure its associates to pay service fees for the services (if applicable); and (3) the financial consulting and asset management services to be provided under the agreement shall be made on terms no more favorable than those comparable terms applicable to independent third parties.

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2022	Transaction amount in 2022
CITIC Group and its associates	Financial Consulting and Asset Management Services	Service fee income/ expense	45	2.21

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

5.4.3.4 Capital Transactions

The Bank and CITIC Group and its 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 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 the rates thereof according to prevailing industrial regulations; and for financial derivatives, transaction prices shall be decided 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, agency settlement of bonds and financial derivatives transactions.

During the reporting period, related party capital transactions between the Bank and CITIC Group and its associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2022	Transaction amount in 2022
CITIC Group and its associates	Capital Transactions	Gains and losses of transactions	22	3.30
		Fair value recorded as assets	22	5.27
		Fair value recorded as liabilities	450	5.84

As at the end of the reporting period, none of related party capital transactions between the Bank and CITIC Group and its associates exceeded the corresponding approved annual cap of the Bank.

5.4.3.5 Comprehensive Services

The Bank and CITIC Group and its 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), advertising services, technology services and property leasing; (2) both parties of the agreement shall provide the services prescribed in the agreement; (3) the service recipient shall pay service fees to the service provider for its service; and (4) the comprehensive services to be provided under the agreement shall be made on terms no more favorable than those applicable to comparable terms applicable to independent third parties.

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2022	Transaction amount in 2022
CITIC Group and its associates	Comprehensive Services	Service fee expense/ income	65	43.58

As at the end of the reporting period, none of related party transactions on comprehensive services between the Bank and CITIC Group and its associates exceeded the corresponding approved annual cap of the Bank.

5.4.3.6 Asset Transfer

Asset transfer transactions between the Bank and CITIC Group and its 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 (with exclusion of the asset transfer to the Bank by related parties), 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 through the bidding system of China Central Depository & Clearing Co., Ltd., or book building, and the secondary asset-backed securities (with exclusion of the sections held by the originating institutions) shall be determined by the number of tenders or by the book building approach; and (3) there is no statutory government-prescribed transfer price available at present for a particular asset transfer, but once such statutory price is available in the future, the concerned asset transfer shall be priced with reference to the government prescribed price. 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, to sell corporate and retail credit loan assets, and inter-bank creditor's rights directly or through asset management plan, asset securitization, factoring or other forms); (2) the asset transfer to be provided under the agreement shall be made on terms no more favorable than those comparable terms applicable to 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 CITIC Group and its associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2022	Transaction amount in 2022
CITIC Group and its associates	Asset Transfer	Transaction amount	1,800	217.38

As at the end of the reporting period, none of related party transactions on asset transfer between the Bank and CITIC Group and its associates exceeded the corresponding approved annual cap of the Bank.

5.4.3.7 Wealth Management and Investment Services

General market practices and normal commercial terms shall be applied in the Bank and CITIC Group and its associates' ordinary and usual course of business. The Bank provides CITIC Group and its associates with wealth management and investment services including non-principal-protected wealth management services and agency services, and investment with wealth management funds or proprietary funds, while CITIC Group and its 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 prices. The principal terms of the Wealth Management and Investment Service Framework Agreement are set out as follows: (1) the Bank shall provide wealth management and investment services, including non-principal-protected wealth management services and agency services, investment with wealth management funds or proprietary funds, while 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 wealth management and investment services to be provided under the agreement shall be made on terms no more favorable than those comparable terms applicable to independent third parties.

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

Unit: RMB100 million

Counterparty	Business type		Basis of calculation	Annual cap in 2022	Transaction amount in 2022
CITIC Group and its associates	Non-Principal-Protected Wealth Management Services and Agency Services		Service fee expense/income	75	32.61
	Investment with Wealth Management Funds or Proprietary Funds	Fund Operation	Period-end balance of investment funds	2,100	647.55
		Intermediary Cooperation	Bank investment return and fee expense/income	45	6.94

As at the end of the reporting period, none of related party transactions on wealth management and investment services between the Bank and CITIC Group and its associates exceeded the corresponding approved annual cap.

Except above continuing related party transaction with CITIC Group and its associates, during the reporting period, non-credit extension transactions conducted between the Bank and other substantial shareholders and their associates were conducted on normal commercial terms and on terms no more favorable than those comparable terms available to independent third parties, specifically:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Transaction amount in 2022
Xinhu Zhongbao and its associates	Financial Consulting and Asset Management Services	Service fee expense/income	0.15
	Wealth Management and Proprietary Fund Investment	Period-end balance of investment funds	23.21
	Capital Transactions	Gains and losses of transactions	0.52
	Comprehensive Services	Service fee expense/income	0.30
China Tobacco and its associates	Third-Party Escrow Services	Service fee expense/income	0.000002
	Asset Custody Services	Service fee expense/income	0.003
	Asset Transfer	Transaction amount	0.16
	Capital Transactions	Gains and losses of transactions	0.27
	Comprehensive Services	Service fee expense/income	0.05

5.4.4 One-off Connected Transactions

During the reporting period, the Bank did not have any one-off connected transaction under the *Hong Kong Listing Rules*.

5.4.5 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 under the *rules of the SSE*.

5.4.6 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.

5.4.7 Related Party Transactions with Related Finance Companies

5.4.7.1 Deposit business

During the reporting period, the changes in deposits of related finance company with the Group are as follows:

Unit: RMB100 million

Company	Daily Upper Limit for Deposit	Range of Deposit Rate	Opening Balance	Accumulated Deposited Amount in 2022	Accumulated Withdrawn Amount in 2022	Closing Balance
CITIC Finance	None	0-2.55%	115.76	681.94	727.95	69.75

During the reporting period, the changes in the Group's deposits with related finance company are as follows:

Unit: RMB100 million

Company	Daily Upper Limit for Deposit	Range of Deposit Rate	Opening Balance	Accumulated Deposited Amount in 2022	Accumulated Withdrawn Amount in 2022	Closing Balance
CITIC Finance	None	1%	0.0002	0	0.0002	0

5.4.7.2 Loan business

During the reporting period, the loans granted by the Group to its related finance company and the loans granted by the related finance company to the Group were zero.

5.4.7.3 Other financial business

As at the end of the reporting period, the balance of other financial businesses between the Group and CITIC Finance totaled RMB407 million. Specifically, among the Group's bill business, RMB57 million involved the financial acceptance responsibility of CITIC Finance; CITIC Finance purchased RMB350 million of interbank certificates of deposit issued by the Group. In addition, the nominal principal of spot exchange settlement and sale between the Group and CITIC Finance stood at RMB126 million.

During the reporting period, the Group provided various settlement services to CITIC Finance, and charged total fees of RMB1 million.

5.4.8 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.

5.4.9 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 normal 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 (amended)"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) not approved by the Board of Directors of the Bank;

(2) pricing of connected transactions involving the provision of goods or 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 27 August 2020, 30 October 2020 and 24 December 2021.

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*.

5.5 Material Contracts and Their Performance

5.5.1 Custody, Contracting or Lease of Material Assets

During the reporting period, the Bank did not have any material custody, contracting or leasing of 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 material custody of, contract or lease material assets of the Bank.

5.5.2 Material Guarantees

During the reporting period, CNCB Investment, a controlled subsidiary of the Bank, provided unconditional and irrevocable guarantee for the bonds of USD0.5 billion issued by its wholly-owned overseas special purpose institution[37]. The Bank also provided the financial guarantee business that is within its approval business scope. Save as disclosed above, the Bank did not have any other material guarantee that needs to be disclosed.

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 China CITIC Bank to external parties were mainly letters of guarantee (L/G), which is one of the regular banking businesses within the approved business scope of China CITIC Bank. As at the end of the reporting period of the *2022 Annual Report*, the balance of the letters of guarantee issued by China CITIC Bank was equivalent to RMB186.617 billion.

China CITIC Bank 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 China CITIC Bank went well, free of any illegal guarantee. We are of the view that China CITIC Bank has effectively controlled the risks relating to its guarantee business.

China CITIC Bank Corporation Limited
Independent Non-Executive Directors
He Cao, Chen Lihua, Qian Jun, Liu Tsz Bun Bennett

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[37] For details, please refer to the relevant announcements the Bank published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 11 November 2021.

5.5.3 Entrusted Wealth Management

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

5.5.4 Other Material Contracts

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

5.6 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, the public issuance of A-share convertible corporate bonds and their listings, and rights issue to existing shareholders. 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; ensuring the standardized and effective use of proceeds in respect of rights issue to existing shareholders; and enhancing management capability and reasonably controlling costs and expenses. At the same time, the directors and senior management members of the Bank also gave undertakings to effectively execute the remedial measures. During the reporting period, the Bank was not aware of any violation of the above-mentioned undertakings.

On 22 June 2022, CITIC Corporation Limited and CITIC Financial Holdings issued the *Undertaking of CITIC Corporation Limited to Subscribe for All the Offered A Rights Shares to be Issued by China CITIC Bank Corporation Limited and the Undertaking of CITIC Financial Holdings to Subscribe for All the Offered A Rights Shares to be Issued by China CITIC Bank Corporation Limited*, respectively. Please refer to the Bank's *Announcement on Undertaking Given by the Controlling Shareholder to Subscribe for All the Offered A Rights Shares* published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 23 June 2022.

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.

5.7 Engagement of Auditors

As per the resolution adopted by the 2021 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 2021. 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 8 consecutive years, which has reached the upper limit for auditing service can be provided consecutively, and the Bank shall engage new auditors. Currently the Bank is advancing relevant works on engaging its auditors for 2023.

Linda Yip and Li Yan are the signing CPAs for the auditor's report regarding the Bank's 2021 financial statements prepared in accordance with the PRC Accounting Standards. And they have provided 1 and 5 consecutive years' audit service for the Bank, respectively. Linda Yip is the signing CPA for the auditor's report regarding the Bank's 2022 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 equivalent to about RMB19.39 million, including RMB9.57 million for the auditing of the Bank (of which, RMB0.8 million was for auditing the internal control report) in total to PricewaterhouseCoopers Zhong Tian LLP who audited its 2022 financial report prepared in accordance with the PRC Accounting Standards and its internal control report as at 31 December 2022 and to PricewaterhouseCoopers who audited its 2022 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 RMB7.19 million, of which the non-audit fee for the Bank was RMB4.91 million, to PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers for their non-audit services (including professional services rendered for asset securitization and debt issuance). PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers confirmed that these services will not compromise their audit independence.

5.8 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.

5.9 Penalties Imposed on the Company and its Directors, Supervisors, Senior Management Members, Controlling Shareholder and De Facto Controller

To the best of the Bank's knowledge, during the reporting period, the Bank was not investigated for any suspected crimes according to law, and none of its controlling shareholder, de facto controller, directors, supervisors and senior management members was suspected of committing crimes or was subject to compulsory measures according to law; the Bank or its controlling shareholder, de facto controller, directors, supervisors or senior management members were not subject to criminal punishment, investigation by CSRC for suspected violation of laws and regulations or administrative punishment by CSRC, administrative and regulatory measures by CSRC, disciplinary punishment by the stock exchange, or material administrative punishment by other competent authorities; none of the Bank's directors, supervisors or senior management members was detained by the discipline inspection and supervision organs for suspected serious disciplinary violations or duty-related crimes, or subject to compulsory measures by other competent authorities for suspected violation of laws and regulations, which affected their duty performance.

5.10 Integrity of the Company and Its Relevant Stakeholders

During the reporting period, neither the Bank nor its controlling shareholder or its de facto controller was involved in failure to execute valid court documents or failure to repay matured debts of considerable amounts.

5.11 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.

5.12 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.

5.13 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.

5.14 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.

5.15 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.

5.16 Donations

The Group pays 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 RMB8.5504 million, which were mainly used for the implementation of central and local pointed poverty alleviation, consolidation of poverty alleviation achievement and rural revitalization as well as the charity aid to the vulnerable groups in urban and rural regions. During the reporting period, the Group recorded employee donation of RMB2.7229 million, total tax payment of RMB39.093 billion, and a social contribution value per share of RMB6.02.

5.17 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.

5.18 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 national standard and ratio. In addition, the Bank established enterprise annuity plans for its employees of which the contribution is calculated according to a certain percentage of employee salary.

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.

5.19 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 this report.

5.20 Purchase, Sale or Redemption of Listed Securities of the Bank

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

5.21 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 of listed companies. According to its Articles of Association, the Bank may increase its registered capital by way of public offering or private offering of ordinary shares, rights issue to the existing ordinary shareholders, bonus 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.

5.22 Issuance of Shares

For relevant information about the Bank's issuance of shares during the reporting period, please refer to Chapter 6 "Changes in Ordinary Shares and Information on Ordinary Shareholders" and Chapter 7 "Preference Shares" of this report.

5.23 Issuance of Debentures

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

5.24 Equity Linked Agreements

Save as disclosed in Chapter 7 "Preference Shares" and Chapter 8 "Convertible Corporate Bonds" of this report, there is no newly entered or existing equity linked agreement of the Bank during the reporting period.

5.25 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.

5.26 Equity Interest of Substantial Shareholders

Please refer to Chapter 6 "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.

5.27 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 secondary 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 1 year, the dividend income shall be exempted from individual income tax for the time being. All the above-mentioned dividend income shall be taxed at an 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 nation.

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 on Relevant Taxation Policies in Connection with the Pilot Shanghai-Hong Kong Stock Connect Mechanism* (Finance and Taxation [2014] No. 81) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC.

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.

5.28 Events Relating to Bankruptcy and/or Restructuring

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

5.29 Major Risks

For details on major risks of the Bank, please refer to Chapter 2 "Management Discussion and Analysis" of this report.

5.30 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.

5.31 Business Reexamination

For details of the Group's business profile, major risks and uncertainties in 2022 and outlook for 2023, please refer to Chapter 2 "Management Discussion and Analysis" of this report.

5.32 Audit Committee

The Audit and Related Party Transactions Control Committee under the Board of Directors of the Bank has reviewed and approved the 2022 annual results of the Bank and the Group and their audited 2022 annual financial statements prepared in accordance with the IFRSs.

5.33 Relations with Employees, Suppliers and Customers

For the relations between the Group and its employees, shareholders and customers, please refer to Chapter 3 "Corporate Governance – Human Resources Management", Chapter 3 "Corporate Governance – Investor Relations" and Chapter 4 "Environmental and Social and Governance (ESG)" of this report.

5.34 Major customers

In 2022, the total interest income and other operating income of the top five customers of the Group did not exceed 30% of the Group's interest income and other operating income.

5.35 Other Significant Events

The Bank disclosed all significant events occurred during the reporting period that shall be disclosed as per laws, regulations and regulatory requirements 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 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON ORDINARY SHAREHOLDERS

6.1 Changes in Ordinary Shares

6.1.1 Table on Changes in Shareholdings

Unit: share

	31 December 2021		Changes (+, –)					31 December 2022	
	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:									
1. Shares held by the state									
2. Shares held by state-owned legal persons									
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:	**48,934,842,469**	**100.00**				**+1,188**	**+1,188**	**48,934,843,657**	**100.00**
1. Renminbi denominated ordinary shares	34,052,679,492	69.59				+1,188	+1,188	34,052,680,680	69.59
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	**48,934,842,469**	**100.00**				**+1,188**	**+1,188**	**48,934,843,657**	**100.00**

6.1.2 Shares Subject to Restrictions on Sale

During the reporting period, the Bank's shareholders did not hold any shares subject to restrictions on sale.

6.2 Issuance and Listing of Securities

6.2.1 Equity Financing

On 23 June 2022, the Bank held the annual general meeting of 2021, the first A shareholders class meeting of 2022 and the first H shareholders class meeting of 2022, at which it reviewed and approved the *Proposal regarding the Rights Issue Plan of China CITIC Bank Corporation Limited* and other relevant proposals, and planned to issue rights shares to existing shareholders (hereinafter referred to as the "Rights Issue"). The proceeds raised from the Rights Issue are not expected to be more than RMB40 billion (inclusive). All the proceeds raised from the Rights Issue, after deduction of relevant expenses relating to the issuance, will be used for the replenishment of the Bank's core tier-one capital, so as to increase its capital adequacy ratio, support its sustainable and healthy business development in the future, and enhance its capital strength and competitiveness. The Bank obtained the approval from the CBIRC on the Rights Issue Plan in October 2022, and the Rights Issue Plan may only be implemented after obtaining the approval of the SSE, the decision of consent to registration by CSRC and other necessary approvals in relation to the Right Issue. Please refer to the relevant announcements dated 30 April 2022, 24 June 2022, 28 October 2022 and 6 March 2023 published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details thereof.

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

6.2.2 Issuance of Bonds

Pursuant to the *Affirmative Decision of Administrative License from the People's Bank of China* (PBOC Decision [2022] No. 41), the Bank was approved for the issuance of financial bonds, and the newly increased balance of financial bonds shall not exceed RMB80 billion. Pursuant to the *Reply of the China Banking and Insurance Regulatory Commission on Approving the Issuance of Financial Bonds by China CITIC Bank* (CBIRC Reply [2022] No.195), the Bank was approved for the issuance of financial bonds ("Financial Bonds") in the national inter-bank bond market in an amount up to RMB60 billion. The Financial Bonds were issued in installments, and the 2022 Financial Bonds of China CITIC Bank Corporation Limited (Tranche 1) ("22 CITIC 01") was the first tranche of the Financial Bonds. The 22 CITIC 01 were book-built on 26 April 2022 and its issuance was completed in the national inter-bank bond market on 28 April 2022. The size of the issuance of the three-year fixed-rate 22 CITIC 01 was RMB30 billion and the coupon rate was 2.80%. The proceeds from the issuance were used to optimize the structure of medium and long-term assets and liabilities, increase stable sources of medium and long-term liabilities and support the development of medium and long-term asset business.

The 2022 Financial Bonds of China CITIC Bank Corporation Limited (Tranche 2) ("22 CITIC 02") were book-built on 3 August 2022 and its issuance was completed in the national inter-bank bond market on 5 August 2022. The size of the issuance of the three-year fixed-rate 22 CITIC 02 was RMB30 billion and the coupon rate was 2.50%. The proceeds from the issuance were used to optimize the structure of medium and long-term assets and liabilities, increase stable sources of medium and long-term liabilities and support the development of medium and long-term asset business.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details of the issuance of the above financial bonds on 29 April 2022 and 6 August 2022.

6.2.3 Issuance of Convertible Bonds

Please refer to Chapter 8 "Convertible Corporate Bonds" of this report for the issuance and the conversion of convertible bonds of the Bank during the reporting period.

6.2.4 Internal Employee Shares

There were no internal employee shares issued by the Bank.

6.3 Information on Ordinary Shareholders

6.3.1 Total Number of Shareholders

As at the end of the reporting period, the Bank had 141,414 accounts of ordinary shareholders in total, including 114,292 accounts of A shareholders and 27,122 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 2023), the Bank recorded 140,639 accounts of ordinary shareholders in total, including 113,628 accounts of A shareholders and 27,011 accounts of registered H shareholders, and no preference shareholders with restored voting right.

6.3.2 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, marked 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	11,553,703,597	23.61	0	+1,958,434	Unknown
3	China National Tobacco Corporation	State-owned legal person	A share	2,147,469,539	4.39	0	0	0
4	China Securities Finance Corporation Limited	State-owned legal person	A share	1,018,941,677	2.08	0	0	0
5	Central Huijin Asset Management Ltd.	State-owned legal person	A share	267,137,050	0.55	0	0	0
6	Hong Kong Securities Clearing Company Limited	Overseas legal person	A share	176,025,864	0.36	0	+83,448,058	0
7	China Construction Bank Corporation	State-owned legal person	H share	168,599,268	0.34	0	0	0
8	National Social Security Fund Portfolio 110	Other	A share	130,048,429	0.27	0	+130,048,429	0
9	China Merchants Bank Co., Ltd. – SSE Dividend Traded Open-ended Index Securities Investment Fund	Other	A share	54,739,740	0.11	0	-3,126,722	0
10	Hebei Jiantou Xiong'an Construction and Development Co., Ltd.	State-owned legal person	A share	31,034,400	0.06	0	0	0

Notes: (1) All shares held by the above-mentioned shareholders were shares not subject to restrictions on sale of the Bank.

(2) Except for CITIC Corporation Limited and Hong Kong Securities Clearing Company Nominees Limited, the shareholdings of A shareholders and H shareholders 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.

(3) 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.

(4) 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.

(5) 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 aforementioned 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.

(6) Note on related party relations or concerted actions between ordinary shareholders listed in the above table: 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 2022 of China Construction Bank Corporation*, as at 30 September 2022, 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 related party relations or concerted actions between the shareholders listed in the above table.

(7) None of the top 10 shareholders of the Bank held a special account for repurchase.

(8) As far as the Bank was aware, as at the end of the reporting period, the shareholders listed in the above table neither delegated or obtained from their voting right, nor were delegated with the voting right of any other party.

6.4 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		28,938,928,294(L)	84.98	59.14
	H share	Interest of controlled corporations	10,313,000(L)	0.07	0.02
	A share		4,103,888,024(L)	12.05	8.38
CITIC Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		33,042,816,318(L)	97.03	67.52
CITIC Polaris Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		33,042,816,318(L)	97.03	67.52
CITIC Glory Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		33,042,816,318(L)	97.03	67.52
CITIC Group	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		33,042,816,318(L)	97.03	67.52
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
UBS SDIC Fund Management Co., Ltd.	H share	Investment Manager	1,279,932,079(L)	8.60	2.62
EasternGate SPC	H share	Investment Manager	811,326,282(L)	5.45	1.66

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

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

(3) According to Section 336 of the *Securities and Futures Ordinance*, if multiple conditions are met, shareholders of the Bank shall submit the interest 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 Bank and SEHK. Therefore, the latest shares held by shareholders at the Bank may differ from those already submitted to SEHK.

Except for the aforementioned 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*.

6.5 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

Please refer to "Members of the Board of Directors", "Members of the Board of Supervisors" and "Members of the Senior Management" under Chapter 3 of this report for the holding of shares of the Bank by its directors, supervisors or 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.

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* and as far as the Bank is aware:

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 *(%)*
Fang Heying	Vice Chairman, Executive Director, President	H share	Beneficiary owner	915,000 (L)	0.0061	0.0019
Liu Cheng	Executive Director, Executive Vice President	H share	Beneficiary owner	624,000 (L)	0.0042	0.0013
Guo Danghuai	Executive Director, Vice President	H share	Beneficiary owner	636,000 (L)	0.0043	0.0013
Li Rong	Shareholder Representative Supervisor	H share	Beneficiary owner	364,000 (L)	0.0024	0.0007
Cheng Pusheng	Employee Representative Supervisor	H share	Beneficiary owner	354,000 (L)	0.0024	0.0007
Chen Panwu	Employee Representative Supervisor	H share	Beneficiary owner	334,000 (L)	0.0022	0.0007
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).

6.6 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 aforementioned 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 26 December 2018, the MOF and the Ministry of Human Resources and Social Security (MOHRSS) decided to transfer MOF's 10% equity in CITIC Group to the National Council for Social Security Fund in a lump sum. According to relevant regulations, the National Council for Social Security Fund, as a financial investor, is entitled to the equity income and other relevant rights and interests corresponding to the state-owned equity transferred, and does not intervene in the daily production, operation and management of the enterprise. The transfer does not change the original state-owned asset management mechanism of CITIC Group, and relevant procedures are being handled.

In October 2013, BBVA transferred to CITIC Limited the 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%.

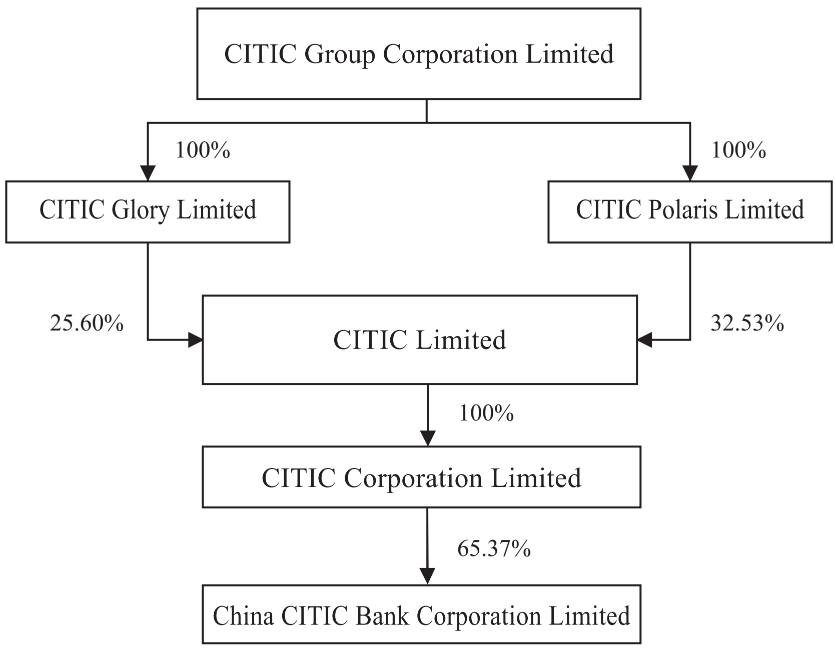
In January 2016, CITIC Limited notified the Bank that it planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding did not exceed 5% of the Bank's total issued share capital. As at 21 January 2017, 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 had a registered capital of RMB205,311,476,359.03, and its 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 engineering 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 RMB139,000,000,000; 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; mining, (2) 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 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[37]:



37 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 relevant requirements of the *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	Fortune Class Investments Limited, Metal Link Limited	CITIC Group

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 15.52% CITIC Limited 2.93%	CITIC Securities Co., Ltd.	Shanghai Hong Kong	600030.SH 06030.HK	18.45%
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 30.18% CITIC Investment Holdings Limited 8.45%	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. 3.66% Ease Action Investments Corp. 33.66% Silver Log Holdings Ltd 16.57% Cuixin Holdings Corporation Limited 3.84%	CITIC Telecom International Holdings Limited	Hong Kong	01883.HK	57.73%
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) 1.60%	Yuan Longping High-tech Agriculture Co., Ltd.	Shenzhen	000998.SZ	18.96%
Complete Noble Investments Limited 10.01%	China Overseas Land & Investment Limited	Hong Kong	00688.HK	10.01%
Easy Flow Investments Limited 25.91%	Frontier Services Group Limited	Hong Kong	00500.HK	25.91%
CITIC Metal Africa Investments Limited 25.92%	Ivanhoe Mines Ltd.	Toronto	IVN.TSX IVPAF.OTCQX	25.92%
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) Shenzhen Xin Nong Investment Center (Limited Partnership) is not a consolidated subsidiary of CITIC Group, but a person acting in concert with CITIC Industrial Investment Group Co., Ltd. and CITIC Agriculture Limited. Its shares in Yuan Longping High-tech Agriculture Co., Ltd. are disclosed in the table on a consolidated basis.

(3) 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%
CITIC Group Corporation Limited 23.46%	China Huarong Asset Management Co., Ltd.	Hong Kong	02799.HK	23.46%

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

6.7 Equity Change of Controlling Shareholder

On 22 June 2022, the Bank was notified by CITIC Corporation Limited that: (i) CITIC Corporation Limited will transfer to CITIC Financial Holdings a total of 31,406,992,773 shares of the Bank (representing approximately 64.18% of the total number of issued shares of the Bank), comprising 28,938,928,294 A shares and 2,468,064,479 H shares, for nil consideration (the "Gratuitous Share Transfer"); and (ii) CITIC Corporation Limited will transfer to CITIC Financial Holdings the A-share convertible bonds issued by the Bank in the total principal amount of RMB26.388 billion for nil consideration (together with the Gratuitous Share Transfer, the "Gratuitous Transfer"). On 22 June 2022, CITIC Corporation Limited and CITIC Financial Holdings entered into the *Agreement on the Gratuitous Transfer of Shares of China CITIC Bank Corporation Limited by CITIC Corporation Limited and CITIC Financial Holdings* in relation to the gratuitous transfer of A shares of the Bank, and the *Agreement on the Gratuitous Transfer of Shares of China CITIC Bank Corporation Limited by CITIC Corporation Limited and CITIC Financial Holdings* in relation to the gratuitous transfer of H shares of the Bank and the *Agreement on the Gratuitous Transfer of Convertible Corporate Bonds of China CITIC Bank Corporation Limited by CITIC Corporation Limited and CITIC Financial Holdings*.

Upon the completion of the Gratuitous Transfer, CITIC Financial Holdings would directly hold a total of 31,406,992,773 shares of the Bank (representing approximately 64.18% of the total issued shares of the Bank) and A-share convertible bonds issued by the Bank in the total principal amount of RMB26.388 billion; CITIC Financial Holdings would replace China Corporation Limited and become the new controlling shareholder of the Bank; and CITIC Group would remain as the de facto controller of the Bank. The Gratuitous Transfer is an internal reorganization initiated by the de facto controller of the Bank, in furtherance of the relevant requirements of the PBOC in connection with the establishment of financial holding companies. The Gratuitous Transfer was not expected to have any material impact on the normal operating activities of the Bank.

The Gratuitous Transfer has been approved by CBIRC and currently relevant works concerning the process of transfer is being handled. 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 23 June 2022, 8 November 2022, 8 December 2022, 7 January 2023, 8 February 2023 and 8 March 2023 for detailed information thereof.

6.8 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 British Virgin Islands. 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. 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 with its principal business being real estate and investment. As at 30 September 2022, Xinhu Zhongbao recorded registered capital of RMB8.6 billion, total assets of RMB128.4 billion and net assets of RMB41.1 billion.

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 relevant requirements of the *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

6.9 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.

6.10 Share Repurchase

There was no share repurchase during the reporting period.

CHAPTER 7 PREFERENCE SHARES

7.1 Issuance and Listing of Preference Shares

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 and the *Reply on Approving China CITIC Bank's Private Offering of Preference Shares* (CSRC License [2016] No.1971) from CSRC, 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.

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 10 November 2016 and 16 November 2016 for detailed information thereof.

7.2 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 2023), the Bank recorded 72 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	–	–	–

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
6	BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Excellence No. 2 Collective Asset Management Plan	Other	–	25,700,000	7.34	Onshore preference shares	–	–	–
7	AVIC Trust Co., Ltd. – AVIC Trust · Tianji Win-Win No.2 Securities Investment Collective Capital Trust Plan	Other	+11,930,000	11,930,000	3.41	Onshore preference shares	–	–	–
8	Hwabao Trust Co., Ltd. – Hwabao Trust – Baofu Investment No. 1 Collective Capital Trust Plan	Other	–	11,650,000	3.33	Onshore preference shares	–	–	–
9	Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Client Asset Management Plan	Other	–	10,300,000	2.94	Onshore preference shares	–	–	–
10	Bank of China Limited Shanghai Branch	Other	+8,350,000	8,350,000	2.39	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, and 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. Except for these, the Bank was not aware of any other related relation or concerted 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 percentage of preference shares held by preference shareholders accounting for in the total issued preference shares.

7.3 Dividend Distribution for Preference Shares

7.3.1 Policy on dividend distribution of preference shares

A nominal dividend rate subject to phase-specific adjustment shall be applied to the Bank’s preference shares. Every five years as of the payment date of the subscribed shares constitutes an interest-bearing period and the same nominal dividend rate shall be applied to a whole period. The nominal dividend rate for the first interest-bearing period was set at 3.80% by 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 residual profits together with the ordinary shareholders.

Since 26 October 2021, the benchmark interest rate of "CITIC Excellent 1" was 2.78%, with a fixed premium of 1.30%, and the nominal dividend rate recorded 4.08% for the second interest-bearing period. 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 27 October 2021 for detailed information thereof.

7.3.2 Payment of dividends on preference shares during the reporting period

Pursuant to the resolutions and authorization of the general meeting, the Bank adopted the 2022 Plan on Payment of Dividends on Preference Shares at the Board meeting convened on 25 August 2022, approving that the preference share dividends accrued between 26 October 2021 and 25 October 2022 would be paid on 26 October 2022. On 26 October 2022, the Bank paid dividends on the preference shares to all the shareholders of "CITIC Excellent 1" registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch at the close of SSE trading as at 25 October 2022. The Bank paid out a preference dividend of RMB4.08 per share (tax inclusive), which was calculated at a nominal dividend rate of 4.08% of "CITIC Excellent 1", with the total dividend payment for preference shares amounting to RMB1.428 billion (tax inclusive).

For details on the payment of dividends on preference shares, please refer to the Bank's announcements on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 18 October 2022.

7.4 Redemption or Conversion of Preference Shares

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

7.5 Restoration of Voting Right of Preference Shares

During the reporting period, there was no restoration for the voting right of preference shares.

7.6 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 8 CONVERTIBLE CORPORATE BONDS

8.1 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"), 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 the deduction of the issuance costs. These A-share convertible bonds, referred to as "CITIC Convertible Bonds" with the code of 113021, were listed and traded on the Shanghai Stock Exchange 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. The maturity of A-share convertible bonds is six years from the date of issuance, i.e., from 4 March 2019 to 3 March 2025, and the interest start date is the first day of issuance, i.e., 4 March 2019. The coupon rate is 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.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 8 March 2019 and 15 March 2019 respectively for details thereof.

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

Information of the top 10 A-share convertible bond holders as at the end of the reporting period is set out in the table below:

Unit: RMB Yuan

A-share convertible bondholders at the period end (accounts)	12,971
Guarantors of A-share convertible bonds of the Bank	None

Name of top ten A-share convertible bondholders	**Nominal value of bonds held at the end of the period**	**Percentage of bonds held *(%)***
China CITIC Financial Holdings Co., Ltd.	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 Limited)	1,649,351,000	4.12
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	1,174,739,000	2.94
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China Limited)	1,013,920,000	2.53
Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)	767,344,000	1.92
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank Corporation)	648,618,000	1.62
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of Communications Co., Ltd.)	312,412,000	0.78
Special account for collateralized bond repurchase in the securities depository and clearing system (Agricultural Bank of China Limited)	299,943,000	0.75
China Minsheng Banking Corp., Ltd. – Essence Stable Value-Added Flexible Allocation Hybrid Securities Investment Fund	212,820,000	0.53

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

For the A-share convertible bonds issued by the Bank, the conversion period commenced from the first trading day after six months since the completion of the issuance of the convertible bonds to the convertible bond maturity date, i.e., from 11 September 2019 and will expire on 3 March 2025. As at the end of the reporting period, CITIC Convertible Bonds amounted to a total of RMB335,000 have been converted to A-share ordinary shares of the Bank, with the total number of converted shares reaching 47,084, which accounted for 0.0000962% of the total ordinary shares issued by the Bank before the conversion of CITIC Convertible Bonds.

On 22 June 2022, CITIC Corporation Limited and CITIC Financial Holdings entered into the *Agreement on the Gratuitous Transfer of Convertible Corporate Bonds of China CITIC Bank Corporation Limited by CITIC Corporation Limited and CITIC Financial Holdings*, in which CITIC Corporation Limited would transfer its A-share convertible bonds with a par value of RMB26.388 billion to CITIC Financial Holdings for nil consideration. The A-share convertible bonds with a par value of RMB26.388 billion held by CITIC Corporation Limited had been transferred and registered under CITIC Financial Holdings on 18 July 2022, and CITIC Corporation Limited no longer holds A-share convertible bonds of the Bank. Please refer to "6.7 Equity Change of Controlling Shareholder" of this report and the relevant announcements published on the websites of Shanghai Stock Exchange (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 23 June 2022 and 20 July 2022 respectively for detailed information thereof.

8.4 Previous Adjustments of Conversion Prices

On 28 July 2022, the Bank distributed cash dividends on ordinary shares (A share) for the year 2021. 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 of the Bank, 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, or rights issue (excluding the share capital increase due to the conversion of convertible bonds issued this time) and the distribution of cash dividends of the Bank. Therefore, after this profit distribution, the conversion price of CITIC Convertible Bonds was adjusted from RMB6.73 per share to RMB6.43 per share since 28 July 2022 (the ex-dividend date). Previous adjustments to conversion prices are set out in the table below:

Unit: RMB Yuan/share

Date of adjustment to conversion prices	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for adjustment to conversion prices
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

Date of adjustment to conversion prices	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for adjustment to conversion prices
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
29 July 2021	6.73	22 July 2021	*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 2020
28 July 2022	6.43	21 July 2022	*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 2021
The latest conversion price at the disclosure date of this report				6.43

8.5 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 and Trading of Corporate Bonds* of CSRC and relevant regulations, the Bank entrusted the credit rating agency Dagong Global Credit Rating Co., Ltd. (hereinafter referred to as "Dagong Global") to track the credit standing of the CITIC 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 (2022)* 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 maintained stability in all aspects of operation, as exemplified by its reasonable asset structure, liabilities without obvious changes, and 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.

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 2022
(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"), which are set out on pages 1 to 208, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Measurement of expected credit losses for loans and advances to customers and fina ncial investments	
Refer to Note 4(c), Note 5(i), Note 22 and Note 23 to the consolidated financial statements. As at 31 December 2022, 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 5,166,071 million, for which management recognized an impairment allowance of RMB 131,614 million; total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB 1,968,713 million, for which management recognized an impairment allowance of RMB 31,283 million. The balances of loss allowances for the loans and advances to customers and financial investments represent management's best estimates at the balance sheet date of expected credit losses ("ECL") under International Financial Reporting Standard 9: Financial Instruments.	We understood and evaluated management's internal controls and assessment process for the measurement 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 such as the complexity of estimation models used, the subjectivity of significant management judgements and assumptions, and susceptibility to management bias. We assessed and tested the design and the operating effectiveness of the internal controls relating to the measurement of ECL for loans and advances to customers, and financial investments, primarily including: • 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; • Internal controls relating to significant management judgments and assumptions, including the assessment 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; • Internal controls over the accuracy and completeness of key inputs used by the models; • 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; • 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 fi nancial investments (continued)	
Management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies an impairment model to calculate their ECL. For stages 1 and 2 financial assets, 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, 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 impairment loss was incurred;	• Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments. We involved our credit risk experts in evaluating the model methodologies, significant judgements and assumptions, data and key parameters used in the ECL measurement for loans and advances to customers, and financial investments. The substantive audit procedures we performed 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: (i) 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 fina ncial 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 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 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 correlation 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, other available information and possible future factors together with discount rates in supporting the computation of loss allowance. • We checked and evaluated the financial statement disclosures in relation to the measurement of ECL for loans and advances to customers, and financial investments. Based on our procedures performed, we considered that the models, significant judgements and assumptions, as well as relevant data and parameters used by management in measuring ECL for loans and advances to customers, and financial investments were supported by the available evidence.

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) and Note 59 to the consolidated financial statements. As at 31 December 2022, all of non-principal guaranteed wealth management products ("WMPs") issued and managed by the Group are structured entities that are not included in the scope of consolidation. Management's decision on whether or not to consolidate structured entities was based on an assessment of the Group's power, its variable returns from its involvement with the structured entities and the ability to exercise its power to influence the variable returns from these structured entities. We have identified this as a key audit matter due to the material balance of structured entities and significant judgements were involved in assessing the Group's control over the structured entities.	We evaluated and tested the design and operating effectiveness of management's relevant internal controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included management's 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 substantive procedures as following: • 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, gain from investments, 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 decision-making authority, its remuneration entitlement, other interests the Group held, and the rights held by other parties. • examined and evaluated the financial statement disclosures relating to the consolidation of structured entities. Based on the procedures performed above, we considered that management's judgements on the consolidation of structured entities were supportable by the evidence obtained and procedures performed.

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 the 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 the 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 Yip Siu Foon, Linda.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2023

China CITIC Bank Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*Year ended 31 December* *2022*	*2021*
Interest income		313,609	306,165
Interest expense		(162,962)	(158,269)
Net interest income	6	150,647	147,896
Fee and commission income		41,051	40,604
Fee and commission expense		(3,959)	(4,734)
Net fee and commission income	7	37,092	35,870
Net trading gain	8	4,881	5,168
Net gain from investment securities	9	17,771	14,874
Net hedging loss	10	-	-
Other operating income		718	746
Operating income		211,109	204,554
Operating expenses	11	(66,838)	(62,224)
Operating profit before impairment		144,271	142,330
Credit impairment losses	12	(71,359)	(77,005)
Impairment losses on other assets	13	(45)	(43)
Revaluation gains/(losses) on investment properties		(74)	23
Share of profit/(loss) gain of associates and joint ventures		623	212
Profit before tax		73,416	65,517
Income tax expense	14	(10,466)	(9,140)
Profit for the year		62,950	56,377
Net profit attributable to:			
Equity holders of the Bank		62,103	55,641
Non-controlling interests		847	736

China CITIC Bank Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*Year ended 31 December* *2022*	*2021*
Profit for the year		62,950	56,377
Other comprehensive income, net of tax:	15		
(i) 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		237	30
- Changes in defined benefit plan liabilities		-	(1)
(ii) Items that may be reclassified subsequently to profit or loss (net of tax):			
- Other comprehensive income transferable to profit or loss under equity method		(28)	(12)
- Fair value changes on financial assets at fair value through other comprehensive income		(8,191)	2,394
- Impairment allowance on financial assets at fair value through other comprehensive income		145	32
- Exchange difference on translation of financial statements		4,132	(1,081)
- Others		4	133
Other comprehensive income, net of tax	15	(3,701)	1,495
Total comprehensive income for the year		59,249	57,872
Total comprehensive income attribute to:			
Equity holders of the Bank		58,681	57,176
Non-controlling interests		568	696
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	16	1.17	1.08
Diluted earnings per share (RMB)	16	1.06	0.98

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 2022

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*31 December 2022*	*31 December 2021*
Assets			
Cash and balances with central banks	17	477,381	435,383
Deposits with banks and non-bank financial institutions	18	78,834	107,856
Precious metals		5,985	9,645
Placements with and loans to banks and non-bank financial institutions	19	218,164	143,918
Derivative financial assets	20	44,383	22,721
Financial assets held under resale agreements	21	13,730	91,437
Loans and advances to customers	22	5,038,967	4,748,076
Financial investments	23		
- at fair value through profit or loss		557,594	495,810
- at amortised cost		1,135,452	1,170,229
- at fair value through other comprehensive income		804,695	651,857
- designated at fair value through other comprehensive income		5,128	4,745
Investments in associates and joint ventures	24	6,341	5,753
Investment properties	26	516	547
Property, plant and equipment	27	34,430	34,184
Right-of-use assets	28	10,824	10,638
Intangible assets		3,715	2,925
Goodwill	29	903	833
Deferred tax assets	30	55,011	46,905
Other assets	31	55,490	59,422
Total assets		8,547,543	8,042,884

China CITIC Bank Corporation Limited
Consolidated Statement of Financial Position (continued)
As at 31 December 2022

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*31 December 2022*	*31 December 2021*
Liabilities			
Borrowings from central banks		119,422	189,198
Deposits from banks and non-bank financial institutions	33	1,143,776	1,174,763
Placements from banks and non-bank financial institutions	34	70,741	78,331
Financial liabilities at fair value through profit or loss		1,546	1,164
Derivative financial liabilities	20	44,265	22,907
Financial assets sold under repurchase agreements	35	256,194	98,339
Deposits from customers	36	5,157,864	4,789,969
Accrued staff costs	37	21,905	19,253
Taxes payable	38	8,487	10,753
Debt securities issued	39	975,206	958,203
Lease liabilities		10,272	9,816
Provisions	40	9,736	11,927
Deferred tax liabilities	30	3	8
Other liabilities	41	42,296	35,627
Total liabilities		7,861,713	7,400,258

China CITIC Bank Corporation Limited
Consolidated Statement of Financial Position (continued)
As at 31 December 2022

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*31 December 2022*	*31 December 2021*
Equity			
Share capital	42	48,935	48,935
Other equity instruments	43	118,076	118,076
Capital reserve	44	59,216	59,216
Other comprehensive income	45	(1,621)	1,644
Surplus reserve	46	54,727	48,937
General reserve	47	100,580	95,490
Retained earnings	48	285,505	254,005
Total equity attributable to equity holders of the Bank		665,418	626,303
Non-controlling interests	49	20,412	16,323
Total equity		685,830	642,626
Total liabilities and equity		8,547,543	8,042,884

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

Approved and recognized for issue by the board of directors on 23 March 2023.

Zhu Hexin
Chairman
Non-Executive Director

Fang Heying
Vice Chairman
Executive Director
President

Wang kang
Vice President
Chief Financial officer

Xue Fengqing
Manager of the Finance and Accounting Department

Company stamp

China CITIC Bank Corporation Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*Equity attributable to equity holders of the Bank* Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	*Non-controlling interests* Ordinary equity holders	Other equity instruments holders	Total equity
As at 1 January 2022		48,935	118,076	59,216	1,644	48,937	95,490	254,005	9,121	7,202	642,626
(i) Net profit		-	-	-	-	-	-	62,103	384	463	62,950
(ii) Other comprehensive income	15	-	-	-	(3,422)	-	-	-	(279)	-	(3,701)
Total comprehensive income		-	-	-	(3,422)	-	-	62,103	105	463	59,249
(iii) Investor capital											
- Insurance of perpetual bonds	43(ii)	-	-	-	-	-	-	-	-	3,990	3,990
(iv) Profit appropriations											
- Appropriations to surplus reserve	46	-	-	-	-	5,790	-	(5,790)	-	-	-
- Appropriations to general reserve	47	-	-	-	-	-	5,090	(5,090)	-	-	-
- Dividend distribution to ordinary shareholders of the Bank	48	-	-	-	-	-	-	(14,778)	-	-	(14,778)
- Dividend distribution to non-controlling interests		-	-	-	-	-	-	-	(6)	-	(6)
- Dividend distribution to preference shareholders	48	-	-	-	-	-	-	(1,428)	-	-	(1,428)
- Interest paid to holders of perpetual bonds	48/49	-	-	-	-	-	-	(3,360)	-	(463)	(3,823)
(v) Transfers within the owners' equity											
- Other comprehensive income transferred to retained earnings		-	-	-	157	-	-	(157)	-	-	-
As at 31 December 2022		48,935	118,076	59,216	(1,621)	54,727	100,580	285,505	9,220	11,192	685,830

China CITIC Bank Corporation Limited
Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2021

(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 2021		48,935	78,083	59,216	109	43,786	90,819	223,625	8,798	6,667	560,038
(i) Net profit		-	-	-	-	-	-	55,641	369	367	56,377
(ii) Other comprehensive income	15	-	-	-	1,535	-	-	-	(40)	-	1,495
Total comprehensive income		-	-	-	1,535	-	-	55,641	329	367	57,872
(iii) Investor capital											
- Insurance of perpetual bonds	43(ii)	-	39,993	-	-	-	-	-	-	3,859	43,852
- Redemption of perpetual bonds		-	-	-	-	-	-	-	-	(3,324)	(3,324)
(iv) Profit appropriations											
- Appropriations to surplus reserve	46	-	-	-	-	5,151	-	(5,151)	-	-	-
- Appropriations to general reserve	47	-	-	-	-	-	4,671	(4,671)	-	-	-
- Dividend distribution to ordinary shareholders of the Bank	48	-	-	-	-	-	-	(12,429)	-	-	(12,429)
- 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	48/49	-	-	-	-	-	-	(1,680)	-	(367)	(2,047)
As at 31 December 2021		48,935	118,076	59,216	1,644	48,937	95,490	254,005	9,121	7,202	642,626

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 2022

(Amounts in millions of Renminbi unless otherwise stated)

	Year ended 31 December	
	2022	*2021*
Operating activities		
Profit before tax	73,416	65,517
Adjustments for:		
- revaluation (gain)/loss on investments, derivatives and investment properties	(964)	(455)
- investment gain	(14,287)	(14,113)
- net gain on disposal of property, plant and equipment, intangible assets and other assets	32	(26)
- unrealised foreign exchange loss/(gain)	52	(835)
- credit impairment losses	71,359	77,005
- impairment losses on other assets	45	43
- depreciation and amortisation	4,110	3,457
- interest expense on debt securities issued	27,082	26,962
- dividend income from equity investment	(102)	(35)
- depreciation of right-of-use assets and interest expense on lease liabilities	3,731	3,696
- income tax paid	(18,043)	(12,880)
Subtotal	146,431	148,336
Changes in operating assets and liabilities:		
(Increase)/decrease in balances with central banks	(3,363)	7,878
(Increase)/decrease in deposits with banks and non-bank financial institutions	8,921	(3,832)
Increase in placements with and loans to banks and non-bank financial institutions	(85,386)	(20,787)
(Increase)/decrease in investments in financial assets held for trading purposes	2,550	(8,469)
Decrease in financial assets held under resale agreements	77,922	19,642
Increase in loans and advances to customers	(347,961)	(432,361)
Decrease in borrowings from central banks	(69,087)	(35,315)
Increase/(decrease) in deposits from banks and non-bank financial institutions	(30,317)	9,758
Increase/(decrease) in placements from banks and non-bank financial institutions	(8,820)	20,966
Decrease in financial liabilities at fair value through profit or loss	(680)	(7,386)
Increase in financial assets sold under repurchase agreements	157,583	23,303
Increase in deposits from customers	340,067	216,620
Increase in other operating assets	(17,411)	(28,945)
Increase in other operating liabilities	24,617	15,198
Subtotal	48,635	(223,730)
Net cash flows from operating activities	195,066	(75,394)

China CITIC Bank Corporation Limited
Consolidated Statement of Cash Flows
(continued)
For the year ended 31 December 2022

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*Year ended 31 December* 2022	2021
Investing activities			
Proceeds from disposal and redemption of investments		2,580,725	3,045,391
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		127	168
Cash received from equity investment income		507	438
Payments on acquisition of investments		(2,690,472)	(3,248,304)
Payments on acquisition of property, plant and equipment, land use rights and other assets		(6,799)	(4,481)
Cash received from disposal of associates	24	39	-
Net cash flows used in investing activities		(115,873)	(206,788)
Financing activities			
Cash received from debt securities issued	39	850,086	903,846
Cash received from other equity instruments issued	43	3,990	43,852
Cash paid for redemption of other equity instruments		-	(3,324)
Cash paid for redemption of debt securities issued		(836,677)	(678,912)
Cash paid for interest on debt securities issued		(26,513)	(26,252)
Cash paid for dividends		(20,035)	(15,812)
Cash paid in connection with other financing activities		(3,390)	(3,480)
Net cash flows from financing activities		(32,539)	219,918
Net increase/(decrease) in cash and cash equivalents		46,654	(62,264)
Cash and cash equivalents as at 1 January		252,818	319,566
Effect of exchange rate changes on cash and cash equivalents		8,399	(4,484)
Cash and cash equivalents as at 31 December	50	307,871	252,818
Cash flows from operating activities include:			
Interest received		320,205	323,057
Interest paid		(131,295)	(119,881)

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 2022, the Group mainly operates in Mainland China with branches covering 31 provinces, autonomous regions and municipalities, and overseas. In addition, the Bank's subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and other overseas countries and regions.

For the purpose of these consolidated financial statements, Mainland China refers to the PRC excluding Hong Kong, 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 23 March 2023.

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 2022 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 Principal accounting policies

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") 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 2022 relevant to and adopted by the Group

On 1 January 2022, the Group has adopted the following IFRSs and amendments issued by the International Accounting Standards Board ("IASB"), which were mandatorily effective:

IFRS 3 Amendments Business Combinations
IAS 16 Amendments Property, Plant and Equipment: Proceeds before Intended Use
IAS 37 AmendmentsOnerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020) Minor Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

3 Principal accounting policies (continued)

(a) Standards and amendments effective in 2022 relevant to and adopted by the Group (continued)

IAS 16 Amendments prohibit entities 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. It also clarifies that when 'testing whether the asset is functioning properly', an entity assesses the technical and physical performance of the asset. The assessment of functioning properly is not an assessment of the financial performance of an asset, such as assessing whether the asset has achieved the level of operating margin initially anticipated by management. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". Costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Annual Improvements to IFRSs 2018-2020 Cycle were issued in May 2020, including an amendment to IFRS 9 Financial Instruments as well as an amendment to IFRS 16 Leases. The amendment to IFRS 9 clarifies fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability by conducting the "10 per cent" test for derecognition of financial liabilities. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment to IFRS 16 Leases removes the illustration of payments from the lessor relating to leasehold improvements in an illustrative example so as to remove potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The adoption of the above standards and amendments does not have any material impact on the operating results, financial position and comprehensive income of the Group for the year ended 31 December 2022.

(Amounts in millions of Renminbi unless otherwise stated)

3 Principal accounting policies (continued)

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

		Effective for annual periods beginning on or after
IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IFRS 16 Amendments	Lease Liability in a Sale and Leaseback	1 January 2024
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

IAS 1 and IFRS Practice Statement 2 Amendments provide guidance to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies. The amendments add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

IAS 8 Amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. It introduces a new definition of “accounting estimates”. The amendments are designed to clarify distinction between changes in accounting estimates and changes in accounting policies and correction of errors.

IAS 12 Amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

3 Principal accounting policies (continued)

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

IFRS 17 Insurance Contracts established principles for the recognition, measurement, presentation and disclosure of insurance contracts. The amendments confirm the following: IFRS 17 requires that insurance contracts subject to similar risks and managed together shall be included in one portfolio, and each portfolio is further divided into groups of contracts mainly based on factors including profitability of each contract. Investment components are no longer included in insurance revenue or insurance service expenses. Under IFRS 17, estimated future profits for a group of insurance contracts are recognized as the contractual service margin within insurance contract liabilities. IFRS 17 requires the discount rates used in the measurement of insurance contract liabilities shall be consistent with observable current market prices.

IFRS 16 Amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following: On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

IFRS 10 and IAS 28 Amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

The adoption of the above standards and amendments is expected not to have material impact on the consolidated financial statements of the Group.

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(k)). 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 derecognized 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 the 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 recognized 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 recognized 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 recognized in the consolidated statement of profit or loss, and other changes in the carrying amount are recognized in other comprehensive income. The translation differences resulting from other monetary assets and liabilities are recognized 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 the 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 FVOCI 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 the 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 statements 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

At initial recognition, the Group measures a financial asset or financial liability at its fair value. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognized in profit or loss. For other financial asset or liability, transaction costs are recognized in the initial measurement.

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 derecognized, 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 derecognized in the other comprehensive income. When the financial asset is derecognized, 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, i.e. all cash shortfalls, 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 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 recognised 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-month ECL at the current reporting date and the amount of ECL reversal is recognized 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 derecognizes the original financial asset and recognizes 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 recognized 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 recognized 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 recognizes 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 recognized 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 recognized 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 recognizing 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 recognized 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 derecognizes 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 recognized 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 derecognized 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 derecognized 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 securitizes financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Upon sale of financial assets that qualify for de-recognition, the relevant financial assets are de-recognized in their entirety and a new financial asset or liability is recognized regarding the interest in the unconsolidated recognized vehicles that the Group acquired. Upon sale of financial assets that do not qualify for de-recognition, the relevant financial assets are not derecognized, and the consideration paid by third parties are recorded as a financial liability. Upon sale of financial assets that are partially qualified 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 assets.

(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 derecognize 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 derecognize 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 recognizing 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 instruments

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 holders' 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 realizable 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 (m)). 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: 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 recognizes as initial investment cost in the principle which: for the investments obtained by making payment in cash, the Group recognizes the purchase cost which is actually paid as initial investment costs; for the investments obtained by equity securities, the Group recognizes 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 recognizes 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 recognizes 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 recognition of its share of net losses of investees after the carrying amount of investment in 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 the recognition of 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 (m).

(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 (m).

(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) Lease

A lease is a contract under which the lessor conveys to the lessee the right to use an asset for a period of time in exchange for consideration.

The Group as the lessee

The Group recognises the right-of-use assets on the commencement date of the lease term and recognises the lease liability at the present value of the lease payments that have not been paid yet. Each lease payment is allocated between the liability and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease payments include fixed payments and payments to be made in the event that it is reasonably determined that the purchase option will be exercised or the lease option is terminated. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used.

The Group's right-of-use assets include leased buildings, land use right, equipment, vehicles and others. The right-of-use assets are initially measured at cost, which includes the initial measurement of the lease liability, the lease payments paid on or before the lease commencement date, and the initial direct costs, less any lease incentives received. If the Group can reasonably expect to obtain the ownership of the leased asset at the expiration of the lease term, it is depreciated over the remaining useful life of the leased asset on a straight-line basis; if it is not possible to reasonably determine whether the ownership of the leased asset can be obtained at the expiration of the lease term, it is depreciated over the shorter period of the lease term and the remaining useful life of the leased assets on a straight-line basis. When the recoverable amount is lower than the carrying amount of an right-of-use asset, the Group writes down the carrying amount to the recoverable amount.

For short-term leases with a lease term of no more than 12 months and leases of assets with low values when new, the Group chooses not to recognise the right-of-use assets and lease liabilities. Instead, it recognises in each period the relevant rental payments in profit or loss or relevant asset costs on a straight-line basis over the lease term.

Land use rights are amortised on a straight-line basis over the respective periods of grant. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property, plant and equipment.

Impairment loss on land use rights is accounted for in accordance with the accounting policies as set out in Note 4 (m).

4 Summary of significant accounting policies (continued)

(h) Lease (continued)

The Group as the lessor

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(i) Finance leases

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receipts and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the "net lease investment"), is included in "loans and advances to customers" on consolidated statement of financial position as a finance lease receivable. At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the net lease investment and the aggregate of their present value is recognised as unearned finance income which is included in "loans and advances to customers" as well. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses are accounted in accordance with the accounting policies as set out in Note 4 (c)(iii).

(ii) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 4(g) except where the asset is classified as an investment property. Impairment losses are accounted in accordance with the accounting policies as set out in Note 4(m). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 4 (t)(iv).

4 Summary of significant accounting policies (continued)

(i) 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 (m). 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.

(j) 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. On the transferred date of property, plant and equipment or intangible assets, if the fair value of investment property is lower than the carrying amount of property, 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)

(k) 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 recognized 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 (m).

(l) 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 realization 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 recognized 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 recognized in the consolidated statement of profit or loss. Repossessed assets are recognized 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)

(m) 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)

(m) 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)

(n) 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).

(o) Employee benefits

(i) Employee salaries

During the accounting period when an employee has rendered service to the Group, the Group recognizes 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 participates 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 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 employees' 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)

(o) 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 recognized as the liabilities of the defined benefit plans.

The Group recognizes the obligation of defined benefit plans in the accounting period in which the employees render the related services. Past-service costs are recognized 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.

(p) 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 recognized 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 recognized as monetary assets. Government grants are measured at fair value when recognized as non-monetary assets.

4 Summary of significant accounting policies (continued)

(p) 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 recognized 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 recognized initially as deferred income and recognized in the consolidated statement of profit or loss in the same periods in which the expenses are recognized. A grant that compensates the Group for expenses incurred is recognized in the consolidated statement of profit or loss immediately. The Group uses the same statement method for similar government grants.

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates. The interest subsidies directly received from government are recorded as a reduction of interest expenses.

(q) 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 recognized 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 recognized 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 recognized 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 recognized as a provision.

4 Summary of significant accounting policies (continued)

(r) 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 recognizes 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.

(s) 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)

(t) 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 recognized 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 recognized 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 recognized 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.

4Summary of significant accounting policies (continued)

(u) 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 recognized.

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 recognized.

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 recognized or the liability is settled according to the requirements of tax laws. The Group also considers the probability of realization 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)

(v) 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.

(w) 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 authorized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference shares dividend distribution is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved.

(x) 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.

(y) 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)

(y) 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; 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 retains nor transfers 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	
	2022	*2021*
Interest income arising from (Note (i)):		
Deposits with central banks	6,100	6,073
Deposits with banks and non-bank financial institutions	1,569	2,040
Placements with and loans to banks and non-bank financial institutions	6,378	4,475
Financial assets held under resale agreements	1,092	1,267
Loans and advances to customers		
- corporate loans	119,218	115,866
- personal loans	120,438	116,770
Financial investments		
- at amortised cost	40,207	39,483
- at fair value through other comprehensive income	18,580	20,188
Others	27	3
Subtotal	313,609	306,165
Interest expense arising from:		
Borrowings from central banks	(4,974)	(6,804)
Deposits from banks and non-bank financial institutions	(23,818)	(27,755)
Placements from banks and non-bank financial institutions	(1,686)	(2,276)
Financial assets sold under repurchase agreements	(1,935)	(1,631)
Deposits from customers	(102,997)	(92,388)
Debt securities issued	(27,082)	(26,962)
Lease liabilities	(442)	(448)
Others	(28)	(5)
Subtotal	(162,962)	(158,269)
Net interest income	150,647	147,896

Note:

(i) Interest income from impaired financial assets is RMB 462 million for the year ended 31 December 2022 (2021: RMB 507 million).

(Amounts in millions of Renminbi unless otherwise stated)

7 Net fee and commission income

	Year ended 31 December	
	2022	*2021*
Fee and commission income:		
Bank card fees	16,480	16,474
Commission for custodian business and other fiduciary	11,269	10,226
Agency fees and commission (Note (i))	5,692	6,497
Guarantee and advisory fees	5,357	5,384
Settlement and clearance fees	2,143	1,926
Others	110	97
Total	41,051	40,604
Fee and commission expense	(3,959)	(4,734)
Net fee and commission income	37,092	35,870

Note:

(i) 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	
	2022	*2021*
Debt securities and certificates of interbank deposit	2,022	2,909
Foreign currencies	(1,909)	1,095
Derivatives and related exposures	4,768	1,164
Total	4,881	5,168

(Amounts in millions of Renminbi unless otherwise stated)

9 Net gain from investment securities

	Year ended 31 December	
	2022	*2021*
Financial investments		
- at fair value through profit or loss	12,728	12,933
- at amortised cost	360	63
- at fair value through other comprehensive income	(278)	(110)
- Investments in financial assets designated at fair value through other comprehensive income	41	33
Revaluation gain on transfer out of equity at disposal	2,846	979
Net gain from bills rediscounting	1,197	693
Proceeds from the resale of forfaiting	836	294
Others	41	(11)
Total	17,771	14,874

10 Net hedging loss

For the year ended 31 December 2022, net loss of fair value hedge is RMB 174,483 (2021: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

11 Operating expenses

	Year ended 31 December	
	2022	2021
Staff costs		
- salaries and bonuses	28,102	25,299
- welfare expenses	1,352	1,373
- social insurance	2,027	1,813
- housing fund	1,758	1,570
- labor union expenses and employee education expenses	888	808
- post-employment benefits – defined contribution plans	3,579	3,171
- post-employment benefits – defined benefit plans	1	1
- other benefits	375	368
Subtotal	38,082	34,403
Property and equipment related expenses		
- depreciation of right-of-use assets	3,289	3,248
- depreciation of property, plant and equipment	2,558	2,302
- rent and property management expenses	991	1,069
- maintenance	1,072	1,182
- amortisation expenses	1,552	1,155
- electronic equipment operating expenses	422	441
- others	444	446
Subtotal	10,328	9,843
Tax and surcharges	2,122	2,203
Other general operating and administrative expenses (Note (i))	16,306	15,775
Total	66,838	62,224

Note:

(i) Included in other general operating and administrative expenses were audit fees of RMB 19 million for the year ended 31 December 2022 (2021: RMB 18 million) and non-audit fees of RMB 7 million for the year ended 31 December 2022 (2021: RMB 3 million).

(Amounts in millions of Renminbi unless otherwise stated)

11 Operating expenses (continued)

(a) Individuals with highest emoluments

For the year ended 31 December 2022, of the 5 individuals with the highest emoluments in the Group, there was no director (2021: Nil) and no supervisor (2021: Nil). The aggregate of the emoluments before individual income tax in respect of the five (2021: five) highest paid individuals of the Group were as follows:

	Year ended 31 December	
	2022	*2021*
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	20,683	18,734
Discretionary bonuses	19,058	21,026
Contribution to pension scheme	979	799
Total	40,720	40,559

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	
	2022	*2021*
RMB 5,000,001 – RMB 10,000,000	4	4
RMB 10,000,001 – RMB 15,000,000	1	1

No inducement fee and compensation for loss of office was paid to the five highest paid individuals for the year ended 31 December 2022 (2021: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

12 Credit impairment losses

	31 December 2022	*31 December 2021*
Deposits with banks and non-bank financial institutions	(48)	16
Placements with and loans to banks and non-bank financial institutions	50	(7)
Financial assets held under resale agreements	(47)	(9)
Interest receivables	5,378	3,616
Loans and advances to customers	55,786	50,228
Financial investments		
- at amortised cost	1,542	18,917
- at fair value through other comprehensive income	269	(165)
Other receivables	(158)	(314)
Off-balance sheet items	8,587	4,723
Total	71,359	77,005

13 Impairment losses on other assets

	31 December 2022	*31 December 2021*
Other assets-repossessed assets	45	43

(Amounts in millions of Renminbi unless otherwise stated)

14 Income tax

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

	Note	*Year ended 31 December* *2022*	*2021*
Current tax			
- Mainland China		16,032	14,785
- Hong Kong		57	314
- Overseas		32	43
Deferred tax	30	(5,655)	(6,002)
Total		10,466	9,140

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.

(b) Reconciliation between income tax expense and accounting profit

	Year ended 31 December *2022*	*2021*
Profit before tax	73,416	65,517
Income tax calculated at PRC statutory tax rate	18,354	16,379
Effect of different tax rates in other regions	(213)	(272)
Tax effect of non-deductible expenses (Note (i))	3,456	2,481
Tax effect of non-taxable income		
- interest income arising from PRC government bonds and local government bonds	(7,121)	(6,658)
- dividend income from investment funds	(2,680)	(2,218)
- others	(1,330)	(572)
Income tax	10,466	9,140

Note:

(i) It mainly includes the non-deductible expenses that the Bank assesses and confirms on an item by item basis, and the tax impact of business entertainment expenses and labor insurance expenses that exceed the tax deductible limits.

(Amounts in millions of Renminbi unless otherwise stated)

15 Other comprehensive income, net of tax

	Year ended 31 December	
	2022	*2021*
Items that will not be reclassified subsequently to profit or loss		
Changes in defined benefit plan liabilities		
- net changes during the year before tax	-	(1)
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	345	7
- income tax	(108)	23
Subtotal	237	29
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	(28)	(12)
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	(7,530)	4,375
- net amount transferred to profit or loss	(2,862)	(966)
- income tax	2,201	(1,015)
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note (ii))		
- net changes during the year	167	(53)
- income tax	(22)	85
Others		
- net changes during the year	4	133
Exchange differences on translation of financial statements	4,132	(1,081)
Subtotal	(3,938)	1,466
Other comprehensive income, net of tax	(3,701)	1,495

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 years ended 31 December 2022 and 2021 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 in 2016, under the terms and conditions as detailed in Note 43(i). The Bank declared and paid cash dividends of RMB 1,428 million of non-cumulative preference shares for the year of 2022 (2021: 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 3,360 million in interests on the perpetual bonds in 2022.

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 2022, 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 RMB 40 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	
	2022	*2021*
Profit for the year attributable to equity holders of the Bank	62,103	55,641
Less: Equity attributable to holders of other equity instruments of the Bank	4,788	3,010
Profit for the year attributable to ordinary shareholders of the Bank	57,315	52,631
Weighted average number of shares (in million shares)	48,935	48,935
Basic earnings per share (in RMB)	1.17	1.08
Diluted earnings per share (in RMB)	1.06	0.98

(Amounts in millions of Renminbi unless otherwise stated)

17 Cash and balances with central banks

	Notes	*31 December 2022*	*31 December 2021*
Cash		5,532	5,694
Balances with central banks			
- statutory deposit reserve funds	(i)	365,362	361,237
- surplus deposit reserve funds	(ii)	104,315	65,571
- fiscal deposits	(iii)	298	2,711
- foreign exchange reserve	(iv)	1,693	-
Accrued interest		181	170
Total		477,381	435,383

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 2022, the statutory deposit reserve funds placed with the PBOC was calculated at 7.5% (as at 31 December 2021: 8%) of eligible Renminbi deposits for domestic branches of the Bank and at 6% (as at 31 December 2021: 8%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 6% (as at 31 December 2021: 9%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

As at 31 December 2022, the statutory deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited in mainland China, a subsidiary of the Group, was at 5% (as at 31 December 2021: 5%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries and regions are determined by the 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 provided as of 20% of customer-driven foreign exchange forward transactions volume on a monthly basis. 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 2022*	*31 December 2021*
In Mainland China			
- banks		49,930	72,083
- non-bank financial institutions		6,734	4,700
Subtotal		56,664	76,783
Outside Mainland China			
- banks		18,836	22,878
- non-bank financial institutions		2,995	7,472
Subtotal		21,831	30,350
Accrued interest		437	868
Gross balance		78,932	108,001
Less: Allowances for impairment losses	32	(98)	(145)
Net balance		78,834	107,856

(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 2022*	*31 December 2021*
Demand deposits (Note (i))		36,373	54,376
Time deposits with remaining maturity			
- within one month		4,883	17,929
- between one month and one year		37,239	34,828
Subtotal		78,495	107,133
Accrued interest		437	868
Gross balance		78,932	108,001
Less: Allowances for impairment losses	32	(98)	(145)
Net balance		78,834	107,856

Note:

(i) As at 31 December 2022, within the demand deposits there were pledged deposits of RMB 555 million (as at 31 December 2021: RMB 536 million). These deposits were mainly maintenance margins 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 2022*	*31 December 2021*
In Mainland China			
- banks (Note (i))		15,215	18,093
- non-bank financial institutions		160,739	93,170
Subtotal		175,954	111,263
Outside Mainland China			
- banks		41,302	31,975
Subtotal		41,302	31,975
Accrued interest		1,048	769
Gross balance		218,304	144,007
Less: Allowances for impairment losses	32	(140)	(89)
Net balance		218,164	143,918

Note:

(i) The leased gold between Banks is included in the Placements with and loans to banks and non-bank financial institutions, measured at fair value through profit or loss. As at 31 December 2022, the carrying amount of leased gold was RMB 8,739 million (as at 31 December 2021: RMB 4,596 million).

(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 2022*	*31 December 2021*
Within one month		43,800	55,633
Between one month and one year		131,706	79,905
Over one year		41,750	7,700
Accrued interest		1,048	769
Gross balance		218,304	144,007
Less: Allowances for impairment losses	32	(140)	(89)
Net balance		218,164	143,918

(Amounts in millions of Renminbi unless otherwise stated)

20 Derivatives

Derivatives include forward, swap, option and credit 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, 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 recognized 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 2022			*31 December 2021*		
	Nominal amount	*Assets*	*Liabilities*	*Nominal amount*	*Assets*	*Liabilities*
Hedging instruments						
- interest rate derivatives	600	9	-	-	-	-
Non-Hedging instruments						
- interest rate derivatives	3,083,202	14,950	14,887	2,630,541	8,643	8,539
- currency derivatives	2,506,299	29,173	28,780	1,936,863	13,930	14,217
- precious metal derivatives	35,523	250	598	17,043	148	151
- credit derivatives	30	1	-	-	-	-
Total	5,625,654	44,383	44,265	4,584,447	22,721	22,907

(a) Nominal amount analysed by remaining maturity

	31 December 2022	*31 December 2021*
Within three months	2,257,129	2,067,349
Between three months and one year	1,910,625	1,376,726
Between one year and five years	1,425,950	1,109,269
Over five years	31,950	31,103
Total	5,625,654	4,584,447

(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 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 2022, the total amount of credit risk weighted amount for counterparty was RMB 24,579 million (as at 31 December 2021: RMB 22,204 million).

21 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	*31 December 2022*	*31 December 2021*
In Mainland China			
- banks		11,100	64,515
- non-bank financial institutions		848	26,217
Subtotal		11,948	90,732
Outside Mainland China			
- banks		149	677
- non-bank financial institutions		1,628	63
Subtotal		1,777	740
Accrued interest		5	12
Gross balance		13,730	91,484
Less: Allowance for impairment losses	32	-	(47)
Net balance		13,730	91,437

(Amounts in millions of Renminbi unless otherwise stated)

21 Financial assets held under resale agreements (continued)

(b) Analysed by types of collateral

As at 31 December 2022 and 31 December 2021, the Group's types of collateral for financial assets held under resale agreements are all bonds.

(c) Analysed by remaining maturity

	Note	*31 December 2022*	*31 December 2021*
Within one month		13,403	91,472
Between one month and one year		322	-
Accrued interest		5	12
Gross balance		13,730	91,484
Less: Allowances for impairment losses	32	-	(47)
Net balance		13,730	91,437

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers

(a) Analysed by nature

	Notes	*31 December 2022*	*31 December 2021*
Loans and advances to customers at amortised cost			
Corporate loans and advances			
- loans		2,418,718	2,250,726
- discounted bills		3,704	4,523
- finance lease receivables		46,566	46,854
Subtotal		2,468,988	2,302,103
Personal loans and advances			
- residential mortgages		975,807	973,390
- credit cards		511,101	528,261
- business loans		378,819	312,584
- personal consumption		250,813	239,589
- finance lease receivables		370	-
Subtotal		2,116,910	2,053,824
Accrued interest		17,180	13,064
Gross balance		4,603,078	4,368,991
Less: Allowances for impairment losses on loans	32		
- principal		(130,573)	(120,722)
- interest		(412)	(235)
Loans and advances to customers at amortised cost, net		4,472,093	4,248,034
Loans and advances to customers at fair value through other comprehensive income			
- loans		54,851	38,599
- discounted bills		508,142	461,443
Carrying amount of loans and advances at fair value through other comprehensive income		562,993	500,042
- fair value changes through other comprehensive income		(547)	756
Loans and advances to customers at fair value through profit or loss			
- loans		3,881	-
Total		5,038,967	4,748,076
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	32	(629)	(749)

(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 2022			
	Stage 1	*Stage 2*	*Stage 3* *(Note (i))*	Total
Gross loans and advances to customers at amortised costs	4,422,344	88,606	74,948	4,585,898
Accrued interest	14,342	2,125	713	17,180
Less: Allowance for impairment losses	(60,204)	(22,497)	(48,284)	(130,985)
Carrying amount of loans and advances to customers measured at amortised cost	4,376,482	68,234	27,377	4,472,093
Carrying amount of loans and advances to customers at fair value through other comprehensive income	562,118	720	155	562,993
Total	4,938,600	68,954	27,532	5,035,086
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	(523)	(27)	(79)	(629)

(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 2021			
	Stage 1	*Stage 2*	*Stage 3* *(Note (i))*	Total
Gross loans and advances to customers at amortised costs	4,198,067	83,030	74,830	4,355,927
Accrued interest	11,602	1,241	221	13,064
Less: Allowance for impairment losses	(50,663)	(21,657)	(48,637)	(120,957)
Carrying amount of loans and advances to customers measured at amortised cost	4,159,006	62,614	26,414	4,248,034
Carrying amount of loans and advances to customers at fair value through other comprehensive income	498,989	775	278	500,042
Total	4,657,995	63,389	26,692	4,748,076
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	(552)	(29)	(168)	(749)

(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 experienced credit impairment.

	31 December 2022	*31 December 2021*
Secured portion	43,044	51,803
Unsecured portion	32,059	23,305
Gross balance	75,103	75,108
Allowance for stage 3 impairment losses	(48,363)	(48,805)

As at 31 December 2022, the maximum exposure covered by pledge and collateral held of secured portion is RMB 42,470 million (as at 31 December 2021: RMB 50,886 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 realization 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 2022				
	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	17,083	9,242	1,695	280	28,300
Guaranteed loans	1,800	1,926	2,215	1,990	7,931
Loans with pledged assets					
- loans secured by collateral	12,302	11,924	7,091	2,337	33,654
- pledged loans	2,751	6,601	2,189	763	12,304
Total	33,936	29,693	13,190	5,370	82,189

	31 December 2021				
	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	18,654	10,318	896	287	30,155
Guaranteed loans	1,993	1,897	2,093	228	6,211
Loans with pledged assets					
- loans secured by collateral	15,285	9,434	14,324	992	40,035
- pledged loans	7,230	5,501	1,121	120	13,972
Total	43,162	27,150	18,434	1,627	90,373

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

Finance lease receivables 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. The remaining period of these contracts range from 1 to 25 years. The total finance lease receivables under finance lease and hire purchase contracts and their present values are as follows:

	31 December 2022	*31 December 2021*
Within one year (including one year)	14,247	10,369
One year to two years (including two years)	10,568	12,606
Two years to three years (including three years)	7,503	8,153
Over three years	14,618	15,726
Gross balance	46,936	46,854
Less: Allowance for impairment losses		
- stage 1	(960)	(859)
- stage 2	(499)	(498)
- stage 3	(419)	(728)
Net balance	45,058	44,769

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments

(a) Analysed by types

	Note	*31 December 2022*	*31 December 2021*
Financial assets at fair value through profit or loss			
Investment funds		431,958	397,407
Debt securities		80,690	58,584
Certificates of deposit		35,543	30,776
Equity instruments		7,887	7,432
Wealth management products and others through structured entities		1,516	1,611
Net balance		557,594	495,810
Financial assets at amortised cost			
Debt securities		887,763	901,375
Trust investment plans		222,819	234,770
Investment management products managed by securities companies		39,628	50,413
Certificates of deposit and interbank certificates of deposit		3,424	-
Subtotal		1,153,634	1,186,558
Accrued interest		10,384	10,398
Less: Allowance for impairment losses	32	(28,566)	(26,727)
- principles		(28,528)	(26,624)
- accrued interests		(38)	(103)
Net balance		1,135,452	1,170,229
Financial assets at fair value through other comprehensive income (Note(i))			
Debt securities		777,438	642,570
Certificates of deposit		21,501	4,306
Designated investment products managed by securities companies		-	24
Subtotal		798,939	646,900
Accrued interest		5,756	4,957
Net balance		804,695	651,857
Allowances for impairment losses on financial investments at fair value through other comprehensive income	32	(2,717)	(2,387)
Financial assets designated at fair value through other comprehensive income (Note(i))		5,128	4,745
Total		2,502,869	2,322,641

(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 2022* Equity instruments	Debt instruments	Total
Costs/Amortised cost		5,783	804,867	810,650
Accumulated fair value change in other comprehensive income		(655)	(5,928)	(6,583)
Fair value		5,128	798,939	804,067
Allowance for impairment losses	32		(2,717)	(2,717)

	Note	*31 December 2021* Equity instruments	Debt instruments	Total
Costs/Amortised cost		5,914	643,679	649,593
Accumulated fair value change in other comprehensive income		(1,169)	3,221	2,052
Fair value		4,745	646,900	651,645
Allowance for impairment losses	32		(2,387)	(2,387)

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments (continued)

(b) Analysed by location of counterparties

	Note	*31 December 2022*	*31 December 2021*
In Mainland China			
- governments		1,097,552	899,116
- policy banks		88,726	136,084
- banks and non-bank financial institutions		1,097,864	1,114,160
- corporates		99,992	87,190
Subtotal		2,384,134	2,236,550
Outside Mainland China			
- governments		57,946	32,712
- banks and non-bank financial institutions		32,736	32,643
- corporates		39,171	30,420
- public entities		1,308	1,688
Subtotal		131,161	97,463
Accrued interest		16,140	15,355
Total		2,531,435	2,349,368
Less: Impairment allowance for financial assets at amortised cost	32	(28,566)	(26,727)
Net balance		2,502,869	2,322,641
Listed in Hong Kong		50,959	50,012
Listed outside Hong Kong		2,074,660	1,947,182
Unlisted		377,250	325,447
Total		2,502,869	2,322,641

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

	Notes	*31 December 2022* Stage 1	Stage 2	Stage 3	Total
Financial assets at amortised costs		1,094,231	4,958	54,445	1,153,634
Accrued interest		10,227	138	19	10,384
Less: Allowance for impairment losses	32	(2,483)	(1,387)	(24,696)	(28,566)
Net balance		1,101,975	3,709	29,768	1,135,452
Financial assets at fair value through other comprehensive income		797,850	136	953	798,939
Accrued interest		5,733	-	23	5,756
Net balance		803,583	136	976	804,695
Total carrying amount of financial assets affected by credit risk		1,905,558	3,845	30,744	1,940,147
Allowance for impairment losses of other debt instruments included in other comprehensive income		(1,416)	(98)	(1,203)	(2,717)

	Notes	*31 December 2021* Stage 1	Stage 2	Stage 3	Total
Financial assets at amortised costs		1,119,765	15,529	51,264	1,186,558
Accrued interest		10,045	331	22	10,398
Less: Allowance for impairment losses	32	(4,221)	(4,076)	(18,430)	(26,727)
Net balance		1,125,589	11,784	32,856	1,170,229
Financial assets at fair value through other comprehensive income		646,145	334	421	646,900
Accrued interest		4,922	14	21	4,957
Net balance		651,067	348	442	651,857
Total carrying amount of financial assets affected by credit risk		1,776,656	12,132	33,298	1,822,086
Allowance for impairment losses of other debt instruments included in other comprehensive income		(976)	(158)	(1,253)	(2,387)

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures

	Note	*31 December 2022*	*31 December 2021*
Investments in joint ventures	(a)	5,811	5,220
Investments in associates	(b)	530	533
Total		6,341	5,753

(a) Investment in joint ventures

The details of the joint ventures as at 31 December 2022 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	Beijing	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) According to the Articles of Association of CITIC aiBank, major activities of CITIC aiBank must be decided after the unanimous consent of the Bank and Fujian Baidu Borui Network Technology Co., Ltd.

(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 31 December 2022				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net income*
CITIC aiBank	96,922	89,487	7,435	3,968	656
JSC Altyn Bank	14,621	13,204	1,417	684	359

	As at or for the year ended 31 December 2021				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net income*
CITIC aiBank	79,406	72,601	6,805	2,998	263
JSC Altyn Bank	9,420	8,331	1,089	440	250

(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 2022	*Year ended 31 2021*
Initial investment cost	5,256	5,256
As at 1 January	5,220	5,044
Other changes in equity	(20)	(14)
Dividends received	-	(100)
Share of net profit of the joint ventures for the year	611	294
Exchange difference	-	(4)
As at 31 December	5,811	5,220

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 31 December 2022 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	Tianjin	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 31 December 2022				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net (loss)/ income*
CIAM	916	59	857	(12)	(6)
BFAE	563	38	525	189	70

	As at or for the year ended 31 December 2021				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net (loss)/ income*
CIAM	1,037	142	895	71	(179)
BFAE	637	183	454	335	39

Movement of the Group's interests in associates:

	Year ended 31 December 2022	*Year ended 31 December 2021*
Initial investment cost	1,129	1,168
As at 1 January	533	630
Changes in investment in associates	(39)	-
Share of net loss of associates for the year	12	(82)
Other changes in equity	(8)	1
Exchange difference	32	(16)
As at 31 December	530	533

(Amounts in millions of Renminbi unless otherwise stated)

25 Investment in subsidiaries

	Notes	31 December 2022	31 December 2021
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	5,000
Total		27,249	27,249

Major subsidiaries of the Bank as at 31 December 2022 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 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))	Hangzhou, Zhejiang Province	Hangzhou, Zhejiang Province	RMB 200 million	Commercial banking	51%	-	51%
CFLL (Note (iv))	Tianjin	Tianjin	RMB 4,000 million	Financial lease operations	100%	-	100%
CITIC Wealth (Note (v))	Shanghai	Shanghai	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").

(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 Monetary Authority, 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 directly 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; thus, the Bank effectively holds 99.76% of the equity interest 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 and related businesses. The Bank holds 51% of Lin'an Rural Bank's equity and voting rights.

(iv) The Bank established CFLL in 2015 with a registered capital of RMB 4 billion. Its principal business activity is financial leasing. The Bank holds 100% of its equity 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 equity and voting rights.

(Amounts in millions of Renminbi unless otherwise stated)

26 Investment properties

	31 December 2022	*31 December 2021*
Fair value as at 1 January	547	386
Change in fair value	(74)	23
Transfers in	-	153
Exchange difference	43	(15)
Fair value as at 31 December	516	547

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 2022.

All investment properties of the Group were revalued at 31 December 2022 by an independent firm of surveyors on an open market value basis. The fair value is in line with the definition of "*IFRS 13 - Fair value measurement*". The revaluation surplus has been recognized in the profit or loss for the current year.

The investment properties of the Group are categorised in the Level 3 fair value hierarchy.

(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 2022	33,639	2,546	14,117	50,302
Additions	322	384	2,193	2,899
Disposals	(61)	-	(1,873)	(1,934)
Exchange differences	39	-	75	114
As at 31 December 2022	33,939	2,930	14,512	51,381
Accumulated depreciation:				
As at 1 January 2022	(7,306)	-	(8,812)	(16,118)
Depreciation charges	(1,043)	-	(1,515)	(2,558)
Disposals	36	-	1,778	1,814
Exchange differences	(23)	-	(66)	(89)
As at 31 December 2022	(8,336)	-	(8,615)	(16,951)
Net carrying value:				
As at 1 January 2022	26,333	2,546	5,305	34,184
As at 31 December 2022 (Note (i))	25,603	2,930	5,897	34,430

(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 2021	33,547	2,178	12,890	48,615
Additions	270	368	2,178	2,816
Transfer out in current year	(154)	-	-	(154)
Disposals	(9)	-	(923)	(932)
Exchange differences	(15)	-	(28)	(43)
As at 31 December 2021	33,639	2,546	14,117	50,302
Accumulated depreciation:				
As at 1 January 2021	(6,318)	-	(8,429)	(14,747)
Depreciation charges	(1,019)	-	(1,283)	(2,302)
Transfer out in current year	16	-	-	16
Disposals	6	-	877	883
Exchange differences	9	-	23	32
As at 31 December 2021	(7,306)	-	(8,812)	(16,118)
Net carrying value:				
As at 1 January 2021	27,229	2,178	4,461	33,868
As at 31 December 2021 (Note (i))	26,333	2,546	5,305	34,184

Notes:

(i) As at 31 December 2022, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB 11,058 million (as at 31 December 2021: RMB 11,396 million). The Group believes the incomplete registration procedures do 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 rights*	*Equipment*	*Vehicles and others*	*Total*
Cost or deemed cost:					
As at 1 January 2022	17,145	1,221	92	53	18,511
Additions	3,533	-	2	8	3,543
Disposals	(1,514)	-	(11)	(3)	(1,528)
Exchange differences	72	-	-	-	72
As at 31 December 2022	19,236	1,221	83	58	20,598
Accumulated depreciation:					
As at 1 January 2022	(7,464)	(328)	(57)	(24)	(7,873)
Depreciation	(3,229)	(30)	(19)	(11)	(3,289)
Disposals	1,409	(1)	8	3	1,419
Exchange differences	(31)	-	-	-	(31)
As at 31 December 2022	(9,315)	(359)	(68)	(32)	(9,774)
Net carrying value:					
As at 1 January 2022	9,681	893	35	29	10,638
As at 31 December 2022	9,921	862	15	26	10,824

(Amounts in millions of Renminbi unless otherwise stated)

28 Right-of-use assets (continued)

	Buildings	*Land use rights*	*Equipment*	*Vehicles and others*	*Total*
Cost or deemed cost:					
As at 1 January 2021	16,146	1,221	113	53	17,533
Additions	2,567	-	4	4	2,575
Disposals	(1,426)	-	(25)	(4)	(1,455)
Exchange differences	(142)	-	-	-	(142)
As at 31 December 2021	17,145	1,221	92	53	18,511
Accumulated depreciation:					
As at 1 January 2021	(5,606)	(298)	(57)	(16)	(5,977)
Depreciation	(3,181)	(30)	(25)	(12)	(3,248)
Disposals	1,207	-	25	4	1,236
Exchange differences	116	-	-	-	116
As at 31 December 2021	(7,464)	(328)	(57)	(24)	(7,873)
Net carrying value:					
As at 1 January 2021	10,540	923	56	37	11,556
As at 31 December 2021	9,681	893	35	29	10,638

(i) As at 31 December 2022, the balance of the Group's lease liabilities amounted to RMB 10,272 million (as at 31 December 2021: RMB 9,816 million), including RMB 5,701 million (as at 31 December 2021: RMB 5,153 million) of lease liabilities that will mature within a year.

(ii) As at 31 December 2022, lease payments relating to lease contracts signed but to be executed amounted to RMB 68 million (as at 31 December 2021: RMB 167 million).

(iii) For the year ended 31 December 2022, the lease expense of short-term leases with a lease term of no more than 12 months and leases of assets with low values amounted to RMB 167 million (as at 31 December 2021: RMB 189 million).

(Amounts in millions of Renminbi unless otherwise stated)

29 Goodwill

	31 December 2022	*31 December 2021*
As at 1 January	833	860
Exchange difference	70	(27)
As at 31 December	903	833

Based on the result of impairment test, no impairment losses on goodwill were recognized as at 31 December 2022 (as at 31 December 2021: Nil).

30 Deferred tax assets/(liabilities)

	31 December 2022	*31 December 2021*
Deferred tax assets	55,011	46,905
Deferred tax liabilities	(3)	(8)
Net	55,008	46,897

(a) Analysed by nature and jurisdiction

	31 December 2022		*31 December 2021*	
	Deductible/ (taxable) temporary differences	*Deferred tax assets/ (liabilities)*	*Deductible/ (taxable) temporary differences*	*Deferred tax assets/ (liabilities)*
Deferred tax assets				
- allowance for impairment losses	203,539	50,766	180,860	45,076
- fair value adjustments	64	16	(7,505)	(1,882)
- employee retirement benefits and salaries payable	11,685	2,924	10,206	2,552
- others	5,095	1,305	4,497	1,159
Subtotal	220,383	55,011	188,058	46,905
Deferred tax liabilities				
- fair value adjustments	(5)	(1)	(48)	(8)
- others	(14)	(2)	-	-
Subtotal	(19)	(3)	(48)	(8)
Net	220,364	55,008	188,010	46,897

(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 2022, the deferred tax assets/liabilities offset by the Group were RMB 641 million (31 December 2021: RMB 2,260 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 2022	45,076	(1,890)	2,552	1,159	46,897
Recognized in profit or loss	5,661	(528)	405	117	5,655
Recognized in other comprehensive income	8	2,407	(33)	33	2,415
Exchange differences	21	26	-	(6)	41
As at 31 December 2022	50,766	15	2,924	1,303	55,008
As at 1 January 2021	39,870	(1,114)	2,579	567	41,902
Recognized in profit or loss	5,214	214	(27)	601	6,002
Recognized in other comprehensive income	-	(992)	-	(9)	(1,001)
Exchange differences	(8)	2	-	-	(6)
As at 31 December 2021	45,076	(1,890)	2,552	1,159	46,897

(Amounts in millions of Renminbi unless otherwise stated)

31 Other assets

	Notes	*31 December 2022*	*31 December 2021*
Advanced payments and settlement accounts		11,286	24,169
Assets with continuing involvement		11,114	10,878
Fee and commission receivables		9,861	7,454
Precious metal leasing		5,101	3,114
Interest receivables	(i)	4,488	5,167
Prepayments for properties and equipment		2,125	988
Repossessed assets	(ii)	1,478	1,330
Leasehold improvements		801	767
Prepaid rent		12	7
Others	(iii)	9,224	5,548
Total		55,490	59,422

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 impairment allowances on the Group's interest receivable is RMB 5,415 million (as at 31 December 2021: RMB 3,628 million).

(Amounts in millions of Renminbi unless otherwise stated)

31 Other assets(continued)

Notes (continued):

(ii) Repossessed assets

	Notes	*31 December 2022*	*31 December 2021*
Premises		2,722	2,611
Others		6	5
Gross balance		2,728	2,616
Less: Allowance for impairment losses	32	(1,250)	(1,286)
Net balance		1,478	1,330

As at 31 December 2022, 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 2021: None).

(iii) Others

Others include other receivables, other prepayments, prepaid legal costs for lawyers, etc.

(Amounts in millions of Renminbi unless otherwise stated)

32 Movements of allowance for impairment losses

		Year ended 31 December 2022				
	Notes	*As at 1 January*	*(Reversal)/Charge 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	145	(48)	-	1	98
Placements with and loans to banks and non-bank financial institutions	19	89	50	-	1	140
Financial assets held under resale agreements	21	47	(47)	-	-	-
Loans and advances to customers	22	121,471	55,786	(57,791)	11,736	131,202
Financial investments	23					
-at amortised cost		26,624	1,542	(1,530)	1,892	28,528
-at fair value through other comprehensive income		2,387	269	(28)	89	2,717
Other financial assets and accrued interest		5,134	5,220	(4,352)	1,347	7,349
Off balance sheet credit assets	40	11,428	8,587	(11,112)	54	8,957
Total		167,325	71,359	(74,813)	15,120	178,991
Allowance for impairment losses on other assets						
Other assets - repossessed assets	31(ii)	1,286	45	(119)	38	1,250
Total		1,286	45	(119)	38	1,250

(Amounts in millions of Renminbi unless otherwise stated)

32 Movements of allowance for impairment losses (continued)

		Year ended 31 December 2021				
	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	130	16	-	(1)	145
Placements with and loans to banks and non-bank financial institutions	19	97	(7)	-	(1)	89
Financial assets held under resale agreements	21	56	(9)	-	-	47
Loans and advances to customers	22	126,100	50,228	(64,161)	9,304	121,471
Financial investments	23					
-at amortised cost		13,737	18,917	(6,971)	941	26,624
-at fair value through other comprehensive income		2,651	(165)	(71)	(28)	2,387
Other financial assets and accrued interest		4,980	3,302	(4,034)	886	5,134
Off balance sheet credit assets	40	6,725	4,723	-	(20)	11,428
Total		154,476	77,005	(75,237)	11,081	167,325
Allowance for impairment losses on other assets						
Other assets - repossessed assets	31(ii)	1,323	43	(92)	12	1,286
Total		1,323	43	(92)	12	1,286

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 2022	*31 December 2021*
In Mainland China		
- banks	310,409	279,849
- non-bank financial institutions	822,110	885,347
Subtotal	1,132,519	1,165,196
Outside Mainland China		
- banks	7,085	4,610
- non-bank financial institutions	70	19
Subtotal	7,155	4,629
Accrued interest	4,102	4,938
Total	1,143,776	1,174,763

34 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2022	*31 December 2021*
In Mainland China		
- banks	51,186	44,375
- non-bank financial institutions	-	8,360
Subtotal	51,186	52,735
Outside Mainland China		
- banks	18,684	25,316
- non-bank financial institutions	709	40
Subtotal	19,393	25,356
Accrued interest	162	240
Total	70,741	78,331

(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 2022	*31 December 2021*
In Mainland China		
- PBOC	217,858	67,372
- banks	33,779	30,243
Subtotal	251,637	97,615
Outside Mainland China		
- banks	4,427	719
- Non-banks	55	-
Subtotal	4,482	719
Accrued interest	75	5
Total	256,194	98,339

(b) Analysed by type of collateral

	31 December 2022	*31 December 2021*
Debt securities	186,765	44,143
Discounted bills	69,354	54,191
Accrued interest	75	5
Total	256,194	98,339

The Group did not derecognize financial assets used as collateral in connection with financial assets sold under repurchase agreements. As at 31 December 2022, no legal title of the collateral has been transferred to counterparties. The above information of collateral is included in the Note 52.

(Amounts in millions of Renminbi unless otherwise stated)

36 Deposits from customers

Analysed by nature:

	31 December 2022	*31 December 2021*
Demand deposits		
- corporate customers	1,937,135	1,963,640
- personal customers	349,013	310,054
Subtotal	2,286,148	2,273,694
Time and call deposits		
- corporate customers	1,855,977	1,789,956
- personal customers	942,803	662,255
Subtotal	2,798,780	2,452,211
Outward remittance and remittance payables	14,420	10,679
Accrued interest	58,516	53,385
Total	5,157,864	4,789,969

Guarantee deposits included in above deposits:

	31 December 2022	*31 December 2021*
Bank acceptances	348,926	247,946
Guarantees	17,091	14,063
Letters of credit	25,132	19,615
Others	55,709	81,308
Total	446,858	362,932

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs

		Year ended 31 December 2022			
	Notes	*As at 1 January*	*Additions during the year*	*Payments during the year*	*As at 31 December*
Salaries and bonuses		18,248	28,102	(25,707)	20,643
Social insurance		9	2,027	(2,021)	15
Welfare expenses		4	1,352	(1,352)	4
Housing fund		7	1,758	(1,755)	10
Labor union expenses and employee education expenses		750	888	(650)	988
Housing allowance		54	-	-	54
Post-employment benefits - defined contribution plans	(a)	19	3,579	(3,580)	18
Post-employment benefits - defined benefit plans	(b)	18	1	(1)	18
Other benefits		144	375	(364)	155
Total	(c)	19,253	38,082	(35,430)	21,905

		Year ended 31 December 2021			
	Notes	*As at 1 January*	*Additions during the year*	*Payments during the year*	*As at 31 December*
Salaries and bonuses		19,436	25,299	(26,487)	18,248
Social insurance		48	1,813	(1,852)	9
Welfare expenses		4	1,373	(1,373)	4
Housing fund		8	1,570	(1,571)	7
Labor union expenses and employee education expenses		568	808	(626)	750
Housing allowance		54	-	-	54
Post-employment benefits - defined contribution plans	(a)	43	3,171	(3,195)	19
Post-employment benefits - defined benefit plans	(b)	18	1	(1)	18
Other benefits		154	368	(378)	144
Total	(c)	20,333	34,403	(35,483)	19,253

37 Accrued staff costs (continued)

Notes:

(a) 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 2022, the Bank has made annuity contributions at 7% (31 December 2021: 7%) of its employee's gross wages. For the year ended 31 December 2022, the Bank made annuity contribution amounting to RMB 1,544 million (year ended 31 December 2021: RMB 1,395 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.

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs (continued)

(b) 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 plan. The amount that is recognized as at reporting date presents the discounted value of future obligation.

The present value of the Group's supplementary retirement plan obligations on the date of balance sheet is calculated through projected unit credit method and computed by a qualified professional actuary firm Towers Watson Consulting (Shenzhen) Ltd. Beijing Branch.

The primary assumptions used by the actuary are as follows

	31 December 2022	*31 December 2021*
Discount rate	2.75%	3.00%
Annual withdrawal rate	5.00%	5.00%
Normal retirement age	Male: 60 years old	Female: 55 years old
Annual increase rate of social average wage and salary for current active employees	5.00%	5.00%
Mortality rate	Determined by the China Life Insurance Mortality Table	

In 2021 and 2022, the change amount of supplementary retirement benefits scheme liabilities incurred by the actuarial assumptions variations illustrated above was immaterial.

Except for the aforementioned contributions, the Group has no other material obligation for payment of retirement benefits.

(c) The salaries, bonuses, allowances and subsidies, retirement benefits and other social insurance payable to employees are paid in accordance with relevant laws and regulations within time limit stipulated by the Group.

(Amounts in millions of Renminbi unless otherwise stated)

38 Taxes payable

	31 December 2022	*31 December 2021*
Income tax	4,415	5,830
VAT and surcharges	4,060	4,913
Others	12	10
Total	8,487	10,753

39 Debt securities issued

	Notes	*31 December 2022*	*31 December 2021*
Long-term debt securities issued	(a)	116,344	61,125
Subordinated bonds issued:			
- by the Bank	(b)	89,987	109,974
- by CBI	(c)	3,444	3,174
Certificates of deposit issued	(d)	1,035	1,211
Certificates of interbank deposit issued	(e)	720,431	739,857
Convertible corporate bonds	(f)	39,977	39,497
Accrued interest		3,988	3,365
Total		975,206	958,203

(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 2022 Nominal Value*	*31 December 2021 Nominal Value*
				RMB	*RMB*
Floating rate bond	14 December 2017	15 December 2022	Three-month Libor +1%	-	3,504
Fixed rate bond	14 December 2017	15 December 2022	3.125%	-	1,593
Fixed rate bond	18 March 2020	18 March 2023	2.750%	30,000	30,000
Fixed rate bond	2 February 2021	2 February 2024	0.875%	1,381	1,274
Fixed rate bond	2 February 2021	2 February 2026	1.250%	2,417	2,230
Fixed rate bond	10 June 2021	10 June 2024	3.190%	20,000	20,000
Fixed rate bond	17 November 2021	17 November 2024	1.750%	3,453	3,185
Fixed rate bond	28 April 2022	28 April 2025	2.800%	30,000	-
Fixed rate bond	5 August 2022	5 August 2025	2.500%	30,000	-
Fixed rate bond	20 December 2022	17 November 2024	1.750%	1,865	-
Total nominal value				119,116	61,786
Less: Unamortised issuance cost				(24)	(24)
Less: offset				(2,748)	(637)
Carrying value				116,344	61,125

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

	Notes	*31 December 2022*	*31 December 2021*
Subordinated fixed rate bonds maturing:			
- in June 2027	(i)	-	19,989
- in September 2028	(ii)	29,993	29,995
- in October 2028	(iii)	20,000	19,997
- in August 2030	(iv)	39,994	39,993
Total		89,987	109,974

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 fixed-rate subordinated bonds on 21 June 2012 with a coupon rate of 5.15% per annum. The Bank has redeemed the bonds on 21 June 2022.

(ii) The Bank issued fixed-rate subordinated bonds on 13 September 2018 with a coupon rate of 4.96% per annum. The Bank has the option to redeem the bonds 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.

(iii) The Bank issued fixed-rate subordinated bonds on 22 October 2018 with a coupon rate of 4.80% per annum. The Bank has the option to redeem the bonds 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.

(iv) The Bank issued fixed-rate subordinated bonds on 14 August 2020 with a coupon rate of 3.87% per annum. The Bank has the option to redeem the bonds 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 2022*	*31 December 2021*
Subordinated fixed rate notes maturing:			
- in February 2029	(i)	3,444	3,174

Notes:

(i) 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 each coupon payment date on and after 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 from 2.76% to 5.37% per annum.

(e) As at 31 December 2022, the Bank had issued certain certificates of interbank deposits, totaling RMB 720,431 million (as at 31 December 2021: RMB 739,857 million), with yield ranging from 1.65% to 2.68% (as at 31 December 2021: 2.60% to 3.18%) per annum. The original expiry terms range from one month 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. On 28 July 2022, the conversion price of the convertible corporate bonds has been adjusted to RMB 6.43 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 2022, convertible corporate bonds of RMB 335,000 was converted to 47,084 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	3,192	-	3,192
Amount of bonds converted	-	-	-
Ending balance	39,977	3,135	43,112

(Amounts in millions of Renminbi unless otherwise stated)

40 Provisions

	31 December 2022	*31 December 2021*
Allowance for impairment losses on off-balance sheet items	8,957	11,428
Litigation provisions	779	499
Total	9,736	11,927

The movement of off-balance sheet allowance for impairment losses is included in the Note 32.

41 Other liabilities

	31 December 2022	*31 December 2021*
Continuing involvement liability	11,114	10,878
Settlement and clearing accounts	13,134	5,342
Advances and deferred expenses	4,391	5,087
Payment and collection accounts	4,500	4,349
Leasing deposits	521	880
Accrued expenses	841	688
Others	7,795	8,403
Total	42,296	35,627

(Amounts in millions of Renminbi unless otherwise stated)

42 Share capital

	31 December 2022 and 31 December 2021 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 2022*	*31 December 2021*
As at 1 January		48,935	48,935
Convertible bond settlement	(i)	-	-
As at 31 December		48,935	48,935

Note:

(i) In 2022, convertible corporate bonds of RMB 8,000 was converted to 1,188 A-shares (In 2021, convertible corporate bonds of RMB 27,000 was converted to 3,900 A-shares).

43 Other equity instruments

	31 December 2022	*31 December 2021*
Preference shares (Note (i))	34,955	34,955
Perpetual bonds (Note (ii))	79,986	79,986
Equity of convertible corporate bonds (Note 39(f))	3,135	3,135
Total	118,076	118,076

(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 the 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 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 the 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 below market price, 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) Non fixed-term bonds

The Bank issued RMB 40 billion write-down non fixed-term bonds (the "Bonds") in the domestic interbank bond market on 11 December 2019. On 26 April 2021, the Bank issued RMB 40 billion write-down non fixed-term bonds (the "Bonds") in the domestic interbank bond market. The denomination of these 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 these 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) Non fixed-term bonds (continued)

Interests attributable to equity instruments' holder：

	31 December 2022	*31 December 2021*
Total equity attributable to equity holders of the parent company	665,418	626,303
Equity attributable to ordinary equity holders of the parent company	547,342	508,227
Equity attributable to other equity instruments holders of the parent company	118,076	118,076
-Profit for the period/distribution for the period	4,788	3,010
Total equity attributable to non-controlling interests	20,412	16,323
Equity attributable to non-controlling interests of ordinary shares	9,220	9,121
Equity attributable to non-controlling interests of other equity instruments	11,192	7,202

For the year ended 31 December 2022, the Bank paid dividend of RMB 1,428 million to the preference shareholders (for the year ended 31 December 2021: RMB 1,330 million), and paid interest of RMB 3,360 million to the holders of non fixed-term bonds (for the year ended 31 December 2021: RMB 1,680 million).

44 Capital reserves

	31 December 2022	*31 December 2021*
Share premium	58,896	58,896
Other reserves	320	320
Total	59,216	59,216

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 plans (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 2022	*Year ended 31 December 2021*
As at 1 January	48,937	43,786
Appropriations	5,790	5,151
As at 31 December	54,727	48,937

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 2022	*Year ended 31 December 2021*
As at 1 January	95,490	90,819
Appropriations	5,090	4,671
As at 31 December	100,580	95,490

Pursuant to relevant Ministry of Finance ("MOF") notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. The Bank and the Group make its appropriation on an annual basis.

CITIC Wealth shall draw operational risk reserves on a monthly basis according to the Administrative Measures for Financial Subsidiaries of Commercial Banks. CNCBI Macau shall draw down its regulatory reserves on a monthly basis according to the requirements of the Monetary Authority of Macau. During the year ended 31 December 2022, a total of RMB 2,560 million of corresponding risk provisions was drawn.

(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 2022*	*Year ended 31 December 2021*
Appropriations to			
- surplus reserve	46	5,790	5,151
- general reserve	47	5,090	4,671
As at 31 December		10,880	9,822

The Bank appropriated RMB 5,790 million to statutory surplus reserve fund for the year of 2022, and appropriated RMB 2,476 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 23 June 2022, a total amount of approximately RMB 14,778 million (RMB 3.02 per 10 shares) were distributed in the form of cash dividend to the ordinary shareholders on 28 July 2022.

(c) On 23 March 2023, the Board of Directors proposed a cash dividend of RMB 3.29 per 10 shares in respect of the year 2022. Subject to the approval of the ordinary shareholders at the Annual General Meeting, approximately RMB 16,100 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 recognized as liability as at 31 December 2022.

(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 1,680 million in interest at a coupon rate of 4.20% to investors of perpetual bonds on 12 December 2022; On 26 April 2021, the Bank issued RMB 40 billion write-down undated capital bonds in the domestic interbank bond market. The Bank paid RMB 1,680 million in interest at a coupon rate of 4.20% to investors of perpetual bonds on 26 April 2022.

48 Profit appropriations and retained earnings (continued)

(e) In accordance with the resolution approved in the Board of Directors Meeting of the Bank on 25 August 2022, a total amount of approximately RMB 1,428 million (calculated by the Bank using the agreed dividend rate of 4.08% with RMB 4.08 per share) were distributed in the form of cash dividend to the preference shareholders on 26 October 2022.

(f) As at 31 December 2022, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB 846 million (as at 31 December 2021: RMB 563 million), of which RMB 283 million (as at 31 December 2021: RMB 212 million) was the appropriation made by the subsidiaries for the year ended 31 December 2022. 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 subsidiaries and other equity instrument holders' interests. As at 31 December 2022, other equity instrument holders' interest amounted to RMB 11,192 million (31 December 2021: RMB 7,202 million) representing other equity instruments issued by CBI on 6 November 2018, 29 July 2021 and 22 April 2022, 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	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
Capital Securities	29 July 2021	USD 600 millions	29 July 2026	3.25% 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 plus2.53% per annum	Semi-annually
Capital Securities	22 April 2022	USD 600 millions	22 April 2027	4.80% 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 plus2.104% 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 463 million was paid to the holders of the Capital Securities mentioned above during the year ended 31 December 2022 (the year ended 31 December 2021: RMB 367 million).

(Amounts in millions of Renminbi unless otherwise stated)

50 Notes to consolidated statement of cash flows

Cash and cash equivalents

	31 December 2022	*31 December 2021*
Cash	5,532	5,694
Cash equivalents		
- Surplus deposit reserve funds	104,315	65,571
- Deposits with banks and non-bank financial institutions due within three months when acquired	36,024	58,293
- Placements with and loans to banks and non-bank financial institutions due within three months when acquired	36,219	48,098
- Investment securities due within three months when acquired	125,781	75,162
Subtotal	302,339	247,124
Total	307,871	252,818

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 of 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 recognized 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 2022	*31 December 2021*
Contractual amount		
Loan commitments		
- with an original maturity within one year	16,319	13,725
- with an original maturity of one year or above	41,642	39,748
Subtotal	57,961	53,473
Bank acceptances	795,833	669,736
Credit card commitments	704,268	708,741
Letters of guarantee issued	186,617	128,866
Letters of credit issued	270,837	214,958
Total	2,015,516	1,775,774

(b) Credit commitments analysed by credit risk weighted amount

	31 December 2022	*31 December 2021*
Credit risk weighted amount of credit commitments	541,153	471,734

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 2022	*31 December 2021*
For the purchase of property and equipment		
Contracted for	2,011	1,541

(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 2022, the Group was involved in certain potential and pending litigation as defendant with gross claims of RMB 577 million (as at 31 December 2021: RMB 1,026 million). Such contingencies, including litigation and disputes, are not expected to have material impact on the 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 2022	*31 December 2021*
Redemption commitment for PRC treasury bonds	2,904	3,249

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 2022, the Group did not have unfulfilled commitment in respect of securities underwriting business (as at 31December 2021: 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 2022	*31 December 2021*
Debt securities	368,653	341,978
Discounted bills	69,593	54,401
Others	269	178
Total	438,515	396,557

As at 31 December 2022 and 31 December 2021, 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 2022, the Group pledged deposits with banks and other financial institutions with carrying amount totalling RMB 542 million (as at 31 December 2021: RMB 527 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 2022,the Group held no collateral that can be resold or re-pledged by the Group (as at 31 December 2021: Nil). During the year ended 31 December 2022, the Group did not resell or re-pledge any of these collateral (year ended 31 December 2021: 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.

Entrusted assets are not assets of the Group and are not recognized 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 2022	*31 December 2021*
Entrusted loans	305,416	306,515
Entrusted funds	305,417	306,516

(b) Wealth management services

As at 31 December 2022, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 59 (b).

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 recognized 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 2022, the total investment of non-principal guaranteed wealth management products managed by the Group that was not included in the Group's consolidated financial statements 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 2022				
	Corporate Banking	*Personal Banking*	*Treasury Operations*	*Others and Unallocated*	*Total*
External net interest income/(expense)	41,133	102,227	37,443	(30,156)	150,647
Internal net interest income/(expense)	39,377	(41,619)	(29,454)	31,696	-
Net interest income	80,510	60,608	7,989	1,540	150,647
Net fee and commission income	10,813	22,787	3,120	372	37,092
Other net income (Note (i))	3,113	1,282	19,203	(228)	23,370
Operating income	94,436	84,677	30,312	1,684	211,109
Operating expenses					
- depreciation and amortisation	(2,091)	(1,376)	(2,124)	(1,729)	(7,320)
- others	(24,688)	(30,486)	(3,543)	(801)	(59,518)
Credit impairment losses	(34,550)	(35,435)	(1,323)	(51)	(71,359)
Impairment (losses)/gains on other assets	(79)	-	-	34	(45)
Revaluation gains on investment properties	-	-	-	(74)	(74)
Share of profit of associates and joint ventures	-	-	14	609	623
Profit before tax	33,028	17,380	23,336	(328)	73,416
Income tax					(10,466)
Profit for the year					62,950
Capital expenditures	1,544	995	1,645	1,137	5,321

	Year ended 31 December 2022				
	Corporate Banking	*Personal Banking*	*Treasury Operations*	*Others and Unallocated*	*Total*
Segment assets	2,933,628	2,207,675	2,713,020	631,868	8,486,191
Interest in associates and joint ventures	-	-	135	6,206	6,341
Deferred tax assets					55,011
Total asset					8,547,543
Segment liabilities	3,881,053	1,357,988	1,065,610	1,557,059	7,861,710
Deferred tax liabilities					3
Total liabilities					7,861,713
Off-balance sheet credit commitments	1,311,248	704,268	-	-	2,015,516

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(a) Business segments (continued)

	Year ended 31 December 2021				
	Corporate Banking	*Personal Banking*	*Treasury Operations*	*Others and Unallocated*	*Total*
External net interest income/(expense)	45,356	104,787	33,535	(35,782)	147,896
Internal net interest income/(expense)	35,072	(45,504)	(24,824)	35,256	-
Net interest income	80,428	59,283	8,711	(526)	147,896
Net fee and commission income	11,717	22,789	1,513	(149)	35,870
Other net income (Note (i))	1,911	495	16,288	2,094	20,788
Operating income	94,056	82,567	26,512	1,419	204,554
Operating expenses					
- depreciation and amortisation	(2,059)	(1,671)	(1,816)	(1,159)	(6,705)
- others	(22,901)	(28,136)	(2,480)	(2,002)	(55,519)
Credit impairment losses	(44,026)	(30,056)	(2,786)	(137)	(77,005)
Impairment (losses)/gains on other assets	(55)	-	-	12	(43)
Revaluation gains on investment properties	-	-	-	23	23
Share of profit of associates and joint ventures	-	-	12	200	212
Profit before tax	25,015	22,704	19,442	(1,644)	65,517
Income tax					(9,140)
Profit for the year					56,377
Capital expenditures	1,261	1,064	1,087	578	3,990

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(a) Business segments (continued)

	Year ended 31 December 2021				
	Corporate Banking	*Personal Banking*	*Treasury Operations*	*Others and Unallocated*	*Total*
Segment assets	2,725,565	2,124,792	2,357,324	782,545	7,990,226
Interest in associates and joint ventures	-	-	121	5,632	5,753
Deferred tax assets					46,905
Total asset					8,042,884
Segment liabilities	3,847,443	1,025,781	1,032,526	1,494,500	7,400,250
Deferred tax liabilities					8
Total liabilities					7,400,258
Off-balance sheet credit commitments	1,067,033	708,741	-	-	1,775,774

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging gain 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, CITIC Wealth and CFLL are registered and operating 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;

- "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;

- "North-eastern" region refers to the following areas where Tier-One branches of the Group is located: Shenyang, Changchun and Harbin;

- "Head Office" refers to the headquarters 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 2022									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
External net interest income	34,446	19,339	(78)	22,603	19,931	2,167	45,993	6,246	-	150,647
Internal net interest income/(expense)	(4,641)	(4,477)	20,783	(5,504)	(7,672)	(245)	1,714	42	-	-
Net interest income	29,805	14,862	20,705	17,099	12,259	1,922	47,707	6,288	-	150,647
Net fee and commission income	5,812	1,737	3,298	1,640	1,119	178	22,028	1,280	-	37,092
Other net income (Note (i))	1,858	577	879	475	239	51	18,603	688	-	23,370
Operating income	37,475	17,176	24,882	19,214	13,617	2,151	88,338	8,256	-	211,109
Operating expense										
- depreciation and amortisation	(947)	(786)	(899)	(654)	(733)	(202)	(2,486)	(613)	-	(7,320)
- others	(10,190)	(6,365)	(8,089)	(5,614)	(5,650)	(1,128)	(19,184)	(3,298)	-	(59,518)
Credit impairment losses	(10,905)	(4,966)	(5,942)	(3,987)	(4,140)	(495)	(39,214)	(1,710)	-	(71,359)
Impairment (losses)/gains on other assets		-	1	(12)	(68)	-	-	34	-	(45)
Revaluation gains on investment properties		-	-	-	-	-	-	(74)		(74)
Share of profit/(loss) of associates and joint ventures	-	-	-	-	-	-	611	12	-	623
Profit before tax	15,433	5,059	9,953	8,947	3,026	326	28,065	2,607	-	73,416
Income tax										(10,466)
Profit for the year										62,950
Capital expenditures	570	246	152	225	219	43	3,626	240	-	5,321

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

	31 December 2022									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
Segment assets	1,883,859	989,734	1,853,384	830,699	671,733	120,001	3,386,176	452,313	(1,701,708)	8,486,191
Interest in associates and joint ventures	-	-	-	-	-	-	5,811	530	-	6,341
Deferred tax assets										55,011
Total assets										8,547,543
Segment liabilities	1,650,156	777,003	1,440,598	759,105	610,456	111,866	3,827,767	392,380	(1,707,621)	7,861,710
Deferred tax liabilities										3
Total liabilities										7,861,713
Off-balance sheet credit commitments	357,706	252,497	223,088	270,915	163,125	19,830	694,944	33,411	-	2,015,516

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

	Year ended 31 December 2021									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
External net interest income	26,454	16,292	(2,712)	20,612	19,019	2,673	60,293	5,265	-	147,896
Internal net interest income/(expense)	3,442	549	23,944	(3,743)	(6,040)	(474)	(17,500)	(178)	-	-
Net interest income	29,896	16,841	21,232	16,869	12,979	2,199	42,793	5,087	-	147,896
Net fee and commission income	3,921	2,274	4,005	1,750	1,319	251	20,755	1,595	-	35,870
Other net income (Note (i))	1,176	387	556	(920)	802	55	17,142	1,590	-	20,788
Operating income	34,993	19,502	25,793	17,699	15,100	2,505	80,690	8,272	-	204,554
Operating expense										
- depreciation and amortisation	(997)	(747)	(884)	(636)	(740)	(205)	(1,927)	(569)	-	(6,705)
- others	(10,045)	(5,995)	(8,136)	(5,722)	(5,164)	(1,218)	(16,298)	(2,941)	-	(55,519)
Credit impairment losses	(15,256)	(9,752)	(7,444)	(7,090)	(820)	(1,124)	(33,782)	(1,737)	-	(77,005)
Impairment (losses)/gains on other assets	(44)	-	(4)	(3)	(4)	-	-	12	-	(43)
Revaluation gains on investment properties	-	-	-	-	-	-	-	23	-	23
Share of profit/(loss) of associates and joint ventures	-	-	-	-	-	-	307	(95)	-	212
Profit before tax	8,651	3,008	9,325	4,248	8,372	(42)	28,990	2,965	-	65,517
Income tax										(9,140)
Profit for the year										56,377
Capital expenditure	263	171	186	267	261	50	2,571	221	-	3,990

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

	31 December 2021									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
Segment assets	1,786,736	936,397	1,827,646	773,844	645,367	117,419	3,306,611	379,810	(1,783,604)	7,990,226
Interest in associates and joint ventures	-	-	-	-	-	-	5,220	533	-	5,753
Deferred tax assets										46,905
Total assets										8,042,884
Segment liabilities	1,608,600	841,308	1,659,295	720,486	574,805	110,552	3,322,858	318,701	(1,756,355)	7,400,250
Deferred tax liabilities										8
Total liabilities										7,400,258
Off-balance sheet credit commitments	305,914	194,418	177,211	232,769	113,579	21,679	700,673	29,531	-	1,775,774

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging gain 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 unfavorable 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 strategic 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 unauthorized or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposures of the Group mainly arise from the Group's loans and advances to customers, bonds, interbank business, receivables, lease receivables, other debt investments, and other on-balance sheet assets, and also off-balance sheet items, such as credit commitments.

The Group has standardized 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 standardized credit business process, strengthening the whole process management of pre-lending investigation, credit rating and credit granting, examination and approval, loan review and post-lending monitoring, improving risk mitigating impact of collateral, accelerating the collection and 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 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 to recover 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 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 ("ECL")

The Group adopts the "expected credit loss model" on its debt instruments which are classified as financial assets measured at amortised cost and at fair value through other comprehensive income and off-balance sheet credit assets 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 impairment model is used to measure their allowances for impairment losses respectively to recognize expected credit losses and their movements:

Stage 1: Financial assets 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 allowance of financial assets in Stage 1 is measured based on the expected credit losses in the next 12 months, which represent the proportion of the lifetime expected credit losses that may arise from 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 assets to Stage 2, but does not consider them as credit-impaired. The expected credit losses of financial assets in Stage 2 are measured based on the lifetime expected credit losses.

Stage 3: If a financial asset has shown signs of credit impairment from initial recognition, it will be moved to Stage 3. The expected credit losses of financial assets in Stage 3 are 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 ECLs of financial assets through testing models, including the risk parameters model and discounted cash flows model. The risk parameters model method is applicable to the financial assets in Stages 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 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 averages to obtain the present value of the future cash inflows.

The risk parameter model has two main components: 1) the assessment methods under the Internal Rating-Based (IRB) approach for key parameters, such as probability of default (PD) and loss given default (LGD); and 2) the forward-looking adjustment model for multi-scenario forecasts based on the key parameters. The expected credit losses of financial assets are assessed individually by measuring PDs, LGDs and forward-looking adjustments.

The key judgments involved and assumptions adopted by the Group in assessing expected credit losses are as follows:

(1) Grouping of risks

According to the nature of the businesses, the Group mainly divides its financial assets into three major categories, i.e., corporate assets, personal loans and credit card assets according to the asset categories, and further divides them into risk groups in light of their credit risk characteristics, including the industries in which the customers operate, product type and staging assessments.

(2) 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 quantitative or qualitative thresholds are triggered, the credit risk of financial instruments would be considered as having increased significantly.

By setting quantitative and qualitative criteria, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The criteria mainly include days past due, the absolute level and relative level of default probability changes, changes in credit risk classification and other circumstances indicating significant changes in credit risk.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(2) Significant increase in credit risk (continued)

In accordance with the policies of the central government and regulatory authorities and in light of its credit management needs, the Group makes prudential assessments of the repayment ability of the borrowers who apply for loan extensions. To eligible borrowers, the Group provides a number of relief options, including deferred repayment of interest and adjustment of repayment schedules, and at the same time, the Group makes individual and collective assessments to assess whether there has been a significant increase in the credit risk of these borrowers.

(3) 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 concession that would not be offered otherwise, considering 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.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(4) 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 ("PD") 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 PDs for various maturities and the changes in the values of collateral over time.

The Group classifies exposures with similar risk characteristics into groups and collectively estimates their risk parameters, including PDs, LGDs, and EADs. In 2022, based on data accumulation, the Group optimized and updated the 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 ("ECL") (continued)

(5) Forward-looking information

The assessment of significant increases in credit risk and the calculation of expected credit losses both involve forward-looking information. Based on historical analysis, the Group has identified the key economic variables impacting expected credit losses for various risk groups.

These economic variables have different impacts on the probabilities of default and the losses given default of different risk groups. The Group makes forecasts on these economic indicators at least semi-annually. In this process, the Group also resorts to expert judgment, and applies expert judgment to determine the impact of these economic variables on the probabilities of default and the losses given default.

In addition to the neutral economic scenario, the Group determines 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. Based on comprehensive considerations of internal and external data, expert forecasts, and the best estimate of future outcomes, the Group makes regular forecasts of the macro indicators in three macro-economic scenarios, i.e., the positive, neutral and negative scenarios, to determine the coefficients for forward-looking adjustments. Neutral is defined as the most likely to happen in the future, as compared to other scenarios. Positive scenario and negative scenario represent the likely scenario that is better off or worse off as compared to the neutral scenario.

The Group 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 consumer price index, narrow money supply and per capita disposable income of urban residents, etc., are basically consistent with the forecasts 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 ("ECL") (continued)

(5) Forward-looking information (continued)

In 2022, the Group considered different macroeconomic scenarios, and the key macroeconomic assumptions used in estimating ECL are set out below:

Variables	Range
Consumer Price Index	1.50%~3.00%
Narrow Money Supply (M1)	0.00%~12.20%
Per capita Disposable Income of Urban Residents	5.40%~7.00%

Currently, the weighting of neutral scenario is equal to the sum of the weightings of other 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.

(6) Sensitivity information and management overlay

Changes to the inputs and forward-looking information used in ECL measurement will affect the assessment of significant increase in credit risk and the measurement of expected credit losses.

As at 31 December 2022, assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the Group's credit impairment losses would be reduced by no more than 5% of the current credit impairment losses; assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the Group's credit impairment losses would 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 ("ECL") (continued)

(6) Sensitivity information and management overlay (continued)

As at 31 December 2022, assuming an overall increase or decrease of 5% in the macroeconomic factors, the change to the impairment loss allowances for the main credit assets of the Group and the Bank would not exceed 10% of the current impairment loss allowances.

For risks in specific areas and the impacts of deferred principal and interest repayment and other policies that have not been reflected in the model, the Group also considered and applied management overlays to increase the impairment provisions to further boost its risk mitigation capacity, and the subsequent increase in the impairment loss allowances did not exceed 5% of the current impairment loss allowances.

Allowance for impairment losses of performing loans and advances to customers consists of ECLs for Stage 1 and Stage 2 assets, which represent 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 if the ECLs of all performing loans and advances to customers are measured based on 12 months ECL, assuming all other risk factors remain the same.

	31 December 2022	31 December 2021
Performing loans and advances to customers		
Allowance of impairment losses assuming loans in stage 2 transfer to stage 1	78,523	69,220
Impact of stage transfers	4,316	3,446
Current allowance for impairment losses	82,839	72,666

(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 2022				
	Stage 1	*Stage 2*	*Stage 3*	*Not applicable*	*Total*
Balances with central banks	471,849	-	-	-	471,849
Deposits with bank and non-bank financial institutions	78,834	-	-	-	78,834
Placements with and loans to banks and non-bank financial institutions	209,425	-	-	8,739	218,164
Derivative financial assets	-	-	-	44,383	44,383
Financial assets held under resale agreements	13,730	-	-	-	13,730
Loans and advances to customers	4,938,600	68,954	27,532	3,881	5,038,967
Financial investments					
- at fair value through profit or loss	-	-	-	557,594	557,594
- at amortised cost	1,101,975	3,709	29,768	-	1,135,452
- at fair value through other comprehensive income	803,583	136	976	-	804,695
- designated at fair value through other comprehensive income	-	-	-	5,128	5,128
Other financial assets	11,513	4,484	1,303	-	17,300
Subtotal	7,629,509	77,283	59,579	619,725	8,386,096
Credit commitments	2,014,016	1,245	255	-	2,015,516
Maximum credit risk exposure	9,643,525	78,528	59,834	619,725	10,401,612

(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 2021				
	Stage 1	*Stage 2*	*Stage 3*	*Not applicable*	*Total*
Balances with central banks	429,689	-	-	-	429,689
Deposits with bank and non-bank financial institutions	107,856	-	-	-	107,856
Placements with and loans to banks and non-bank financial institutions	139,322	-	-	4,596	143,918
Derivative financial assets	-	-	-	22,721	22,721
Financial assets held under resale agreements	91,437	-	-	-	91,437
Loans and advances to customers	4,657,995	63,389	26,692	-	4,748,076
Financial investments					
- at fair value through profit or loss	-	-	-	495,810	495,810
- at amortised cost	1,125,589	11,784	32,856	-	1,170,229
- at fair value through other comprehensive income	651,067	348	442	-	651,857
- designated at fair value through other comprehensive income	-	-	-	4,745	4,745
Other financial assets	7,410	5,166	936	-	13,512
Subtotal	7,210,365	80,687	60,926	527,872	7,879,850
Credit commitments	1,774,949	587	238	-	1,775,774
Maximum credit risk exposure	8,985,314	81,274	61,164	527,872	9,655,624

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 2022						
	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	3,893,401	992,389	113,014	-	4,998,804	(60,204)	4,938,600
Stage 2	1,398	18,111	71,942	-	91,451	(22,497)	68,954
Stage 3	-	-	-	75,816	75,816	(48,284)	27,532
Financial investments at amortised cost							
Stage 1							
Stage 2	745,762	356,012	2,684	-	1,104,458	(2,483)	1,101,975
Stage 3 (Note (ii))	-	-	5,096	-	5,096	(1,387)	3,709
Financial investments at fair value through comprehensive income	-	-	-	54,464	54,464	(24,696)	29,768
Stage 1	412,730	390,853	-	-	803,583	(1,416)	803,583
Stage 2	-	136	-	-	136	(98)	136
Stage 3	-	-	-	976	976	(1,203)	976
Maximum credit risk exposure	5,053,291	1,757,501	192,736	131,256	7,134,784	(162,268)	6,975,233

(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 2021						
	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	3,724,604	897,755	86,299	-	4,708,658	(50,663)	4,657,995
Stage 2	1,220	16,044	67,782	-	85,046	(21,657)	63,389
Stage 3	-	-	-	75,329	75,329	(48,637)	26,692
Financial investments at amortised cost							
Stage 1	810,282	313,915	5,613	-	1,129,810	(4,221)	1,125,589
Stage 2	3,225	2,554	10,081	-	15,860	(4,076)	11,784
Stage 3 (Note (ii))	-	810	676	49,800	51,286	(18,430)	32,856
Financial investments at fair value through comprehensive income							
Stage 1	353,764	297,303	-	-	651,067	(976)	651,067
Stage 2	-	189	159	-	348	(158)	348
Stage 3	-	431	-	11	442	(1,253)	442
Maximum credit risk exposure	4,893,095	1,529,001	170,610	125,140	6,717,846	(150,071)	6,570,162

Note:

(i) Loans and advances to customers include loans and advances to customers measured at fair value through other comprehensive income, and its corresponding impairment are not included 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 2022		
	Stage 1	Stage 2	Stage 3
As at 1 January 2022	4,708,658	85,046	75,329
Movements			
Net transfers out from Stage 1	(109,279)	-	-
Net transfers into Stage 2	-	28,507	-
Net transfers into Stage 3	-	-	80,772
Net transactions during the year (Note (i))	380,470	(23,863)	(23,508)
Write-off	-	-	(57,791)
Others (Note (ii))	18,955	1,761	1,014
As at 31 December 2022	4,998,804	91,451	75,816

	31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	4,296,618	103,565	78,592
Movements			
Net transfers out from Stage 1	(74,178)	-	-
Net transfers into Stage 2	-	862	-
Net transfers into Stage 3	-	-	73,316
Net transactions during the year (Note (i))	489,006	(17,357)	(13,132)
Write-off	-	-	(64,161)
Others (Note (ii))	(2,788)	(2,024)	714
As at 31 December 2021	4,708,658	85,046	75,329

(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 2022		
	Stage 1	Stage 2	Stage 3
As at 1 January 2022	1,780,877	16,208	51,728
Movements			
Net transfers out from Stage 1	(3,525)	-	-
Net transfers out from Stage 2	-	(7,376)	-
Net transfers into Stage 3	-	-	10,901
Net transactions during the year (Note (i))	121,588	(3,412)	(5,634)
Write-off	-	-	(1,558)
Others (Note (ii))	9,101	(188)	3
As at 31 December 2022	1,908,041	5,232	55,440

	31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	1,664,435	4,450	28,425
Movements			
Net transfers out from Stage 1	(21,955)	-	-
Net transfers into Stage 2	-	13,928	-
Net transfers into Stage 3	-	-	8,027
Net transactions during the year (Note (i))	142,085	(2,109)	22,305
Write-off	-	-	(7,042)
Others (Note (ii))	(3,688)	(61)	13
As at 31 December 2021	1,780,877	16,208	51,728

Notes:

(i) Net transactions during the year mainly include changes in carrying amount due to purchase, origination or derecognition (excluding write-offs).

(ii) Others include changes in accrued interest, 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 2022		
	Stage 1	Stage 2	Stage 3
As at 1 January 2022	51,215	21,686	48,805
Movements (Note (i))			
Net transfers out from Stage 1	(2,776)	-	-
Net transfers into Stage 2	-	3,011	-
Net transfers into Stage 3	-	-	33,661
Net transactions during the year (Note (ii))	5,338	(4,560)	(14,373)
Changes in parameters for the year (Note (iii))	7,408	498	27,579
Write-off	-	-	(57,791)
Others (Note (iv))	(458)	1,889	10,482
As at 31 December 2022	60,727	22,524	48,363

	31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	43,734	29,527	52,990
Movements (Note (i))			
Net transfers out from Stage 1	(925)	-	-
Net transfers out from Stage 2	-	(4,157)	-
Net transfers into Stage 3	-	-	45,597
Net transactions during the year (Note (ii))	7,492	(5,892)	(10,568)
Changes in parameters for the year (Note (iii))	583	2,330	15,768
Write-off	-	-	(64,161)
Others (Note (iv))	331	(122)	9,179
As at 31 December 2021	51,215	21,686	48,805

(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 2022		
	Stage 1	Stage 2	Stage 3
As at 1 January 2022	5,197	4,234	19,683
Movements (Note (i))			
Net transfers out from Stage 1	(209)	-	-
Net transfers out from Stage 2	-	(2,184)	-
Net transfers into Stage 3	-	-	6,436
Net transactions during the year (Note (ii))	160	(630)	(2,313)
Changes in parameters for the year (Note (iii))	(1,200)	56	1,695
Write-off	-	-	(1,558)
Others (Note (iv))	(49)	9	1,956
As at 31 December 2022	3,899	1,485	25,899

	31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	4,881	501	11,039
Movements (Note (i))			
Net transfers out from Stage 1	(764)	-	-
Net transfers into Stage 2	-	3,669	-
Net transfers into Stage 3	-	-	2,516
Net transactions during the year (Note (ii))	293	119	15,092
Changes in parameters for the year (Note (iii))	(201)	(55)	(1,917)
Write-off	-	-	(7,042)
Others (Note (iv))	988	-	(5)
As at 31 December 2021	5,197	4,234	19,683

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 during the year mainly include changes in allowance for impairment due to financial assets purchased, newly originated or derecognized (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 accrued interest, 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 2022			31 December 2021		
	Gross balance	*%*	*Loans and advances secured by collateral*	*Gross balance*	*%*	*Loans and advances secured by collateral*
Corporate loans						
- rental and business services	491,301	9.5	193,562	456,182	9.4	190,503
- manufacturing	419,507	8.1	171,117	356,129	7.3	157,536
- water, environment and public utility management	413,399	8.0	129,983	381,182	7.8	139,983
- real estate	277,173	5.4	229,939	284,801	5.7	250,846
- wholesale and retail	177,612	3.4	95,000	163,489	3.4	96,194
- transportation, storage and postal services	149,891	2.9	79,475	144,053	3.0	82,216
- construction	103,335	2.0	54,426	105,633	2.2	61,730
- production and supply of electric power, gas and water	89,609	1.7	41,650	84,351	1.7	44,461
- public management and social organisations	8,409	0.2	1,930	7,898	0.2	3,284
- others	393,780	7.6	117,284	352,461	7.2	118,173
Subtotal	2,524,016	48.8	1,114,366	2,336,179	47.9	1,144,926
Personal loans	2,116,910	41.0	1,423,097	2,053,824	42.2	1,366,920
Discounted bills	511,846	9.9	-	465,966	9.6	-
Accrued interest	17,180	0.3	-	13,064	0.3	-
Total	5,169,952	100.0	2,537,463	4,869,033	100.0	2,511,846

(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 2022			*31 December 2021*		
	Gross balance	*%*	*Loans and advances secured by collateral*	*Gross balance*	*%*	*Loans and advances secured by collateral*
Bohai Rim (including Head Office)	1,400,562	27.2	442,754	1,325,105	27.2	437,932
Yangtze River Delta	1,381,673	26.7	721,324	1,256,155	25.8	701,187
Pearl River Delta and West Strait	731,224	14.1	498,620	733,840	15.1	527,719
Central	730,240	14.1	390,082	672,083	13.8	370,042
Western	598,729	11.6	330,962	573,221	11.8	325,598
Northeastern	87,630	1.7	57,244	92,254	1.9	61,529
Outside Mainland China	222,714	4.3	96,477	203,311	4.1	87,839
Accrued interest	17,180	0.3	-	13,064	0.3	-
Total	5,169,952	100.0	2,537,463	4,869,033	100.0	2,511,846

(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 2022	*31 December 2021*
Unsecured loans	1,384,754	1,292,209
Guaranteed loans	718,709	585,948
Secured loans	2,537,463	2,511,846
- loans secured by collateral	2,018,796	1,963,710
- pledged loans	518,667	548,136
Subtotal	4,640,926	4,390,003
Discounted bills	511,846	465,966
Accrued interest	17,180	13,064
Total	5,169,952	4,869,033

(vi) Rescheduled loans and advances to customers

	31 December 2022		*31 December 2021*	
	Gross balance	*% of total loans and advances*	*Gross balance*	*% of total loans and advances*
Rescheduled loans and advances:	12,511	0.24%	16,182	0.33%
- rescheduled loans and advances overdue more than 3 months	5,695	0.11%	5,795	0.12%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated because of deterioration in the financial position of the borrowers, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider. As at 31 December 2022, the Group's concession given under renegotiation with borrowers or court rulings as a result of deterioration in financial position of borrowers 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 2022					
	Unrated (Note (i))	*AAA*	*AA*	*A*	*Below A*	*Total*
Debt securities issued by:						
- governments	884,388	236,364	40,794	3,965	-	1,165,511
- policy banks	81,966	-	-	7,661	-	89,627
- public entities	-	-	1,308	-	-	1,308
- banks and non-bank financial institutions	77,584	337,801	6,270	17,645	4,257	443,557
- corporates	25,519	43,702	25,746	10,576	11,376	116,919
Investment management products managed by securities companies	31,593	-	-	-	-	31,593
Trust investment plans	207,865	-	-	-	-	207,865
Total	1,308,915	617,867	74,118	39,847	15,633	2,056,380

	31 December 2021					
	Unrated (Note (i))	*AAA*	*AA*	*A*	*Below A*	*Total*
Debt securities issued by:						
- governments	711,168	200,214	22,602	6,308	10	940,302
- policy banks	130,839	-	-	7,046	-	137,885
- public entities	-	-	1,690	1	-	1,691
- banks and non-bank financial institutions	76,984	351,851	5,525	23,478	6,535	464,373
- corporates	59,823	14,722	9,310	12,329	7,306	103,490
Investment management products managed by securities companies	42,884	-	-	-	-	42,884
Trust investment plans	220,821	-	-	-	-	220,821
Total	1,242,519	566,787	39,127	49,162	13,851	1,911,446

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 2022	*31 December 2021*
Investment management products managed by securities companies and trust investment plans		
- credit assets	262,447	285,183
- rediscounted bills	-	24
Total	262,447	285,207

The Group puts 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 security of credit assets includes guarantee, secured 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, supervision and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Management 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 2022					
	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	1.50%	477,381	7,705	469,676	-	-	-
Deposits with banks and non-bank financial institutions	1.75%	78,834	3,090	39,442	36,302	-	-
Placements with and loans to banks and non-bank financial institutions	2.49%	218,164	1,048	67,007	108,371	41,738	-
Financial assets held under resale agreements	1.45%	13,730	5	13,725	-	-	-
Loans and advances to customers (Note (ii))	4.81%	5,038,967	17,331	2,665,381	1,596,021	733,001	27,233
Financial investments							
- at fair value through profit or loss		557,594	435,561	70,773	28,234	8,464	14,562
- at amortised cost	3.55%	1,135,452	-	87,626	259,083	556,979	231,764
- at fair value through other comprehensive income	2.66%	804,695	478	146,837	122,169	382,895	152,316
- designated at fair value through other comprehensive income		5,128	5,128	-	-	-	-
Others		217,598	217,598	-	-	-	-
Total assets		8,547,543	687,944	3,560,467	2,150,180	1,723,077	425,875

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

		31 December 2022					
	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	2.94%	119,422	-	20,917	98,505	-	-
Deposits from banks and non-bank financial institutions	2.09%	1,143,776	4,908	814,885	323,983	-	-
Placements from banks and non-bank financial institutions	2.41%	70,741	162	49,080	19,992	1,507	-
Financial liabilities at fair value through profit or loss		1,546	2	4	13	125	1,402
Financial assets sold under repurchase agreements	2.00%	256,194	75	247,237	8,882	-	-
Deposits from customers	2.06%	5,157,864	82,696	3,493,074	781,501	800,591	2
Debt securities issued	2.80%	975,206	3,968	264,606	486,864	129,781	89,987
Lease liabilities	4.51%	10,272	3,066	170	251	2,827	3,958
Others		126,692	126,692	-	-	-	-
Total liabilities		7,861,713	221,569	4,889,973	1,719,991	934,831	95,349
Interest rate gap		685,830	466,375	(1,329,506)	430,189	788,246	330,526

(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 2021* *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	1.49%	435,383	8,572	426,811	-	-	-
Deposits with banks and non-bank financial institutions	1.94%	107,856	2,791	75,277	29,788	-	-
Placements with and loans to banks and non-bank financial institutions	1.90%	143,918	769	71,334	64,116	7,699	-
Financial assets held under resale agreements	1.96%	91,437	12	91,425	-	-	-
Loans and advances to customers (Note (ii))	4.99%	4,748,076	13,280	2,663,724	1,844,362	217,090	9,620
Financial investments							
- at fair value through profit or loss		495,810	410,613	33,403	40,773	6,638	4,383
- at amortised cost	3.71%	1,170,229	-	75,128	222,424	604,747	267,930
- at fair value through other comprehensive income	3.11%	651,857	406	107,031	127,233	281,829	135,358
- designated at fair value through other comprehensive income		4,745	4,745	-	-	-	-
Others		193,573	193,573	-	-	-	-
Total assets		8,042,884	634,761	3,544,133	2,328,696	1,118,003	417,291

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

		31 December 2021					
	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	3.00%	189,198	-	12,080	177,118	-	-
Deposits from banks and non-bank financial institutions	2.45%	1,174,763	5,631	830,100	339,032	-	-
Placements from banks and non-bank financial institutions	2.39%	78,331	240	29,115	36,848	11,670	458
Financial liabilities at fair value through profit or loss		1,164	536	5	17	173	433
Financial assets sold under repurchase agreements	2.17%	98,339	5	48,829	49,505	-	-
Deposits from customers	2.00%	4,789,969	79,161	3,311,239	747,458	652,075	36
Debt securities issued	3.16%	958,203	3,360	182,746	557,874	104,249	109,974
Lease liabilities	4.46%	9,816	3,695	404	1,077	3,611	1,029
Others		100,475	100,475	-	-	-	-
Total liabilities		7,400,258	193,103	4,414,518	1,908,929	771,778	111,930
Interest rate gap		642,626	441,658	(870,385)	419,767	346,225	305,361

(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 represents the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category includes overdue amounts (net of allowance for impairment losses) of RMB 34,823 million as at 31 December 2022 (as at 31 December 2021: RMB 40,153 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 2022 and 31 December 2021.

	31 December 2022		*31 December 2021*	
	Net interest income	*Other comprehensive income*	*Net interest income*	*Other comprehensive income*
+100 basis points	(10,068)	(6,517)	(5,556)	(5,765)
- 100 basis points	10,068	6,517	5,556	5,765

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 beyond three months but within one year bracket both are repriced 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 resulted 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 2022				
	RMB	*USD (RMB equivalent)*	*HKD (RMB equivalent)*	*Others (RMB equivalent)*	*Total*
Assets					
Cash and balances with central banks	460,550	15,991	653	187	477,381
Deposits with banks and non-bank financial institutions	53,989	15,928	4,453	4,464	78,834
Placements with and loans to banks and non-bank financial institutions	172,752	34,443	9,020	1,949	218,164
Financial assets held under resale agreements	11,950	1,780	-	-	13,730
Loans and advances to customers	4,732,459	160,506	118,379	27,623	5,038,967
Financial investments					
- at fair value through profit or loss	535,552	17,131	4,911	-	557,594
- at amortised cost	1,122,942	8,356	-	4,154	1,135,452
- at fair value through other comprehensive income	671,715	94,174	25,881	12,925	804,695
- designated at fair value through other comprehensive income	4,719	148	261	-	5,128
Others	201,395	9,833	5,735	635	217,598
Total assets	7,968,023	358,290	169,293	51,937	8,547,543
Liabilities					
Borrowings from central banks	119,422	-	-	-	119,422
Deposits from banks and non-bank financial institutions	1,132,064	10,660	198	854	1,143,776
Placements from banks and non-bank financial institutions	48,566	20,397	1,336	442	70,741
Financial liabilities at fair value through profit or loss	99	1,446	1	-	1,546
Financial assets sold under repurchase agreements	251,685	4,509	-	-	256,194
Deposits from customers	4,721,203	252,574	159,353	24,734	5,157,864
Debt securities issued	959,984	15,085	137	-	975,206
Lease liabilities	9,395	754	1	122	10,272
Others	120,517	3,449	2,438	288	126,692
Total liabilities	7,362,935	308,874	163,464	26,440	7,861,713
Net on-balance sheet position	605,088	49,416	5,829	25,497	685,830
Credit commitments	1,912,368	87,219	6,125	9,804	2,015,516
Derivatives (Note (i))	37,956	(55,048)	32,009	(26,305)	(11,388)

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

	31 December 2021				
	RMB	*USD (RMB equivalent)*	*HKD (RMB equivalent)*	*Others (RMB equivalent)*	*Total*
Assets					
Cash and balances with central banks	382,871	51,510	804	198	435,383
Deposits with banks and non-bank financial institutions	70,143	23,915	11,180	2,618	107,856
Placements with and loans to banks and non-bank financial institutions	100,185	28,129	12,172	3,432	143,918
Financial assets held under resale agreements	90,698	739	-	-	91,437
Loans and advances to customers	4,446,030	163,882	114,163	24,001	4,748,076
Financial investments					
- at fair value through profit or loss	482,979	10,065	2,715	51	495,810
- at amortised cost	1,165,064	903	-	4,262	1,170,229
- at fair value through other comprehensive income	553,366	70,127	18,369	9,995	651,857
- designated at fair value through other comprehensive income	4,371	188	186	-	4,745
Others	185,921	1,405	3,795	2,452	193,573
Total assets	7,481,628	350,863	163,384	47,009	8,042,884
Liabilities					
Borrowings from central banks	189,198	-	-	-	189,198
Deposits from banks and non-bank financial institutions	1,164,797	8,726	888	352	1,174,763
Placements from banks and non-bank financial institutions	48,645	26,434	2,113	1,139	78,331
Financial liabilities at fair value through profit or loss	531	632	1	-	1,164
Financial assets sold under repurchase agreements	97,620	719	-	-	98,339
Deposits from customers	4,383,814	232,064	151,483	22,608	4,789,969
Debt securities issued	938,154	20,049	-	-	958,203
Lease liabilities	9,265	8	398	145	9,816
Others	95,541	2,383	2,278	273	100,475
Total liabilities	6,927,565	291,015	157,161	24,517	7,400,258
Net on-balance sheet position	554,063	59,848	6,223	22,492	642,626
Credit commitments	1,667,967	90,203	6,718	10,886	1,775,774
Derivatives (Note (i))	21,592	(43,585)	27,912	(5,001)	918

(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 2022 and 31 December 2021, the results of the Group's foreign exchange rate sensitivity analysis.

	31 December 2022		*31 December 2021*	
	Profit before tax	*Other comprehensive income*	*Profit before tax*	*Other comprehensive income*
5% appreciation	1,613	(43)	3,390	4
5% depreciation	(1,613)	43	(3,390)	(4)

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 realised 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 centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The tools that the Group uses to measure and monitor liquidity risk mainly include:

- Liquidity gap analysis;
- Liquidity indicators (including but not limited to regulated and internal managed indicators, such as liquidity coverage ratio, 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 2022						
	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	110,572	-	1,693	-	-	365,116	477,381
Deposits with banks and non-bank financial institutions	38,772	3,496	36,566	-	-	-	78,834
Placements with and loans to banks and non-bank financial institutions	-	67,838	108,588	41,738	-	-	218,164
Financial assets held under resale agreements	-	13,730	-	-	-	-	13,730
Loans and advances to customers (Note (ii))	20,458	855,226	1,238,912	1,139,067	1,736,343	48,961	5,038,967
Financial investments							
- at fair value through profit or loss	-	71,505	28,237	8,481	5,377	443,994	557,594
- at amortised cost	-	67,441	255,615	552,436	229,916	30,044	1,135,452
- at fair value through other comprehensive income	-	140,796	123,462	387,261	149,933	3,243	804,695
- designated at fair value through other comprehensive income	-	-	-	-	-	5,128	5,128
Others	40,857	30,382	12,437	68,494	2,167	63,261	217,598
Total assets	210,659	1,250,414	1,805,510	2,197,477	2,123,736	959,747	8,547,543

(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 2022						
	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	-	20,917	98,505	-	-	-	119,422
Deposits from banks and non-bank financial institutions	582,376	235,726	325,674	-	-	-	1,143,776
Placements from banks and non-bank financial institutions	-	46,226	24,052	463	-	-	70,741
Financial liabilities at fair value through profit or loss	-	4	14	126	1,402	-	1,546
Financial assets sold under repurchase agreements	-	247,312	8,882	-	-	-	256,194
Deposits from customers	2,385,973	1,188,967	782,255	800,667	2	-	5,157,864
Debt securities issued	-	265,317	482,743	135,930	91,216	-	975,206
Lease liabilities	3,006	718	1,977	3,527	1,015	29	10,272
Others	50,723	20,801	16,205	25,769	2,321	10,873	126,692
Total liabilities	3,022,078	2,025,988	1,740,307	966,482	95,956	10,902	7,861,713
(Short)/Long position	(2,811,419)	(775,574)	65,203	1,230,995	2,027,780	948,845	685,830

(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 2021						
	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	71,923	-	-	-	-	363,460	435,383
Deposits with banks and non-bank financial institutions	54,374	23,341	30,141	-	-	-	107,856
Placements with and loans to banks and non-bank financial institutions	-	72,103	64,116	7,699	-	-	143,918
Financial assets held under resale agreements	-	91,437	-	-	-	-	91,437
Loans and advances to customers (Note (ii))	11,426	997,671	992,765	904,343	1,780,784	61,087	4,748,076
Financial investments							
- at fair value through profit or loss	-	32,650	43,014	9,115	4,462	406,569	495,810
- at amortised cost	-	56,286	221,575	592,111	265,848	34,409	1,170,229
- at fair value through other comprehensive income	-	97,555	132,045	286,462	135,362	433	651,857
- designated at fair value through other comprehensive income	-	-	-	-	-	4,745	4,745
Others	66,020	9,705	5,786	52,585	116	59,361	193,573
Total assets	203,743	1,380,748	1,489,442	1,852,315	2,186,572	930,064	8,042,884

(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 2021						
	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	-	12,104	177,094	-	-	-	189,198
Deposits from banks and non-bank financial institutions	744,501	87,620	342,642	-	-	-	1,174,763
Placements from banks and non-bank financial institutions	-	37,300	38,409	2,622	-	-	78,331
Financial liabilities at fair value through profit or loss	25	5	17	681	436	-	1,164
Financial assets sold under repurchase agreements	-	48,834	49,505	-	-	-	98,339
Deposits from customers	2,366,158	1,024,143	747,650	651,977	41	-	4,789,969
Debt securities issued	-	182,746	557,880	105,827	111,750	-	958,203
Lease liabilities	3,655	408	1,090	3,635	1,028	-	9,816
Others	50,740	7,347	8,310	18,579	1,071	14,428	100,475
Total liabilities	3,165,079	1,400,507	1,922,597	783,321	114,326	14,428	7,400,258
(Short)/Long position	(2,961,336)	(19,759)	(433,155)	1,068,994	2,072,246	915,636	642,626

(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 2022						
	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	110,573	1,501	6,534	-	-	365,115	483,723
Deposits with banks and non-bank financial institutions	38,772	3,750	37,373	-	-	-	79,895
Placements with and loans to banks and non-bank financial institutions	-	68,416	110,718	44,012	-	-	223,146
Financial assets held under resale agreements	-	13,732	-	-	-	-	13,732
Loans and advances to customers (Notes(ii))	20,458	897,769	1,343,254	1,458,349	2,194,769	54,499	5,969,098
Financial investments							
- at fair value through profit or loss	-	74,613	29,072	9,932	5,799	444,029	563,445
- at amortised cost	-	75,708	284,176	630,543	273,623	31,416	1,295,466
- at fair value through other comprehensive income	-	144,503	137,130	430,875	170,692	3,273	886,473
- designated at fair value through other comprehensive income	-	-	-	-	-	5,128	5,128
Others	40,857	30,382	12,437	68,494	2,167	63,261	217,598
Total assets	210,660	1,310,374	1,960,694	2,642,205	2,647,050	966,721	9,737,704

(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 2022						
	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	-	21,495	101,118	-	-	-	122,613
Deposits from banks and non-bank financial institutions	582,376	240,606	338,448	-	-	-	1,161,430
Placements from banks and non-bank financial institutions	-	46,249	24,052	463	-	-	70,764
Financial liabilities at fair value through profit or loss	-	4	14	126	1,402	-	1,546
Financial assets sold under repurchase agreements	-	247,730	9,060	-	-	-	256,790
Deposits from customers	2,385,973	1,209,399	823,601	880,908	2	-	5,299,883
Debt securities issued	-	271,693	498,663	156,939	98,308	-	1,025,603
Lease liabilities	3,006	721	2,028	3,932	1,232	29	10,948
Others	50,723	20,801	16,205	25,769	2,321	10,873	126,692
Total liabilities	3,022,078	2,058,698	1,813,189	1,068,137	103,265	10,902	8,076,269
(Short)/long position	(2,811,418)	(748,324)	147,505	1,574,068	2,543,785	955,819	1,661,435
Derivative cash flow							
Derivative financial instrument settled on a net basis	-	30	11	472	992	-	1,505
Derivative financial instruments settled on a gross basis	-	10,299	(19,510)	4,712	(4)	-	(4,503)
- cash inflow	-	1,243,343	865,045	241,355	1,139	-	2,350,882
- cash outflow	-	(1,233,044)	(884,555)	(236,643)	(1,143)	-	(2,355,385)

(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 2021						
	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	71,923	1,286	4,148	-	-	363,460	440,817
Deposits with banks and non-bank financial institutions	54,374	23,957	31,010	-	-	-	109,341
Placements with and loans to banks and non-bank financial institutions	-	72,123	64,129	7,699	-	-	143,951
Financial assets held under resale agreements	-	91,468	-	-	-	-	91,468
Loans and advances to customers (Notes(ii))	11,426	1,040,780	1,097,625	1,228,371	2,309,717	66,897	5,754,816
Financial investments							
- at fair value through profit or loss	-	33,112	44,400	10,454	7,009	406,593	501,568
- at amortised cost	-	65,128	252,269	675,564	323,042	37,911	1,353,914
- at fair value through other comprehensive income	-	102,219	149,224	320,419	157,797	457	730,116
- designated at fair value through other comprehensive income	-	-	-	-	-	4,745	4,745
Others	66,020	9,705	5,786	52,585	116	59,361	193,573
Total assets	203,743	1,439,778	1,648,591	2,295,092	2,797,681	939,424	9,324,309

(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 2021						
	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	-	12,418	182,385	-	-	-	194,803
Deposits from banks and non-bank financial institutions	744,501	94,273	342,642	-	-	-	1,181,416
Placements from banks and non-bank financial institutions	-	37,318	38,445	2,664	-	-	78,427
Financial liabilities at fair value through profit or loss	25	12	31	740	488	-	1,296
Financial assets sold under repurchase agreements	-	49,186	49,692	-	-	-	98,878
Deposits from customers	2,366,157	1,042,032	795,124	720,211	43	-	4,923,567
Debt securities issued	-	190,216	579,224	130,177	123,868	-	1,023,485
Lease liabilities	3,655	409	1,106	3,981	1,367	-	10,518
Others	50,740	7,347	8,310	18,579	1,071	14,428	100,475
Total liabilities	3,165,078	1,433,211	1,996,959	876,352	126,837	14,428	7,612,865
(Short)/Long position	(2,961,335)	6,567	(348,368)	1,418,740	2,670,844	924,996	1,711,444
Derivative cash flow							
Derivative financial instrument settled on a net basis	-	-	67	(237)	(17)	-	(187)
Derivative financial instruments settled on a gross basis	-	(583)	4,411	288	(32)	-	4,084
- cash inflow	-	1,156,059	594,172	106,179	1,258	-	1,857,668
- cash outflow	-	(1,156,642)	(589,761)	(105,891)	(1,290)	-	(1,853,584)

(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 commitments and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	31 December 2022			
	Less than 1 year	*1-5 years*	*Over 5 years*	*Total*
Bank acceptances	795,833	-	-	795,833
Credit card commitments	704,268	-	-	704,268
Guarantees	119,249	65,802	1,566	186,617
Loan commitments	16,728	18,428	22,805	57,961
Letters of credit	269,893	944	-	270,837
Total	1,905,971	85,174	24,371	2,015,516

	31 December 2021			
	Less than 1 year	*1-5 years*	*Over 5 years*	*Total*
Bank acceptances	669,711	20	5	669,736
Credit card commitments	702,361	6,007	373	708,741
Guarantees	80,216	47,379	1,271	128,866
Loan commitments	4,096	18,677	30,700	53,473
Letters of credit	213,911	1,047	-	214,958
Total	1,670,295	73,130	32,349	1,775,774

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 loans and advances to customers and investments, the undated period amount represented the balances being credit-impaired or overdue for more than one month. Equity investments were also reported under undated period.

(ii) The balances of loans and advances to customers which were overdue within one month but not impaired are included in repayable on demand.

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 strategic 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 the culture establishments of operational risk management; strength training and performance appraisal management in raising risk management awareness;

- strengthening cash and account management in accordance with the relevant policies and procedures, intensifying the monitoring of suspicious transactions. Ensure our staff are well-equipped with the necessary knowledge and basic skills on anti-money laundering through continuous training;

- disaster backup systems and recovery plans covering all the important activities 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.

The Group's ratios calculated based on the 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 2022	*31 December 2021*
Core Tier-One capital adequacy ratio	8.74%	8.85%
Tier-One capital adequacy ratio	10.63%	10.88%
Capital adequacy ratio	13.18%	13.53%
Components of capital base		
Core Tier-One capital:		
Share capital	48,935	48,935
Capital reserve	59,172	59,177
Other comprehensive income and qualified portion of other equity instruments	1,505	4,639
Surplus reserve	48,932	43,783
General reserve	98,103	90,889
Retained earnings	293,956	263,936
Qualified portion of non-controlling interests	7,992	6,588
Total core Tier-One capital	558,595	517,947
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	(903)	(833)
Other intangible assets other than land use right (net of related deferred tax liability)	(3,831)	(3,036)
Core Tier-One Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope	-	-
Other deductible amounts of net deferred tax assets depending on Bank's future earnings	(1,998)	-
Net core Tier-One capital	551,863	514,078
Other Tier-One capital (Note (i))	119,614	117,961
Tier-One capital	671,477	632,039
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	89,987	94,372
Surplus allowance for loan impairment	68,481	58,107
Qualified portion of non-controlling interests	2,142	1,292
Net capital base	832,087	785,811
Total risk-weighted assets	6,315,506	5,809,523

Note:

(i) As at 31 December 2022 and 31 December 2021, the Group's other Tier-One capital included preference shares are RMB 34,955 million (2021:RMB 34,955 million), perpetual bonds issued by the Bank (Note 43) are RMB 79,986 million (2021:RMB 79,986 million) and non-controlling interests (Note 49) are RMB 4,673 million (2021: RMB 3,020 million).

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 valuation results provided by China Central Depository & Clearing Corporate Limited. This level also includes partial bills rediscounting and forfeiting in loans and advances, part of the investment management products managed by securities companies and trust investment plans, as well as a majority of over-the-counter derivative contracts. Foreign exchange forward and swaps, Interest rate swap, and foreign exchange options use discount cash flow evaluation method and the valuation model of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Bills rediscounting, forfeiting, investment management products managed by securities companies and trust investment plans use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the open market such as Bloomberg and Reuters.

Level 3: Inputs for assets or liabilities are based on unobservable parameters. This level includes equity instruments and debt instruments with one or more than one significant unobservable parameter. Management determines the fair value through inquiring from counterparties or using the valuation techniques. The model incorporates 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 are 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 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 2022, 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 2022	*31 December 2021*	*31 December 2022*	*31 December 2021*
Financial assets:				
Financial investment				
- at amortised cost	1,135,452	1,170,229	1,141,092	1,177,877
Financial liabilities:				
Debt securities issued				
- certificates of deposit (not for trading purpose) issued	1,047	1,212	1,047	1,212
- debt securities issued	118,255	62,163	114,609	60,184
- subordinated bonds issued	94,714	114,974	95,813	117,956
- certificates of interbank deposit issued	720,446	739,857	704,197	729,923
- convertible corporate bonds	40,744	39,997	44,688	43,158

(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 2022			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets:				
Financial investment				
- at amortised cost	7,248	886,459	247,385	1,141,092
Financial liabilities:				
Debt securities issued				
- certificates of deposit (not for trading purpose) issued	-	-	1,047	1,047
- debt securities issued	11,163	103,446	-	114,609
- subordinated bonds issued	3,462	92,351	-	95,813
- certificates of interbank deposit issued	-	704,197	-	704,197
- convertible corporate bonds	-	-	44,688	44,688

	31 December 2021			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets:				
Financial investment				
- at amortised cost	5,189	902,704	269,984	1,177,877
Financial liabilities:				
Debt securities issued				
- certificates of deposit (not for trading purpose) issued	-	-	1,212	1,212
- debt securities issued	8,965	51,219	-	60,184
- subordinated bonds issued	-	117,956	-	117,956
- certificates of interbank deposit issued	-	729,923	-	729,923
- convertible corporate bonds	-	-	43,158	43,158

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1	*Level 2*	*Level 3*	*Total*
As at 31 December 2022				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
- loans	-	54,851	-	54,851
- discounted bills	-	508,142	-	508,142
Loans and advances to customers at fair value through profit or loss				
- loans	-	-	3,881	3,881
Financial investments at fair value through profit or loss				
- investment funds	141,302	262,741	27,915	431,958
- debt securities	17,670	58,067	4,953	80,690
- certificates of deposit	-	35,543	-	35,543
- wealth management products	1,058	303	155	1,516
- equity instruments	2,562	-	5,325	7,887
Financial investments at fair value through other comprehensive income				
- debt securities	118,342	658,690	406	777,438
- certificates of deposit	15,135	6,366	-	21,501
- investments management products managed by securities companies	-	-	-	-
Financial investments designated at fair value through other comprehensive income				
- equity instruments	292	-	4,836	5,128
Derivative financial assets				
- interest rate derivatives	28	14,931	-	14,959
- currency derivatives	105	29,068	-	29,173
- precious metals derivatives	-	250	-	250
- credit derivatives	-	1	-	1
Total financial assets measured at fair value	296,494	1,628,953	47,471	1,972,918
Liabilities				
Financial liabilities at fair value through profit or loss				
- short position in debt securities	406	106	-	512
- structured products	-	-	1,034	1,034
Derivative financial liabilities				
- interest rate derivatives	58	14,829	-	14,887
- currency derivatives	310	28,470	-	28,780
- precious metals derivatives	-	598	-	598
Total financial liabilities measured at fair value	774	44,003	1,034	45,811

(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*
As at 31 December 2021				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
- loans	-	38,599	-	38,599
- discounted bills	-	461,443	-	461,443
Financial investments at fair value through profit or loss				
- investment funds	134,725	256,473	6,209	397,407
- debt securities	2,943	46,532	9,109	58,584
- certificates of deposit	-	30,776	-	30,776
- wealth management products	1,458	-	153	1,611
- equity instruments	1,709	-	5,723	7,432
Financial investments at fair value through other comprehensive income				
- debt securities	87,146	555,011	413	642,570
- certificates of deposit	602	3,704	-	4,306
- investments management products managed by securities companies	-	24	-	24
Financial investments designated at fair value through other comprehensive income				
- equity instruments	253	-	4,492	4,745
Derivative financial assets				
- interest rate derivatives	-	8,643	-	8,643
- currency derivatives	89	13,841	-	13,930
- precious metals derivatives	-	148	-	148
Total financial assets measured at fair value	228,925	1,415,194	26,099	1,670,218
Liabilities				
Financial liabilities at fair value through profit or loss				
- short position in debt securities	633	506	-	1,139
- structured products	-	-	25	25
Derivative financial liabilities				
- interest rate derivatives	3	8,536	-	8,539
- currency derivatives	20	14,197	-	14,217
- precious metals derivatives	-	151	-	151
Total financial liabilities measured at fair value	656	23,390	25	24,071

Notes:

(i) During the 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*	*Loans and advances to customers*	*Total*	*Financial liabilities at fair value through profit or loss*	*Total*
As at 1 January 2022	21,194	413	4,492	-	26,099	(25)	(25)
Total gains or losses							
- in profit or loss	(869)	-	459	-	(410)	-	-
- in comprehensive income	-	3	(78)	-	(75)	-	-
Purchases	27,386	135	497	3,881	31,899	(1,034)	(1,034)
Settlements	(10,194)	(155)	(544)	-	(10,893)	25	25
Transfer in/out	-	10	-	-	10	-	-
Exchange effect	831	-	10	-	841	-	-
As at 31 December 2022	38,348	406	4,836	3,881	47,471	(1,034)	(1,034)

(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*	*Loans and advances to customers*	*Total*	*Financial liabilities at fair value through profit or loss*	*Total*
As at 1 January 2021	33,059	4,422	3,272	-	40,753	(4,360)	(4,360)
Total gains or losses							
- in profit or loss	(621)	(415)	1,070	-	34	-	-
- in comprehensive income	-	(22)	(67)	-	(89)	-	-
Purchases	11,353	157	419	-	11,929	-	-
Settlements	(22,484)	(3,748)	(198)	-	(26,430)	4,335	4,335
Transfer in/out	155	19	-	-	174	-	-
Exchange effect	(268)	-	(4)	-	(272)	-	-
As at 31 December 2021	21,194	413	4,492	-	26,099	(25)	(25)

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.

China National Tobacco Corporation ("CNTC") and Xinhu Zhongbao Co., Ltd. each has appointed a non-executive director on the Board of Directors of the Bank, which can exert significant influence on the Bank and thus constitute related parties of the Bank.

(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (continued)

(b) Related party transactions

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 websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank.

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Year ended 31 December 2022		
	Ultimate holding company and affiliates	*Other major equity holders*	*Associates and joint ventures*
		Note(i)	
Profit and loss			
Interest income	3,171	1,318	997
Fee and commission income and other operating income	258	122	4
Interest expense	(2,081)	(3,240)	(30)
Net trading loss	(477)	73	-
Other service fees	(2,870)	(979)	(2)

	Year ended 31 December 2021		
	Ultimate holding company and affiliates	*Other major equity holders*	*Associates and joint ventures*
		Note(i)	
Profit and loss			
Interest income	791	671	785
Fee and commission income and other operating income	567	107	3
Interest expense	(2,039)	(2,952)	(35)
Net trading loss	(68)	43	-
Other service fees	(2,734)	(12)	(1)

(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (continued)

(b) Related party transactions (continued)

	31 December 2022		
	Ultimate holding company and affiliates	*Other major equity holders Note(i)*	*Associates and joint ventures*
Assets			
Gross loans and advances to customers	35,316	19,032	-
Less: allowance for impairment losses on loans and advances	(1,074)	(302)	-
Loans and advances to customers (net)	34,242	18,730	-
Deposits with banks and non-bank financial institutions	1	-	33,712
Placements with and loans to banks and non-bank financial institutions	25,810	-	-
Derivative financial assets	505	-	-
Investment in financial assets			
- at fair value through profit or loss	4,428	-	-
- at amortised cost	16,573	4,065	-
- at fair value through other comprehensive income	4,153	1,688	-
- designated at fair value through other comprehensive income	450	-	-
Investments in associates and joint ventures	-	-	6,302
Other assets	825	2	-
Liabilities			
Deposits from banks and non-bank financial institutions	55,167	492	663
Placements from banks and non-bank financial institutions	-	-	-
Derivative financial liabilities	591	-	-
Deposits from customers	45,849	84,698	230
Debt securities issued	350	-	-
Lease liability	72	2	-
Other liabilities	324	-	-
Off-balance sheet items			
Guarantees and letters of credit	3,499	4,789	-
Acceptances	3,177	114	-
Nominal amount of derivatives	193,962	-	-

(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (continued)

(b) Related party transactions (continued)

	31 December 2021		
	Ultimate holding company and affiliates	*Other major equity holders Note(i)*	*Associates and joint ventures*
Assets			
Gross loans and advances to customers	40,297	14,731	-
Less: allowance for impairment losses on loans and advances	(893)	(296)	-
Loans and advances to customers (net)	39,404	14,435	-
Deposits with banks and non-bank financial institutions	-	-	31,911
Placements with and loans to banks and non-bank financial institutions	36,089	-	-
Derivative financial assets	934	-	-
Investment in financial assets			
- at fair value through profit or loss	1,506	-	-
- at amortised cost	971	50	-
- at fair value through other comprehensive income	3,340	250	-
- designated at fair value through other comprehensive income	-	-	-
Investments in associates and joint ventures	-	-	5,753
Other assets	2,128	2	-
Liabilities			
Deposits from banks and non-bank financial institutions	51,721	447	3,130
Placements from banks and non-bank financial institutions	-	-	-
Derivative financial liabilities	609	-	-
Deposits from customers	61,980	129,672	328
Employee benefits payable	-	-	-
Lease liability	64	4	-
Other liabilities	102	6	-
Off-balance sheet items			
Guarantees and letters of credit	2,628	730	-
Acceptances	2,827	206	-
Nominal amount of derivatives	151,647	1,230	-

Note:

(i) Other major equity holders include CNTC and Xinhu Zhongbao Co., Ltd.

58 Related parties (continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

The aggregate amount of relevant loans outstanding as at 31 December 2022 to directors, supervisors and executive officers amounted to RMB 0.69 million (as at 31 December 2021: RMB 0.99 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank as at 31 December 2022 amounted to RMB 29.42 million (as at 31 December 2021: RMB 25.65 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(a)).

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, 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 2022 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 recognized :

	31 December 2022				
	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	1,516	-	-	1,516	1,516
Investment management products managed by securities companies	-	39,628	-	39,628	39,628
Trust management plans	-	222,819	-	222,819	222,819
Asset-backed securities	1,335	252,525	44,697	298,557	298,557
Investment funds	431,958	-	-	431,958	431,958
Total	434,809	514,972	44,697	994,478	994,478

(Amounts in millions of Renminbi unless otherwise stated)

59 Structured entities (continued)

(a) Unconsolidated structured entities held by the Group (continued)

	31 December 2021				
	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	1,586	-	-	1,586	1,586
Investment management products managed by securities companies	-	50,413	24	50,437	50,437
Trust management plans	-	234,770	-	234,770	234,770
Asset-backed securities	4,955	261,418	94,086	360,459	360,459
Investment funds	397,407	-	-	397,407	397,407
Total	403,948	546,601	94,110	1,044,659	1,044,659

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 2022, the scale of non-principal protected wealth management products managed by the Group that were not included in the Group's consolidated financial statements was RMB 1,577,077 million (31 December 2021: RMB 1,403,275 million).

During the year ended 31 December 2022, the Group's interest in these wealth management products included fee and commission income of RMB 8,523 million (2021: RMB 7,485 million); interest income of RMB 72 million (2021: RMB 917 million) and interest expense of RMB 0 (2021: RMB 568 million).

During the year ended 31 December 2022, there was no placements and financial assets held under resale agreements from the Group with these wealth management sponsored by the Group (31 December 2021: RMB 20,000 million; maximum exposure in 2021: RMB 59,450 million).

In order to achieve a smooth transition and steady development of the wealth management business, in 2022, in accordance with the requirements of the "Guiding Opinions on Regulating the Asset Management Business of Financial Institutions", the Group continues to promote net-value-based reporting of its asset management products and dispose of existing portfolios.

On 31 December, 2022, assets of these wealth management products amounting to RMB 233,528 million (31 December 2021: RMB 190,428 million) were invested in investments in which certain subsidiaries and associates of the CITIC Group acted as trustees.

60 Transfers of financial assets

The Group entered into transactions which involved securitisation transactions and transfers of non-performing financial assets.

These transactions were entered into in the normal course of business by which recognized financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial derecognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 35. Details of securitisation transactions and non-performing financial assets transfer transactions conducted by the Group for the year ended 31 December 2022 totalling RMB 34,212 million (year ended 31 December 2021: RMB 54,188 million) are set forth below.

Securitisation transactions

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 derecognize 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 (iv).

In 2022, the original book value of financial assets transferred by the Group through asset securitization transactions was RMB 14,994 million (2021:RMB 47,607 million), which met the conditions for complete derecognition (2021: RMB 37,807 million for the original book value of credit asset transfer, and RMB 3,470 million for the recognition of continued assets and liabilities).

60 Transfers of financial assets (continued)

Transfer of loans and other financial assets

In 2022, the Group transferred loans and other financial assets by other means with the original book value of RMB 19,218 million (2021: RMB 6,581 million), including RMB 5,628 million of non-performing loans and RMB 13,590 million of non-performing structured investments. The Group assesses the transfer of risks and rewards through notes 4 (c) and 5 (iv) and believes that the above financial assets meet the conditions for complete derecognition.

In 2022, the original book value of the Group's transfer of non-performing assets to related parties is RMB 14,119 million, and the transaction price is RMB 2,926 million. Relevant businesses are conducted under normal commercial conditions, and the transaction is concluded at the current market price at the time of each transaction.

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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

As at 31 December 2022, 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 2022	*31 December 2021*
Assets		
Cash and balances with central banks	472,441	430,496
Deposits with banks and non-bank financial institutions	63,712	80,828
Precious metals	5,985	9,645
Placements with and loans to banks and non-bank financial	190,693	136,693
Derivative financial assets	22,347	15,826
Financial assets held under resale agreements	11,295	89,469
Loans and advances to customers	4,760,238	4,492,419
Financial investments	2,394,927	2,230,652
- at fair value through profit or loss	553,863	489,457
- at amortised cost	1,137,654	1,171,414
- at fair value through other comprehensive income	699,157	565,879
- designated at fair value through other comprehensive income	4,253	3,902
Investments in subsidiaries and joint ventures	33,060	32,469
Property, plant and equipment	33,870	33,660
Right-of-use assets	9,956	10,077
Intangible assets	3,206	2,398
Deferred tax assets	53,088	45,600
Other assets	48,242	55,895
Total assets	8,103,060	7,666,127
Liabilities		
Borrowings from central banks	119,334	189,042
Deposits from banks and non-bank financial institutions	1,146,264	1,174,317
Placements from banks and non-bank financial institutions	19,374	31,811
Financial liabilities at fair value through profit or loss	290	506
Derivative financial liabilities	22,792	16,237
Financial assets sold under repurchase agreements	251,685	97,620
Deposits from customers	4,854,059	4,521,331
Accrued staff costs	20,680	18,069
Taxes payable	7,420	9,546
Debt securities issued	968,086	951,213
Lease liability	9,363	9,228
Provisions	9,618	11,805
Other liabilities	35,797	29,016
Total liabilities	7,464,762	7,059,741

(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 2022	*31 December 2021*
Equity		
Share capital	48,935	48,935
Preference shares	118,076	118,076
Capital reserve	61,598	61,598
Other comprehensive income	(1,736)	4,524
Surplus reserve	54,727	48,937
General reserve	96,906	94,430
Retained earnings	259,792	229,886
Total equity	638,298	606,386
Total liabilities and equity	8,103,060	7,666,127

(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 2022	48,935	118,076	61,598	4,524	48,937	94,430	229,886	606,386
(i) Net profit	-	-	-	-	-	-	57,895	57,895
(ii) Other comprehensive income	-	-	-	(6,417)	-	-	-	(6,417)
Total comprehensive income	-	-	-	(6,417)	-	-	57,895	51,478
(iii) Profit appropriations								
- Appropriations to surplus reserve	-	-	-	-	5,790	-	(5,790)	-
- Appropriations to general reserve	-	-	-	-	-	2,476	(2,476)	-
- Dividend distribution to ordinary shareholders of the bank	-	-	-	-	-	-	(14,778)	(14,778)
- Dividend distribution to preference shareholders	-	-	-	-	-	-	(1,428)	(1,428)
- Interest paid to holders of perpetual bonds	-	-	-	-	-	-	(3,360)	(3,360)
(iv) Transfers within the owners' equity								
- Other comprehensive income transferred to retained earnings	-	-	-	157	-	-	(157)	-
As at 31 December 2022	48,935	118,076	61,598	(1,736)	54,727	96,906	259,792	638,298

(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 2021	48,935	78,083	61,598	1,577	43,786	89,856	203,536	527,371
(i) Net profit	-	-	-	-	-	-	51,514	51,514
(ii) Other comprehensive income	-	-	-	2,947	-	-	-	2,947
Total comprehensive income	-	-	-	2,947	-	-	51,514	54,461
(iii) Investor capital								
- Insurance of perpetual bonds	-	39,993	-	-	-	-	-	39,993
(iv) Profit appropriations								
- Appropriations to surplus reserve	-	-	-	-	5,151	-	(5,151)	-
- Appropriations to general reserve	-	-	-	-	-	4,574	(4,574)	-
- Dividend distribution to ordinary shareholders of the bank	-	-	-	-	-	-	(12,429)	(12,429)
- Dividend distribution to preference shareholders	-	-	-	-	-	-	(1,330)	(1,330)
- Interest paid to holders of perpetual bonds	-	-	-	-	-	-	(1,680)	(1,680)
As at 31 December 2021	48,935	118,076	61,598	4,524	48,937	94,430	229,886	606,386

(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 2022

	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									
Fang Heying Note (i)	-	-	-	-	-	-	-	-	-
Liu Cheng	-	1,620	120	-	43	244	-	-	2,027
Guo Danghuai	-	1,512	133	-	43	244	-	-	1,932
Non-executive directors									
Zhu Hexin Note (i)	-	-	-	-	-	-	-	-	-
Cao Guoqiang Note (i)	-	-	-	-	-	-	-	-	-
Huang Fang Note (i)	-	-	-	-	-	-	-	-	-
Wang Yankang Note (i)	-	-	-	-	-	-	-	-	-
					-	-	-	-	-
Independent non-executive directors									
He Cao	300	-	-	-	-	-	-	-	300
Chen Lihua	280	-	-	-	-	-	-	-	280
Qian Jun	310	-	-	-	-	-	-	-	310
Liu Tsz Bun Bennett	150	-	-	-	-	-	-	-	150

(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 2022 (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									
Li Rong	-	390	847	-	43	244	-	-	1,524
Cheng Pusheng	-	380	843	-	43	243	-	-	1,509
Chen Panwu	-	375	822	-	43	244	-	-	1,484
Zeng Yufang	-	340	580	-	51	219	-	-	1,190
Wei Guobin	260	-	-	-	-	-	-	-	260
Sun Qi Xiang	260	-	-	-	-	-	-	-	260
Liu Guoling	260	-	-	-	-	-	-	-	260
Former Directors and Supervisors resigned in 2022									
Li Gang (Note (ii))	-	400	698	-	43	247	-	-	1,388

(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 2021

	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									
Fang Heying Note (i)	-	-	-	-	-	-	-	-	-
Guo Danghuai	-	1,590	-	-	40	172	-	-	1,802
Non-executive directors									
Zhu Hexin Note (i)	-	-	-	-	-	-	-	-	-
Cao Guoqiang Note (i)	-	-	-	-	-	-	-	-	-
Huang Fang Note (i)	-	-	-	-	-	-	-	-	-
Wang Yankang Note (i)	-	-	-	-	-	-	-	-	-
Independent non-executive directors									
He Cao	271	-	-	-	-	-	-	-	271
Chen Lihua	271	-	-	-	-	-	-	-	271
Qian Jun	310	-	-	-	-	-	-	-	310

(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 2021 (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									
Li Rong	-	390	836	-	40	172	-	-	1,438
Li Gang	-	400	826	-	40	172	-	-	1,438
Chen Panwu	-	450	1,096	-	40	172	-	-	1,758
Zeng Yufang	-	340	620	-	48	197	-	-	1,205
Wei Guobin	260	-	-	-	-	-	-	-	260
Sun Qi Xiang	135	-	-	-	-	-	-	-	135
Liu Guoling	135	-	-	-	-	-	-	-	135
Former Directors and Supervisors resigned in 2021									
Li Qingping	-	-	-	-	-	-	-	-	-
Wan Liming	-	-	-	-	-	-	-	-	-
Yin Liji	282	-	-	-	-	-	-	-	282
Liu Cheng	-	1,680	-	-	40	172	-	-	1,892
Jia Xiangsen	125	-	-	-	-	-	-	-	125
Zheng Wei	125	-	-	-	-	-	-	-	125

63 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

Notes:

(i) Mr. Zhu Hexin, Mr. Fang Heying, Mr. Cao Guoqiang, Ms. Huang Fang, and Mr.Wang Yankang did not receive any emoluments from the Bank in 2022. Three of the five directors are appointed by CITIC Limited and CITIC Group ("Parent Companies"). Their emoluments were paid by the Parent Companies in 2022. The other two directors are appointed respectively by Xinhu Zhongbao Co., Ltd. and CNTC. Their emolument allocations are not disclosed due to the difficulty to apportion the services provided by the directors to the Bank.

(ii) Mr. Li Gang resigned in March 2022.

(b) Other benefits and interests

No direct or indirect retirement benefits and termination benefits were paid to directors as at 31 December 2022 (as at December 2021: Nil).

For the year ended 31 December 2022 and 31 December 2021, 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 2022 (2021: Nil).

64 Events after the reporting period

In March 2023, CNCB Investment repurchased and cancelled its 0.95% equity held by CBI. Since the completion day of the transaction, CNCB Investment has become a wholly-owned subsidiary of the Bank.

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 2022

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 2022, 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 2022 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 2022 or total equity as at 31 December 2022 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 2022	*31 December 2021*
Liquidity coverage ratio	168.03%	146.59%

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 2022			
	US Dollars	*HK Dollars*	*Others*	*Total*
Spot assets	358,286	169,293	51,937	579,516
Spot liabilities	308,549	163,464	26,440	498,453
Forward purchases	1,171,960	163,351	128,686	1,463,997
Forward sales	(1,232,853)	(131,217)	(153,851)	(1,517,921)
Options	5,846	(125)	(1,139)	4,582
Net long position	611,788	364,766	52,073	1,028,627

	31 December 2021			
	US Dollars	*HK Dollars*	*Others*	*Total*
Spot assets	350,863	163,384	47,009	561,256
Spot liabilities	291,015	157,161	24,517	472,693
Forward purchases	898,542	113,885	105,485	1,117,912
Forward sales	(931,632)	(85,882)	(110,286)	(1,127,800)
Options	(10,495)	(91)	(200)	(10,786)
Net long position	598,293	348,457	66,525	1,013,275

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 2022			
	Banks	*Official sector*	*Non-bank private sector*	*Total*
Asia Pacific excluding Mainland China	65,338	399	56,314	122,051
- of which attributable to Hong Kong	37,340	392	47,084	84,816
Europe	21,779	1,536	18,605	41,920
North and South America	18,862	34,443	80,791	134,096
Africa	9	-	-	9
Total	105,988	36,378	155,710	298,076

	31 December 2021			
	Banks	*Official sector*	*Non-bank private sector*	*Total*
Asia Pacific excluding Mainland China	61,526	835	66,129	128,490
- of which attributable to Hong Kong	35,747	822	59,381	95,950
Europe	9,459	2	13,353	22,814
North and South America	14,701	55,615	80,073	150,389
Africa	125	-	-	125
Total	85,811	56,452	159,555	301,818

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 2022		
	Gross loans and advances	*Loans and advances overdue over 3 months*	*Credit impaired loans*
Bohai Rim (including Head Office)	1,400,562	19,936	29,021
Yangtze River Delta	1,381,673	6,717	9,128
Pearl River Delta and West Strait	731,224	7,130	11,485
Central	730,240	5,547	7,394
Western	598,729	5,201	12,985
Northeastern	87,630	849	1,525
Outside Mainland China	222,714	2,873	3,565
Accrued interest	17,180	-	-
Total	5,169,952	48,253	75,103

	31 December 2021		
	Gross loans and advances	*Loans and advances overdue over 3 months*	*Credit impaired loans*
Bohai Rim (including Head Office)	1,325,105	25,316	30,928
Yangtze River Delta	1,256,155	4,727	9,002
Pearl River Delta and West Strait	733,840	5,556	9,970
Central	672,083	4,932	7,306
Western	573,221	4,313	14,344
Northeastern	92,254	993	1,733
Outside Mainland China	203,311	1,374	1,825
Accrued interest	13,064	-	-
Total	4,869,033	47,211	75,108

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

As at 31 December 2022, the Group has no overdue amount due from banks and other financial institutions (31 December 2021: Nil).

(b) Gross amounts of overdue loans and advances to customers

	31 December 2022	*31 December 2021*
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	11,841	8,849
- between 6 and 12 months	17,942	19,011
- over 12 months	18,470	19,351
Total	48,253	47,211
As a percentage of total gross loans and advances to customers:		
- between 3 and 6 months	0.23%	0.18%
- between 6 and 12 months	0.35%	0.39%
- over 12 months	0.36%	0.40%
Total	0.94%	0.97%

- 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 2022, the loans and advances to customers of RMB 48,253 million of the above overdue loans and advances were credit-impaired (As at 31 December 2021, the loans and advances to customers of RMB 47,211 million of the above overdue loans and advances were credit-impaired).

Loans and advances to customers overdue for more than 3 months:

	31 December 2022	*31 December 2021*
Secured portion	30,905	31,492
Unsecured portion	17,348	15,719
Total	48,253	47,211
Allowance for impairment losses	(36,607)	(45,052)
Net balance	11,646	2,159
Maximum exposure covered by pledge and collateral held	44,019	39,477

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 2022, 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.