中信银行
CHINA CITIC BANK

中 信 銀 行 股 份 有 限 公 司
China CITIC Bank Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 998)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021. This annual results announcement contains the annual report of the Bank for the year ended 31 December 2021, 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 2021 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 2021 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 2021 is proposed to be submitted to the 2021 Annual General Meeting for deliberation. The plan proposes to pay a cash dividend of RMB3.02 per 10 shares (tax inclusive).

If the Bank's proposal for final dividend distribution is approved by the shareholders at the forthcoming 2021 Annual General Meeting, the Bank will engage Bank of China (Hong Kong) Trustees Ltd. as the receiving agent in Hong Kong for payment of the H-shares dividend. The final dividends will be distributed by the receiving agent to the H shareholders of the Bank as shown on the Bank's register of members on Tuesday, 5 July 2022. The Bank's register of members will be closed from Wednesday, 29 June 2022 to Tuesday, 5 July 2022 (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 2021 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, 28 June 2022. The Bank plans to distribute the 2021 annual dividends to H shareholders on Thursday, 28 July 2022. 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
24 March 2022

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) and Mr. Guo Danghuai; and the independent non-executive directors are Mr. He Cao, Ms. Chen Lihua and Mr. Qian Jun.

CORPORATE PROFILE

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

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

As at the end of 2021, the Bank had 1,415 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 32 outlets and 2 business centers in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and the Chinese mainland. CNCB (Hong Kong) Investment Co., Ltd. had 3 subsidiaries in Hong Kong SAR and the Chinese mainland. CITIC Wealth Management Corporation Limited is the wholly-owned wealth management subsidiary of the Bank. CITIC aiBank Corporation Limited, a joint venture co-sponsored by the Bank and Baidu, is the first independent legal entity practicing direct banking in China. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan.

The Bank has persevered in serving the real economy, engaging in stable healthy business operation and keeping abreast with the times. Thriving through over 30 years' growth and expansion, the Bank has become a financial conglomerate with strong comprehensive competitiveness and powerful brand influence, registering more than RMB8 trillion total assets and nearly 60,000 employees. In 2021, *The Banker* magazine of the United Kingdom rated the Bank the 16th on its list of the "Top 500 Global Bank Brands" and the 24th on its list of the "Top 1,000 World Banks" in terms of tier-one capital.

IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank guarantee that the information contained in the 2021 Annual Report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for its truthfulness, accuracy and completeness.

The meeting of the Board of Directors of the Bank adopted the full text and summary of the Bank's 2021 Annual Report on 24 March 2022. Nine of the nine eligible directors attended the meeting. The supervisors and senior management members of the Bank attended the meeting as non-voting delegates.

The 2021 annual financial reports that the Bank prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were audited respectively by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the auditing standards of the Chinese mainland and Hong Kong SAR respectively, with both firms producing an auditor's report with a standard unqualified audit opinion.

Mr. 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 the head of the Finance and Accounting Department of the Bank hereby declare and guarantee the truthfulness, accuracy and completeness of the financial report contained in the Bank's 2021 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 2021 as reviewed and adopted by the Board of Directors and to be submitted to the 2021 Annual General Meeting for deliberation. The plan proposes to pay a cash dividend of RMB3.02 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 detailed in this report the major risks that it was and may be exposed to in its operation and management and its countermeasures thereof. For relevant information thereof, please refer to related parts in Chapter 2 "Management Discussion and Analysis" of this report.

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

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DEFINITIONS

the reporting period	From 1 January 2021 to 31 December 2021
the Bank/the Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
the Group	China CITIC Bank Corporation Limited and its subsidiaries
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Xinhu Zhongbao	Xinhu Zhongbao Co., Ltd.
CITIC Wealth Management	CITIC Wealth Management Corporation Limited
CNCB Investment	CNCB (Hong Kong) Investment Co., Ltd. (formerly known as China Investment and Finance Limited)
former CBRC	former China Banking Regulatory Commission
China Tobacco	China National Tobacco Corporation
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CITIC aiBank	CITIC aiBank Corporation Limited
CITIC Limited	CITIC Limited (formerly known as CITIC Pacific Limited prior to renaming in August 2014)
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Group	CITIC Group Corporation Limited (formerly known as CITIC Group Corporation prior to renaming in December 2011)
CITIC Financial Leasing	CITIC Financial Leasing Co., Ltd.
CITIC Pacific	CITIC Pacific Limited
CNCBI	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
CITIC Corporation Limited	CITIC Corporation Limited (formerly known as CITIC Limited prior to renaming in August 2014)

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

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear shareholders,

In the past year, the severe disruption caused by the COVID-19 pandemic has accelerated the centurial changes and led to mounting instability, uncertainty and imbalance. While the global economy remained sluggish, China's economy has overcome difficulties and registered a growth rate of 8.1%, hitting a new decade high. China CITIC Bank firmly moved forward with China's economic and social development. While fulfilling the mission of a state-owned financial enterprise, we proactively identified and responded to changes, remained strategic focus, pressed ahead with determination, and attained high-quality results in making steady progress in businesses.

In 2021, we realized over RMB200 billion operating income and RMB55.64 billion net profit with a growth rate of 13.6%, setting a new record in the past eight years. The NPL balance recorded RMB67.46 billion, and the NPL ratio stood at 1.39%. The quarter-on-quarter decrease in both NPL balance and NPL ratio indicated that our asset quality kept improving. The ratio of allowance for impairment of loans to total loans grew by 8.39 percentage points to 180.07%, showing further enhanced capability to withstand and offset risks. Total assets exceeded RMB8 trillion. We achieved coordinated development in business efficiency, quality and scale as well as accelerated transition towards high-quality growth in terms of growth drivers, structure and model. Supported by sound business performance, we witnessed an encouraging increase in market value. In particular, the price of H-shares grew by 11.2%, outperforming banking sector indexes in Hong Kong. As a result, we gained increasingly wider market attention and recognition for investment value. The Board of Directors thus proposed to distribute an annual dividend of RMB3.02 per 10 shares, the highest since the Bank's listing. We ranked 16th among the "Top 500 Banking Brands" published by *The Banker* magazine of the United Kingdom, up five places over the previous year. The above-mentioned achievements were attributed to the hard work of all our staff who have seized the day and lived it to the fullest, demonstrating the valuable CITIC spirit!

Looking back on 2021, we provided financial services amid changeable external environment and pandemic as new normal, which has helped us to know the macro from observing the micro, enabled us to develop foresight and insight across cycles. Rethink in the changes, we returned to our basics along the law of financial development, and further pursued the value of "pursuing progress while ensuring stability".

We adhered to the missions of a state-owned financial enterprise, actively integrated into the country's overall development, nourished economic organism with financial fluid, and lived up to "CITIC missions". We remained mindful of the country's most fundamental interests and, despite the COVID-19 pandemic and major changes unseen in a century, firmly believed that finance and the real economy share a common stake and that to support the real economy is to support national rejuvenation. In keeping with national strategies, we focused on major responsibilities and businesses and bolstered financial support for key areas such as inclusive finance, advanced manufacturing, strategic emerging industries, green finance, technological innovation and rural revitalization. The loans to inclusive finance, manufacturing and strategic emerging industries rose up by 21.8%, 10.5% and 70.2% respectively from the beginning of the year, all higher than the average loan growth rate. Notably, inclusive loans to legal-person entities topped RMB100 billion, a ten-fold increase in recent three years. We resolutely implemented national decisions and plans on consolidating and expanding the achievements made in poverty alleviation in coordination with the extensive drive for rural vitalization. The Rural Revitalization Department was set up to continuously push forward work in this regard. We conducted research and developed regional featured products and contributed to Sannong (i.e., agriculture, rural areas, and rural residents) with concrete action, realizing mutually beneficial development. Furthermore, we closely followed the trend of green development, incorporated green finance into our strategic planning and vigorously supported the development of a green, circular and low-carbon economy. CITIC Bank's genes of innovation made us stand in the forefront of the industry once again, launching the market's first carbon-neutral bonds and the completion of the country's first carbon-neutral derivatives business. The balance of green credit exceeded RMB200 billion, soaring over 140% from the beginning of the year. CITIC Bank's pilots and contributions to national strategies have once again converged in the current of times.

We continued to deepen the synergy strategy, improved the synergy system and mechanism, built a comprehensive financial service ecosystem, and created "CITIC Value". Facing centurial changes, only those who carry out reforms and focus on synergy can secure a lasting success. The Group has always deemed synergy as an effective way to foster differentiated competitive edge. Since I took office as Chairman of the Bank, I have positioned it as the main collaborative platform for the Group and promoted its more comprehensive and in-depth cooperation with CITIC Group to fully empower the development of the Bank. Upholding the principle of "altruism and win-win cooperation", we highlighted the "One CITIC, One Customer" philosophy, gave full play to the Group's unique advantages in "Finance + Real Economy", integrated premium resources across the market, and provided customers with one-stop, customized, multi-scenario, full-lifecycle professional services. Through the Group's synergistic ecosystem, we expanded our customers and constantly formed the optimal synergistic effect. In 2021, the Bank provided joint financing of RMB1.56 trillion and registered RMB87.6 billion in the cross-selling of retail products, representing a year-on-year increase of 45% and 95%, respectively. Driven by this, the Bank's assets under custody increased by RMB227.6 billion, further showcasing the pivotal and catalytic role of synergy in performance improvement. With "beyond finance" comprehensive services, we realized our value creation while continuously creating value for customers.

We strengthened technology empowerment, improved FinTech power, built ourselves into a top technology-driven joint-stock bank at a faster pace, and demonstrated "CITIC wisdom". As the impact brought by the pandemic and the change of customer behaviors are pushing the banking sector to accelerate its digital transformation, we have involved ourselves in the reform with humble mind, made solid efforts to build new advantages with technology, created a vertical service ecosystem, and constantly consolidated the technological foundation. We are keenly aware that the traditional business platform cannot support digital transformation, therefore we gave scope to the important role of cloud computing in digital transformation and built the CITIC IT Application Innovation Cloud, a core platform for digital systems, to seize the high ground of cloud technology in future digital transformation, becoming the only joint-stock bank awarded the Excellent IT Application Innovation Pilot Institution in the Financial Industry by the People's Bank of China. We have long regarded the customer-centric philosophy as the primary principle of business operation and value creation for customers as the starting point and ultimate goal of seeking innovation and change. Moreover, we proactively embraced changes, empowered business development with content, data and technology, and delivered quality service experience to customers. Last year, we took the lead in researching and releasing the "CITIC solution" of rarely used characters to vigorously promote the standardization of products that contain rarely used characters and facilitate the understanding of rare characters in the banking information system, thus benefiting nearly 20 million people who have rare characters in their names across the country, improving customer experience and continuously enhancing operation and management with technology empowerment.

We actively fulfilled social responsibilities, coordinated anti-pandemic measures and operation and development, contributed to poverty alleviation, and delivered "CITIC care". In the routine battle against the pandemic, we continued to support enterprises in the fight through more credit extension, extending anti-pandemic loans of nearly RMB205 billion to corporate customers. In the face of the flooding caused by torrential rain in Zhengzhou on July 20, 2021, we took the initiative to upgrade all the outlets of Zhengzhou Branch into convenient service stations which served as emergency shelters for people and provided flood control materials, and we promptly donated money and supplies and opened up a green channel for businesses. It is an honor that we can contribute our strength to the overall victory in poverty alleviation. Over the past decade, we have carried out paired poverty alleviation in Xietongmen County of Tibet Autonomous Region, Dangchang County of Gansu Province and Jiashi County of Xinjiang-Uyghur Autonomous Region, implemented education and assistance projects in 20 cities and provinces across the country, and provided medical care in designated western poverty-stricken region as well as "three regions and three prefectures", hence forming a closer connection between people in these areas and CITIC Bank. From supporting people in poor regions to propelling them towards self-sufficiency, we were touched and our brand image of CITIC "with a human touch" gained further public appreciation.

As another year has passed, China CITIC Bank will usher in the 35th anniversary of its establishment in 2022. Looking back, we have traveled through thick and thin, but more importantly, we have formed a clear strategic orientation, a corporate culture firmly kept in mind and a talent team of entrepreneurship. As the largest financial subsidiary of CITIC Group, we are the pioneer of the Group to open a new chapter in the 14th Five-Year Plan period and building an excellent enterprise group. Therefore, the Group attaches great importance to and has high expectations for the Bank's development, and will fully support our growth as always. Specifically, the Group will provide all-round support in business synergy, FinTech and capital replenishment, continue to intensify efforts in wealth management, asset management and comprehensive financing, and give full play to the role of the Bank as "ballast stone" and "pillar". I believe that under the leadership of a young, professional and passionate management team, we will be sure to face challenges head-on, seize opportunities, adhere to our original aspiration of serving the real economy, move toward high-quality development, and make great strides in building ourselves into a respectable and prestigious bank with a focus on value creation.

We firmly believe that business operation requires not only solid work but also a flexible vision. Enterprises need to learn to advance with the times, innovate in new situations and take advantage of the tendency, so as to grasp the direction of progress more accurately. So we held fast to the national plan on building the "livelihood economy" and actively engaged in the new development paradigm featuring dual circulation with the domestic market as the mainstay. In addition, we acted on the general principle of pursuing progress while ensuring stability, maintained strategic focus, focused on major businesses, forged ahead, and combined efforts on supporting the real economy and business development. Through empowerment by FinTech, we promoted more intelligent operation and management, a more open ecosystem for mutual benefit and customer services with "a human touch".

We firmly believe that under the overall goal of promoting prosperity for all, wealth management is essential to internal forces powering economic growth and improvement of people's livelihood. Hence, we adapted to changing circumstances, actively made corresponding strategies and leveraged the advantage of full financial licenses of CITIC Group. Taking the establishment of CITIC International Financial Holdings Limited as an opportunity, we developed the "CITIC Wealth of Happiness" brand, went all-out to build a wealth management system with market influence and strengthened featured asset management and comprehensive financing driven by wealth management. In the meantime, in line with the general trend of national development, we persisted in the market orientation, paid attention to opportunities arising from the trend, such as green development, innovation-driven development, coordinated regional development and population aging, pre-emptively seized development opportunities, took the lead to constantly foster new growth drivers of business development and fully boosted market competitiveness.

We firmly believe that only stability can ensure sustainability. There will be no foundation for sustainable development without a sound governance foundation, no sustainable returns without a stable risk management and internal control system, and no guarantee of lasting success without an excellent talent echelon. Thus, we will take a firm hold of the principle of banking operation, adhere to explorations and innovations, build a scientific and efficient corporate governance system, and strive to form a synergy of governance. We will continue to strengthen the building of a risk management and internal control system, step up efforts in asset quality control, enhance internal control and compliance management, and deepen the reform of human resources, so as to provide more "CITIC craftsmen" for operation and management, and lay a solid foundation for high-quality development.

The 35-year-old China CITIC Bank, imbue with vigor and vitality, keeps its feet on the ground and endeavors to repay customers, shareholders and all sectors of society with high-quality development. I would like to express my gratitude to all customers and investors for the long-term trust and support, as well as the Bank's management and all staff for the hard work. In the new year, we will continue to forge ahead, make more breakthroughs and create more value for shareholders and customers!

Zhu Hexin
Chairman and non-executive director
March 24, 2022

PRESIDENT’S LETTER TO SHAREHOLDERS

Dear shareholders,

“Uncertainty” is the theme of the year 2021. However, it is also where “new possibilities” lie in.

Confronted by the combined challenges of COVID-19, global “black swan” and “grey rhino” events and slower domestic economic growth, we worked in a spirit of opening roads through mountains and putting bridges over rivers, moving forward determinedly to our goals. At the same time, in the face of opportunities brought by the rapid development of FinTech, accelerated evolution of 5G technology and the emergence of “metaverse” concept, we lost no time in taking the initiative of evolution and innovation. With the belief of “time and tide wait for no man”, we tried our best to seize the opportunities coming along with the uncertainties, while minimized the adverse effect of the uncertainties to go all out to promote the high-quality development of the Bank. Under the leadership of the Board of Directors, the management centered around the national strategies to vigorously boost market-oriented reform. We made major decisions on strategic planning, overcame obstacles in the reform of systems and mechanisms, and put solid efforts in empowering front-line business operation. Every effort we made was for the stable progress of establishing a “bank of value”.

In 2021, we took high-value creation as the main task, striving for more fruitful results in development. On value creation, to use an analogy, we first made the pie bigger and then made value creation more efficient. In 2021, the Bank’s net operating income exceeded RMB200 billion, and our net profit exceeded RMB50 billion, with the growth rate reaching a new high in the past eight years. Besides, return on assets (ROA) and return on equity (ROE) both increased year on year, the first time since 2013. We are glad to see that China CITIC Bank is making big strides on the ascending path. It owes to our years of tireless efforts and also to the lasting support from the vast investors. Grateful as always, we shared with them operation achievements by further increasing dividend distribution, with the suggested cash distribution amounting to nearly RMB15 billion, a record high since the Bank’s listing. Compared with current benefits, we paid more attention to the capabilities of accumulating long-term value. Our guiding principle has always been “placing equal stress on quality, speed and long-term goals”. In this regard, we spared no efforts in promoting the transformation featuring “capital-light, asset-light and cost-light” development, and did whatever we can to stabilize interest margin, increase fee-based business income, reduce NPLs and attract more customers. This is aimed at improving our operation management in all respects in a bid to fundamentally change the development model, strengthen the driving force for self-generated development, and eventually, strive to become a value creation bank of wide respect and good reputation.

In 2021, we took high-quality development as the theme, consolidating our development foundation. In the pursuit of high-quality development, we firmly advanced the three critical tasks, namely asset quality control, customer expansion and in-depth management, and development in key regions, strengthening the foundation of stable development. In 2021, as we promoted the establishment of a risk management system in which risks could be put under control and development could be boosted, significant results were achieved in disposing of NPLs and defusing major risks. To be specific, the balance and ratio of NPLs decreased simultaneously for the first time in the past 11 years, asset quality kept improving and the allowance coverage ratio stood at the highest in the past 7 years. At the same time, new breakthroughs were made in customer management. Specifically, the number of corporate customers and valid customers increased by 32,900 and 17,000, respectively, 1.8 times and 2.3 times larger than previous year, respectively. The number of retail VIP customers exceeded one million, and the number of credit cards issued went beyond 100 million. And the Bank became the first joint-stock bank that issued more than 100 million credit cards. Behind the number were the joint efforts of all operating institutions. We delegated and empowered our affiliates, making clear responsibilities and strengthened the strategy of "one policy for one branch" to better keep in line with the regional development strategies of the country. By allocating limited resources to the places in need, we unleashed the full potential of branches with strategic importance and that in key areas to create more value, letting the development of the whole bank keep pace with the times as well as making full use of the joint efforts.

In 2021, we took frontier technologies as the driver, strengthening the momentum of growth. All good principles should adapt to changing times to remain relevant. Upholding the goal of building ourselves into a top technology-driven joint-stock bank, we continuously increased our investment in science and technology across the Bank. As an CITIC veteran who has been with the Bank for a long time, I have witnessed CITIC Bank evolved from a bank with less than RMB2 billion annual technological investment and less than 300 technical personnel in the Head Office to a bank having over RMB7 billion annual technological investment and nearly 4,300 technical personnel. Such a leapfrog development represents not only an inevitable result of the progress of our times, but also an active evolution driven by its genes of innovation. Last year, we sped up digital transformation, deepened the integration of big data and businesses and of big data and technologies, and implemented a number of major projects such as wealth customer journey, corporate digital marketing platform and comprehensive smart risk management platform. Not long ago, we adjusted our organizational structure of technology line and set up big data centers to form a structure system comprised of one department and three centers. Thus, a systematic reform covering technology application, model innovation, progress redesign and organization reshaping was carried out across the Bank. The purpose of the reform was to gain an upper hand in the technology-driven high-level competition, providing more thoughtful services for our customers through technologies. Today, we are very lucky to work with many peers to develop the bule sea of FinTech and stand at the forefront of FinTech. In the future, we will continue to develop and innovate businesses through technologies. By being more insightful to understand customers and bridging the information gap between the Bank and customers, we strive to make our services more accessible and provide more financial services for the public. Encouraged by such ambition, we will press ahead with perseverance in developing FinTech.

In 2021, adhering to the belief that "the higher you stand, more light you will catch", we endeavored to grow among changes. Remaining true to our original aspiration, we were steadfast in our belief. Thriving along with the development of Chinese economy, we always bear in mind our mission and responsibilities of providing financial services. Every effort we took was to make more contributions to national economic development and financial reform, better implement national strategies, serve the real economy, and become a responsible and caring corporate citizen. As the view has been passed on from generation to generation, it has become an inexhaustible driving force for the Bank to grow to the light.

What's past is prologue. The year 2022 marks the 35th year since CITIC Bank's establishment. As the wheels of the times roll forward, we are fully aware that we are just taking off on the road to become a century-old bank with time-honored brand and to serve national economy and the public. There are many challenges on the way forward and many responsibilities and expectations await us. With the great responsibilities as weighty as a mountain, we cannot shrink back but struggle to shoulder them. 35 years on from the Bank's founding, we are still in our prime. We will stay true to our original aspiration, build on past successes to further advance our cause and forge ahead in the new journey.

With China at a historical juncture of marching toward its second centenary goal, commercial banks in China are experiencing a new round of transformation and reform. We see that the characteristic of the times of promoting prosperity for all is more acute. Savings structure, financial asset structure and even the overall wealth pattern in the whole society are undergoing great changes, and the demand for wealth management is increasing. At the same time, we see that low-carbon economy and green development become the trends of the times, and achieving peak carbon emissions and carbon neutrality will certainly lead to a wide and profound systematic reform in economy and society. Such new ideas and changes are reshaping our way of life and production thoroughly, and consequently changing the development model of commercial banks. Significant changes are taking place which can be demonstrated by our transformation from "product-centric" to "customer-centric", from "experience thinking" to "data thinking" and from "traditional marketing" to "smart marketing". It is foreseeable that the future competition among commercial banks will take place in these emerging strategic areas and center on chrematistic and differentiated operation.

New development calls for new actions. Moving forward, we are determined to start from zero again, reform open mindedly and make concrete actions in an aggressive attitude. The action plan for developing core business capabilities is our new declaration and new seeds we planted. Based on the Group's comprehensive platform, we will further leverage the synergy advantage of "1+1>2", developing core business capabilities that adapt to new development pattern by honing three core capabilities, namely wealth management, asset management and comprehensive financing. Under the principle that "being the pioneer in the blank fields and being the leader in the existing fields", we will speed up the building of core competitiveness with the characteristics of China CITIC Bank, show CITIC's accelerating development in new track, and guard against CITIC's positions in new fields.

We will build trust by accompanying our customers to create wealth management brand advantages. Trust comes from companionship. It is because of our sincerely company over the past 35 years that the Bank has formed a vast customer base including nearly one million corporate customers and over 100 million retail customers. And it is because of the lasting trust of our customers that we have kept growing. Now, the great era of wealth management is coming in an overwhelming momentum. As we are upgrading "CITIC Wealth of Happiness" brand on all fronts, we are determined and confident to provide more professional wealth management services for customers and create more value for them. We will pay more attention to customers' needs in lifecycle wealth management, take into consideration their multi-dimensional needs related to individuals, families, enterprises and society and refine customer experience by providing the ultra-experience with customer journey mindset. By reducing the margin between income curve and expenditure curve, we provide customers with services of a human touch in all life stages and in all scenarios. In the future, we will continue to leverage the Group's comprehensive competitive edges, and endeavor to become the "preferred wealth management bank for customers". We will build a new retail system with wealth management at its core and increase the profit of retail businesses by various measures, thus creating the second growth curve of CITIC's new retail banking.

We will enhance our strength by strengthening innovation to create advantages in asset management products. On the path of building a bank of value, we have always given priorities to enhancing asset management capacities. We are fully aware that in the era of NAVs, the competition now centers on products supported by strong investment research and advisory. We gather advanced research capacity from CITIC Group subsidiaries to build a professional investment research ecosystem, which is aimed at expanding product scope by innovating asset management products through our specialized skills. Our desire is not limited to building a product system covering all types of risk preference. Rather, we pay more attention to the stable operation and agile response in meeting customers' demands for asset management products. On the one hand, we try to minimize the influence of NAV fluctuations on customer experience, pursuing wealth increase while ensuring stability. On the other hand, we create diversified online channels and various scenarios, providing agile services and targeted products for customers. Our mission of "agency wealth management" is a reminder for us to fulfill our responsibilities. We believe that the strength in asset side in CITIC United Fleet and the abundance in capital from customer base in CITIC new retail system will score new achievements under the catalyst of asset management.

We will gain insight in customers' demands with our professionalism to forge comprehensive financing services advantages. Leveraging the advantages of full financial licenses and full industrial coverage of CITIC Group, we will make comprehensive financial services grow stronger and better. In the context of financial disintermediation, we will arrange asset market businesses at a faster speed. By integrating various financing channels and products, and comprehensively applying "commercial banking + investment banking", "equity + debt", "domestic + overseas" "wholesale + retail" and other models, we will transform the Bank from a traditional "credit intermediary" to an integrated "service intermediary". At the same time, by learning from CITIC Group's years of experience in the industrial segment, we wish to provide professional industrial insights for customers and empower wealth development, achieving "altruism and win-win" and expanding our serves "beyond finance".

Only by overcoming the most difficult issues can we achieve the most ambitious goals. It is an era that belongs to those with drive and ambition. Although it is hard to do the right things with long-term meanings, it is how we can make greater progress. Staying true to our original aspiration and striving forward, we will continue to work hard to develop our core business capabilities.

In 2022, "uncertainties" will remain, but we have always been convinced that the light from the inner heart will illuminate the road forward. As long as we press ahead to the light, a bright future will beckon.

Fang Heying
Vice Chairman, executive director and President
March 24, 2022

CHAPTER 1 CORPORATE INTRODUCTION

1.1 Corporate Information

Registered Name in Chinese	中信银行股份有限公司(abbreviated as "中信银行")
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	Level 54 Hopewell Centre, 183 Queen's Road East, 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 Stock Exchange of Hong Kong Limited (abbreviated as "SEHK") 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	Zhu Yu and Li Yan
Overseas Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Overseas Signing CPA	Leung Wai Kin
Sponsor 1 for Continuous Supervision and Guidance	CITIC Securities Co., Ltd.
Office Address and Telephone Number	23/F, CITIC Securities Mansion, No. 48 Liangmaqiaolu, Chaoyang District, Beijing +86-10-60838888
Signing Sponsor Representatives	Ma Xiaolong and Cheng Yue
Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion)
Sponsor 2 for Continuous Supervision and Guidance	China International Capital Corporation Limited
Office Address and Telephone Number	27-28/F, China World Office 2, No. 1 Jianguomen Waidajie, Beijing +86-10-65051166
Signing Sponsor Representatives	Xu Jia and Shi Fang

Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion)
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 100 Index, CSI 800 Index, Hang Seng China H-Financials Index
Credit Ratings	Standard & Poor's: (1) Long-term issuer credit rating: BBB+; (2) Short-term rating: A-2; (3) Long-term rating outlook: Positive. 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 CCXI: (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 Guanghua Road, Chaoyang District, Beijing	Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Telephone	+86-10-66638188	+86-10-66638188
Fax	+86-10-65559255	+86-10-65559255
Email Address	ir@citicbank.com	ir@citicbank.com

1.3 Honors and Awards

In January 2021, the Bank was granted the "Core Dealer", "Excellent Money Market Dealer", "Excellent Issuer of Interbank Certificates of Deposit", "Excellent Derivatives Market Dealer", "Opening-up Contribution Award", "Award for Trading Mechanism Innovation X-Repo", "Award for Trading Mechanism Innovation X-Swap", "Award for Market Innovation" and "Award for Best Technology" in Interbank Local Currency Market by National Interbank Funding Center; the "Top 100 Excellent Dealers in Annual Settlement", "Excellent Underwriter of China Green Bond Index Sample Bonds" and "Excellent Issuer – Financial Bond Issuer" by China Central Depository & Clearing Co., Ltd.; the "Private Bank of the Year" by *National Business Daily*; and the "Domestic Private Bank Best Performer" by Hurun Report.

In February 2021, the Bank ranked 16th among the "Top 500 Global Bank Brands" published by *The Banker* magazine of the United Kingdom, and won the "Progress Award for Standard Proprietary Clearing of Bond Forward", "Excellence Award for Proprietary Clearing of Interest Rate Swap", "Excellence Award for Proprietary Clearing of Foreign Exchange" and "Progress Award for Proprietary Clearing of Bond Net Balance" from Shanghai Clearing House.

In April 2021, the Bank was awarded the "Best Underwriter for Unsecured Bonds", "Best Interbank Debt Financing Instrument Underwriter" and "Best Bond Underwriter" by Wind; and the "2021 Special Contributor to International Business", "2021 Best Contributor to Product Promotion", "2021 Best Risk Control Member", "2021 Best Technical Support Member", "2021 Best Pioneering Institution", "2021 Best Quotation and Trading Institution" and "Best Participator in Leasing Business" by Shanghai Gold Exchange.

In May 2021, the Bank was recognized as the "Best Joint-Stock Private Bank in China", "Best Private Bank in China – Discretionary Portfolio Management" and "Best Private Bank in China – Asset Allocation Services and Research" by *Asian Private Banker*; the "Excellent Custodian Institution" by Shanghai Clearing House; and the "First Lead Underwriters of Sustainability-Linked Bonds" and "First Lead Underwriters of Carbon Neutrality Bonds" by National Association of Financial Market Institutional Investors.

In June 2021, the Bank was recognized as the "Excellent Case of Financial Services for Small and Medium-sized Enterprises" by China Banking Association and China Association of Small and Medium Enterprises.

In July 2021, the Bank ranked 24th on *The Banker* magazine of the United Kingdom's list of the "Top 1,000 World Banks" in terms of tier-one capital. Besides, the Bank's asset custody data platform was awarded the "Best Financial Market Technology Implementation in China" by *The Asian Banker*, and the Bank was recognized as "Top Market Maker" by Bond Connect.

In August 2021, the Bank was recognized as "2021 Excellent Joint-stock Commercial Bank" by China Internet News Center, and "FX House of the Year China" by *FX-Markets*.

In September 2021, the Bank was granted as the "Best Foreign Currency Lending Member in Interbank Foreign Currency Money Market" and "Best RMB Foreign Exchange Market Maker in Interbank Foreign Exchange Market" by China Foreign Exchange Trade System; and the "2021 Corporate Banking Brand Influence Star" by *The Economic Observer*. The distributed business development of the Bank was recognized as the "OSCAR Peak Open Source Technology Innovation Award" by China Academy of Information and Communications Technology.

In November 2021, the Bank was recognized as the "Inclusive Finance Business Bank", "Excellent Corporate Banking" and "Best Auto Finance Service Bank 2021" by *21st Century Business Herald*; the "Best Corporate Banking Innovation Bank" by *China Business News*; the "Excellent Inclusive Finance Bank" by *The Economic Observer*; the "Inclusive Finance Practice Bank with Excellent Competitiveness" by *China Business Journal*; the "Excellent Wealth Management Bank" and "2021 Cross-border Financial Services" by Hexun.com; the "2021 Commercial Bank with Excellent Innovation" by Investor China; and the "Best Digital Operation Award of Mobile Banking" by China Financial Certification Authority.

In December 2021, the Bank was recognized as the "2021 Most Valuable Custodian Bank" by *Caijing* magazine; the "2021 Best International Business Innovation Bank" by *Financial Times*; the "Top 100 Best Employers in China" by the Organizing Committee of China Best Employer Award; the "ESG Green Company Star" and "Bank Innovation Award" by *China Investment Network*; the "2021 High Net Worth Lifestyle Service" and "2021 Family Heritage Service" by The *Asian Banker*; and the "Best Bank for Responsible Investment" by Sina Finance; "Hong Kong Corporate Governance and ESG Excellence Awards 2021" by the Chamber of Hong Kong Listed Companies. Moreover, the Bank's audit technology platform was awarded the "Innovation Achievement of FinTech and Digital Transformation" by China Institute of Communications; the Bank's Data Lake project was awarded the "Excellent Case of Industry Big Data Application" by China Academy of Information and Communications Technology.

1.4 Financial Highlights

1.4.1 Operating Performance

Unit: RMB million

Item	2021	2020	Growth rate (%)	2019
Operating income	**204,554**	195,399	4.69	187,881
Profit before tax	**65,517**	57,857	13.24	56,545
Net profit attributable to the equity holders of the Bank	**55,641**	48,980	13.60	48,015
Net cash flows from/(used in) operating activities	**(75,394)**	156,863	(148.06)	116,969
Per share				
Basic earnings per share *(RMB)*	**1.08**	0.94	14.89	0.95
Diluted earnings per share *(RMB)*	**0.98**	0.86	13.95	0.89
Net cash flows from/(used in) operating activities per share *(RMB)*	**(1.54)**	3.21	(147.98)	2.39

Unit: RMB million

Item	2021 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Operating income	51,931	53,725	49,620	49,278
Net profit attributable to the equity holders of the Bank	15,641	13,390	12,725	13,885
Net cash flows from/(used in) operating activities	(31,120)	(157,168)	165,707	(52,813)

1.4.2 Profitability Indicators

Item	2021	2020	Increase/ (decrease) in percentage point (%)	2019 (Restated) (7)
Return on average assets (ROAA) (1)	**0.72%**	0.69%	0.03	0.76%
Return on average equity (ROAE, not including non-controlling equity) (2)	**10.73%**	10.08%	0.65	11.06%
Cost-to-income ratio (excluding tax and surcharges) (3)	**29.34%**	26.73%	2.61	27.84%
Credit cost (4)	**1.08%**	1.64%	(0.56)	1.79%
Net interest spread (5)	**1.99%**	2.18%	(0.19)	2.36%
Net interest margin (6)	**2.05%**	2.26%	(0.21)	2.45%

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.

(7) According to *the Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Strengthening the 2020 Annual Report Related Work of Enterprises* jointly issued by the MOF (Ministry of Finance), the State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the CSRC, the Group reclassified the installment income of credit card-based consumption from fee income to interest income since 2020, and financial indicators related to interest income and non-interest income of 2019 were restated.

1.4.3 Scale Indicators

Unit: RMB million

Item	31 December 2021	31 December 2020	Growth rate (%)	31 December 2019
Total assets	**8,042,884**	7,511,161	7.08	6,750,433
Total loans and advances to customers (1)	**4,855,969**	4,473,307	8.55	3,997,987
– Corporate loans	**2,336,179**	2,170,400	7.64	1,955,519
– Discounted bills	**465,966**	411,007	13.37	311,654
– Personal loans	**2,053,824**	1,891,900	8.56	1,730,814
Total liabilities	**7,400,258**	6,951,123	6.46	6,217,909
Total deposits from customers (1)	**4,736,584**	4,528,399	4.60	4,038,820
– Corporate demand deposits (2)	**1,974,319**	1,915,266	3.08	1,674,923
– Corporate time and call deposits	**1,789,956**	1,674,846	6.87	1,485,727
– Personal demand deposits	**310,054**	327,110	(5.21)	275,526
– Personal time and call deposits	**662,255**	611,177	8.36	602,644
Deposits from banks and non-bank financial institutions	**1,174,763**	1,163,641	0.96	951,122
Placements from banks and non-bank financial institutions	**78,331**	57,756	35.62	92,539
Total equity attributable to the equity holders of the Bank	**626,303**	544,573	15.01	517,311
Total equity attributable to the ordinary shareholders of the Bank	**511,362**	469,625	8.89	442,363
Net asset per share attributable to the ordinary shareholders of the Bank *(RMB)*	**10.45**	9.60	8.85	9.04

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

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

1.4.4 Asset Quality Indicators

Item	**31 December 2021**	**31 December 2020**	**Growth rate** *(%)*	**31 December 2019**
NPL ratio (1)	**1.39%**	1.64%	(0.25)	1.65%
Allowance coverage ratio (2)	**180.07%**	171.68%	8.39	175.25%
Allowance for loan impairment losses to total loans (3)	**2.50%**	2.82%	(0.32)	2.90%

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

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

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

1.4.5 Other Main Regulatory Indicators

Item(1)	**Regulatory value**	**31 December 2021**	**31 December 2020**	**Increase/ (decrease) in percentage point**	**31 December 2019**
Capital adequacy profile(2)					
Core tier-one capital adequacy ratio	≥7.50%	**8.85%**	8.74%	0.11	8.69%
Tier-one capital adequacy ratio	≥8.50%	**10.88%**	10.18%	0.70	10.20%
Capital adequacy ratio	≥10.50%	**13.53%**	13.01%	0.52	12.44%
Leverage profile					
Leverage ratio	≥4%	**6.78%**	6.40%	0.38	6.71%
Liquidity risk profile					
Liquidity coverage ratio	≥100%	**146.59%**	135.14%	11.45	149.27%
Liquidity ratio					
Including: Local and foreign currencies	≥25%	**59.09%**	58.09%	1.00	63.09%
Renminbi	≥25%	**59.99%**	58.21%	1.78	64.07%
Foreign currencies	≥25%	**58.98%**	67.11%	(8.13)	62.10%

Note: (1) The figures in the table were of the Group calculated in accordance with the regulatory 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 third quarter of 2021, the Group incorporated CITIC aiBank 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 2021 year-end net assets and the net profit of 2021 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	**2021**	2020	2019 (Restated)	2018 (Restated)	2017
Operating performance					
Operating income	**204,554**	195,399	187,881	165,766	157,231
Profit before tax	**65,517**	57,857	56,545	54,326	52,276
Net profit attributable to the equity holders of the Bank	**55,641**	48,980	48,015	44,513	42,566
Net cash flow from/(used in) operating activities	**(75,394)**	156,863	116,969	102,316	54,074
Per share					
Basic earnings per share *(RMB)*	**1.08**	0.94	0.95	0.88	0.84
Diluted earnings per share *(RMB)*	**0.98**	0.86	0.89	0.88	0.84
Net cash flow from/(used in) operating activities per share *(RMB)*	**(1.54)**	3.21	2.39	2.09	1.11
Scale indicators					
Total assets	**8,042,884**	7,511,161	6,750,433	6,066,714	5,677,691
Total loans and advances to customers	**4,855,969**	4,473,307	3,997,987	3,608,412	3,196,887
Total liabilities	**7,400,258**	6,951,123	6,217,909	5,613,628	5,265,258
Total deposits from customers	**4,736,584**	4,528,399	4,038,820	3,616,423	3,407,636
Total equity attributable to the equity holders of the Bank	**626,303**	544,573	517,311	436,661	399,638
Total equity attributable to the ordinary shareholders of the Bank	**511,362**	469,625	442,363	401,706	364,683
Net asset per share attributable to the ordinary shareholders of the Bank *(RMB)*	**10.45**	9.60	9.04	8.21	7.45

Item	2021	2020	2019 (Restated)	2018 (Restated)	2017
Profitability indicators					
Return on average assets (ROAA)	**0.72%**	0.69%	0.76%	0.77%	0.74%
Return on average equity (ROAE)	**10.73%**	10.08%	11.06%	11.36%	11.63%
Cost-to-income ratio (excluding tax and surcharges)	**29.34%**	26.73%	27.84%	30.71%	30.05%
Credit cost	**1.08%**	1.64%	1.79%	1.40%	1.64%
Net interest spread *(note)*	**1.99%**	2.18%	2.36%	2.22%	1.87%
Net interest margin *(note)*	**2.05%**	2.26%	2.45%	2.31%	2.03%
Asset quality indicators					
NPL ratio	**1.39%**	1.64%	1.65%	1.77%	1.68%
Allowance coverage ratio	**180.07%**	171.68%	175.25%	157.98%	169.44%
Allowance for loan impairment losses to total loans	**2.50%**	2.82%	2.90%	2.80%	2.84%
Capital adequacy ratios					
Core tier-one capital adequacy ratio	**8.85%**	8.74%	8.69%	8.62%	8.49%
Tier-one capital adequacy ratio	**10.88%**	10.18%	10.20%	9.43%	9.34%
Capital adequacy ratio	**13.53%**	13.01%	12.44%	12.47%	11.65%

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 2021, China's banking industry continued to enhance its ability in fostering the new development pattern through financial means, helped achieve the stable recovery and a virtuous cycle of the economy, and maintained overall stable operation. Financial institutions in the banking industry constantly upgraded mechanisms to improve their corporate governance. The industry proactively increased investment in financial technology, thus accelerated the digitalization and intelligent transformation of banks. It boosted the quality and effectiveness of serving the real economy, provided more support to advanced manufacturing industries and emerging industries with strategic importance, and vigorously developed inclusive finance, green finance and rural finance. It also laid more weight on the disposal of non-performing assets so as to prevent and diffuse financial risks.

From the macroeconomic point of view, China continued the recovery of its economy, innovated and advanced in-depth reform and opening-up, safeguarded people's livelihood strongly and effectively, made new advances in fostering a new development pattern and the pursuit of high-quality development, and got off to a good start in implementing the 14th Five-Year Plan. The gross domestic product (GDP) growth rate was 8.1%, realizing the expected target of more than 6%. All three major demands contributed positively to economic growth, with the consumption expenditure, gross capital formation, and net exports of goods and services each contributing 5.3, 1.1, and 1.7 percentage points to economic growth, their respective share of economic growth contribution being 65.4%, 13.7%, and 20.9%.

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 RMB344.8 trillion, an increase of 7.8% over the end of the previous year. Annual net profit reached RMB2.2 trillion, an increase of 12.6% over the previous year. The year-end balance of non-performing loans (NPLs) stood at RMB2.8 trillion, with the NPL ratio being 1.73%. The capital adequacy ratio was 15.13%.

In terms of policies, regulatory authorities issued macro-prudential policy guidelines, introduced a concentration management system for real estate loans, enhanced credit policy guidance, supervision and assessment in the manufacturing industry, optimized the green finance evaluation program for the banking industry, and launched carbon emission reduction supporting tools and re-loans supporting clean and efficient coal use. With regulatory authorities' persistent "strict supervision and heavy punishment", market irregularities continued to reduce, 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 and talent for growth, 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 principle of "One CITIC, One Customer", the Bank fortified the main platform of collaboration across the Group, built its CITIC think tank and a systematic platform, formed an evaluation system, developed a collaboration network, launched high-quality projects, unleased synergy through its "CITIC United Fleet", and introduced the "CITIC Synergy+" system, thereby manifesting the brand value of CITIC Synergy. Adhering to the cooperation concept of "altruism, win-win cooperation and boosting both industry and finance", the Bank transformed synergy work from scale growth to value creation, from financing cooperation to the integration of industry and finance, from resource coordination to customer extension, and upgraded from point-to-point docking to cooperation in the whole area. Following the requirement of "prioritizing implementation and valuing results," the Bank created a number of well-established projects in SOE mixed-ownership reform, wealth management, serving people's livelihood and rural revitalization, carried forward national strategies and served the real economy with practical actions.

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

Effective risk prevention and control. Aimed at building a risk management system in which risks can be put under control and development can be boosted, the Bank continuously improved its systems and mechanisms for risk management. It streamlined the organizational structure of risk management, strengthened the control of concentration risk and risks of subsidiaries, and continuously deepened the implementation of the full-time approver system and the transformation of post- lending and post-investment management. Moreover, the Bank quickened its pace in building the intelligent risk control system offering functions of risk view, industry and regional rating, customer risk profile and visualization of financial statements, and supporting intelligent approval and intelligent early warning, 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 empowered the development of all its businesses and strove to be a top technology-driven bank. It continued to increase its investment in technology, make its products and services more competitive, drive the transformation of business and operation models and create a data-driven business development model. It became the first medium- and large-sized bank in China to 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 and blockchain were innovatively applied in all business fields to drive the development of the Bank.

Significant brand recognition and a distinctive corporate culture. By recreating the cultural elements over the past more than three decades, the Bank fostered a distinctive corporate culture. It aspires to become a responsible, unique and valuable provider of the best comprehensive financial services with a human touch. Moreover, it adheres to the core values of customer orientation, integrity, innovation, collaboration and excellence, and assumes missions to create value for customers, seek happiness for employees, make profit for shareholders and perform responsibility for society. In 2021, the Bank ranked 16th on the list of the "Top 500 Global Bank Brands" rated by *The Banker* magazine of the United Kingdom with a brand value of USD14.5 billion.

Professional and brilliant talent team. Holding "people first", the Bank deepened the human resource reform, and established a value-based and employee-centric talent management mechanism and a modern market-oriented human resources management system to serve the bank-wide strategic transformation. 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 expanded the channels of talent evaluation and selection, improved the assessment mechanism, continued to improve the performance evaluation system and reinforce incentive constraints, and built diversified talent development channels so as to vigorously foster core and young talents. By doing so, the Bank has established a high-quality talent team.

2.4 Overview of the Operating Results

In 2021, in the face of the complex and changeable internal and external situations, the Group resolutely implemented the decisions and plans of the CPC Central Committee and the State Council as well as regulatory requirements. Taking high-quality development as its main task, the Group advanced business transformation and efficiency improvement, and made steady progress in its business development.

Operating income increased stably and profitability further improved. During the reporting period, the Group realized RMB204.554 billion operating income, an increase of 4.69% compared with previous year. The Group realized RMB55.641 billion of net profit attributable to the shareholders of the Bank, up by 13.60% compared with previous year. Return on average assets (ROAA) stood at 0.72%, up by 0.03 percentage point compared with previous year; while return on average equity (ROAE) was 10.73%, up by 0.65 percentage point compared with previous year.

Asset quality kept improving and risk resistance ability further enhanced. As at the end of the reporting period, both the balance and ratio of the Group's non-performing loans (NPLs) decreased. The NPL balance recorded RMB67.459 billion, a decrease of RMB5.993 billion or 8.16% over the end of the previous year, corresponding to an NPL ratio of 1.39%, down by 0.25 percentage point over the end of the previous year. The ratio of loans overdue for more than 60 days to NPLs was 78.43%, a decrease of 2.03 percentage points from the end of the previous year. The Group's allowance coverage ratio and the ratio of allowance for impairment of loans to total loans stood at 180.07% and 2.50%, respectively, an increase of 8.39 percentage points and a drop of 0.32 percentage point over the end of the previous year.

Business scale grew steadily, and the quality and efficiency of services for the real economy improved. As at the end of the reporting period, the Group recorded total assets of RMB8,042.884 billion, an increase of 7.08% over the end of the previous year; its total loans and advances to customers (excluding accrued interest) stood at RMB4,855.969 billion, a growth of 8.55% over the end of the previous year; and its total deposits from customers (excluding accrued interest) recorded RMB4,736.584 billion, marking a 4.60% increase from the end of last year. During the reporting period, the Group actively implemented national macroeconomic policies and increased credit support for key areas, and inclusive finance, loans granted to manufacturing sector and strategic emerging industries as well as green credit showed a good growth momentum.

2.5 Analysis of the Financial Statements

2.5.1 Income Statement Analysis

During the reporting period, the Group realized RMB55.641 billion net profit attributable to the equity holders of the Bank, up by 13.60% over previous 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	**2021**	2020	Increase/ (decrease)	Growth rate *(%)*
Operating income				
– Net interest income	**147,896**	150,515	(2,619)	(1.74)
– Net non-interest income	**56,658**	44,884	11,774	26.23
Operating expenses	**(62,224)**	(54,255)	(7,969)	14.69
Credit and other asset impairment losses	**(77,048)**	(82,989)	5,941	(7.16)
Profit before tax	**65,517**	57,857	7,660	13.24
Income tax	**(9,140)**	(8,325)	(815)	9.79
Profit for the year	**56,377**	49,532	6,845	13.82
Including: Net profit attributable to the equity holders of the Bank	**55,641**	48,980	6,661	13.60

2.5.1.1 *Operating Income*

During the reporting period, the Group realized operating income of RMB204.554 billion, up by 4.69% over the previous year, of which net interest income accounted for 72.3%, down by 4.7 percentage points from the previous year; net non-interest income accounted for 27.7%, up by 4.7 percentage points over the previous year.

Unit: %

Item	**2021**	2020
Net interest income	**72.3**	77.0
Net non-interest income	**27.7**	23.0
Total	**100.0**	100.0

2.5.1.2 *Net Interest Income*

During the reporting period, the Group realized RMB147.896 billion of net interest income, a decrease of RMB2.619 billion or 1.74% 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	2021 Average balance	2021 Interest	2021 Average yield/cost rate (%)	2020 Average balance	2020 Interest	2020 Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	**4,666,055**	**232,636**	**4.99**	4,215,316	223,915	5.31
Financial investments [(1)]	**1,752,694**	**59,674**	**3.40**	1,631,325	59,860	3.67
Deposits with central banks	**408,003**	**6,073**	**1.49**	401,593	6,048	1.51
Deposits and placements with, and loans to banks and non-bank financial institutions	**333,761**	**6,515**	**1.95**	371,441	7,401	1.99
Financial assets held under resale agreements	**64,665**	**1,267**	**1.96**	48,127	782	1.62
Subtotal	**7,225,178**	**306,165**	**4.24**	6,667,802	298,006	4.47
Interest-bearing liabilities						
Deposits from customers	**4,630,091**	**92,388**	**2.00**	4,325,470	90,778	2.10
Deposits and placements from banks and non-bank financial institutions	**1,226,365**	**30,031**	**2.45**	1,123,781	26,586	2.37
Debt securities issued	**852,438**	**26,962**	**3.16**	691,116	21,606	3.13
Borrowings from central banks	**226,967**	**6,804**	**3.00**	178,473	5,796	3.25
Financial assets sold under repurchase agreements	**75,329**	**1,631**	**2.17**	110,094	2,239	2.03
Others	**10,852**	**453**	**4.17**	11,164	486	4.35
Subtotal	**7,022,042**	**158,269**	**2.25**	6,440,098	147,491	2.29
Net interest income		**147,896**			150,515	
Net interest spread [(2)]			**1.99**			2.18
Net interest margin [(3)]			**2.05**			2.26

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	2021 compared with 2020 Scale factor	Interest rate factor	Total
Assets			
Loans and advances to customers	**23,934**	**(15,213)**	**8,721**
Financial investments	**4,454**	**(4,640)**	**(186)**
Deposits with central banks	**97**	**(72)**	**25**
Deposits and placements with, and loans to banks and non-bank financial institutions	**(750)**	**(136)**	**(886)**
Financial assets held under resale agreements	**268**	**217**	**485**
Changes in interest income	**28,003**	**(19,844)**	**8,159**
Liabilities			
Deposits from customers	**6,397**	**(4,787)**	**1,610**
Deposits and placements from banks and non-bank financial institutions	**2,431**	**1,014**	**3,445**
Debt certificates issued	**5,049**	**307**	**5,356**
Borrowings from central banks	**1,576**	**(568)**	**1,008**
Financial assets sold under repurchase agreements	**(706)**	**98**	**(608)**
Others	**(14)**	**(19)**	**(33)**
Changes in interest expense	**14,733**	**(3,955)**	**10,778**
Changes in net interest income	**13,270**	**(15,889)**	**(2,619)**

Net Interest Margin and Net Interest Spread

During the reporting period, the Group's net interest margin and net interest spread registered 2.05% and 1.99% respectively, representing a decrease of 0.21 percentage point and 0.19 percentage point over the previous year. The Group's yield of interest-earning assets was 4.24%, down by 0.23 percentage point over the previous year; the cost rate of interest-bearing liabilities was 2.25%, down by 0.04 percentage point over the previous year. In 2021, under the continuous impact of the pandemic and the guidance of macro policies, the Group resolutely implemented the policy of giving more to the real economy while actively reducing the scale of high-risk assets, resulting in a decrease in asset yield. The Group adhered to the philosophy of "balance between quantity and price" to actively promote the development of business at multiple fronts, resulting in a stable trend of interest margin in the second half of the year.

2.5.1.3 Interest Income

During the reporting period, the Group realized an interest income of RMB306.165 billion, an increase of RMB8.159 billion or 2.74% 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 75.98%, 19.49%, 1.99%, 2.13% and 0.41%, respectively. Among them, 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 RMB232.636 billion interest income from loans and advances to customers, a growth of RMB8.721 billion or 3.89% over the previous year, primarily because the average balance of loans and advances to customers increased by RMB450.739 billion which offsets the impact of a decline of 0.32 percentage point in the average yield. Specifically, the average balance of personal loans with high yield increased by RMB198.864 billion, and interest income went up by RMB3.678 billion.

Classification by Maturity Structure

Unit: RMB million

Item	**2021** Average balance	**2021** Interest income	**2021** Average yield (%)	2020 Average balance	2020 Interest income	2020 Average yield (%)
Short-term loans	**1,558,714**	**81,856**	**5.25**	1,449,742	79,609	5.49
Medium to long-term loans	**3,107,341**	**150,780**	**4.85**	2,765,574	144,306	5.22
Total	**4,666,055**	**232,636**	**4.99**	4,215,316	223,915	5.31

Classification by Business

Unit: RMB million

Item	**2021** Average balance	**2021** Interest income	**2021** Average yield (%)	2020 Average balance	2020 Interest income	2020 Average yield (%)
Corporate loans	**2,289,042**	**104,272**	**4.56**	2,089,909	101,063	4.84
Personal loans	**1,970,793**	**116,770**	**5.93**	1,771,929	113,092	6.38
Discounted loans	**406,220**	**11,594**	**2.85**	353,478	9,760	2.76
Total	**4,666,055**	**232,636**	**4.99**	4,215,316	223,915	5.31

Interest Income from Financial Investments

During the reporting period, the Group's interest income from financial investments amounted to RMB59.674 billion, a decrease of RMB186 million or 0.31% over the previous year, mainly attributable to a fall of 0.27 percentage point in the average yield of financial investments which offsets an increase of RMB121.369 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 RMB6.073 billion, an increase of RMB25 million or 0.41% over the previous year, mainly due to an increase of RMB6.410 billion in the average scale of deposits with Central Bank which offsets a drop of 0.02 percentage point in average yield.

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 RMB6.515 billion, a decrease of RMB886 million or 11.97% over the previous year, mainly due to a decrease of RMB37.680 billion in the average balance of deposits and placements with, and loans to banks and non-bank financial institutions and a decrease of 0.04 percentage point in the average yield.

Interest Income from Financial Assets Held under Resale Agreements

During the reporting period, the Group recorded RMB1.267 billion interest income from financial assets held under resale agreements, an increase of RMB485 million or 62.02% over the previous year, mainly attributable to an increase of RMB16.538 billion in the average balance of financial assets held under resale agreements and an increase of 0.34 percentage point in the average yield.

2.5.1.4 *Interest expense*

During the reporting period, the Group's interest expense was RMB158.269 billion, an increase of RMB10.778 billion or 7.31% over the previous year. Interest expense increased primarily because of the growth in the size of interest-bearing liabilities which offsets 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 RMB92.388 billion, an increase of RMB1.610 billion or 1.77% over the previous year, mainly due to RMB304.621 billion increase in the average balance of customer deposits, which offsets the impact of the drop of average annual cost rate of 0.10 percentage point.

Unit: RMB million

	2021			2020		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time and call deposits	**1,798,263**	**48,053**	**2.67**	1,723,742	50,003	2.90
Demand deposits	**1,916,440**	**24,911**	**1.30**	1,713,746	20,159	1.18
Subtotal	**3,714,703**	**72,964**	**1.96**	3,437,488	70,162	2.04
Personal deposits						
Time and call deposits	**627,545**	**18,664**	**2.97**	609,349	19,849	3.26
Demand deposits	**287,843**	**760**	**0.26**	278,633	767	0.28
Subtotal	**915,388**	**19,424**	**2.12**	887,982	20,616	2.32
Total	**4,630,091**	**92,388**	**2.00**	4,325,470	90,778	2.10

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 RMB30.031 billion, an increase of RMB3.445 billion or 12.96% over the previous year, mainly due to an increase of 0.08 percentage point in the average cost rate and an increase of RMB102.584 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 RMB26.962 billion, an increase of RMB5.356 billion or 24.79% over the previous year, primarily due to the increase of RMB161.322 billion in the average balance of debt certificates issued.

Interest Expense on Borrowings from Central Banks

During the reporting period, the Group's interest expense on borrowings from central banks reached RMB6.804 billion, an increase of RMB1.008 billion or 17.39% over the previous year, mainly due to a rise of RMB48.494 billion in the average balance of borrowings from central banks, which offsets a drop of 0.25 percentage point 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 RMB1.631 billion, a decrease of RMB608 million or 27.15% over the previous year, primarily due to a decrease of RMB34.765 billion in the average balance of financial assets sold under repurchase agreements, which offsets an increase of 0.14 percentage point in the average cost rate.

Other Interest Expense

During the reporting period, the Group's other interest expense stood at RMB453 million, a decrease of RMB33 million over the previous year, primarily due to a decrease in the average cost rate of lease liabilities.

2.5.1.5 *Net Non-interest Income*

During the reporting period, the Group realized RMB56.658 billion of net non-interest income, an increase of RMB11.774 billion or 26.23% over the previous year.

Unit: RMB million

Item	**2021**	2020	Increase/ (decrease)	Growth *(%)*
Net fee and commission income	**35,870**	28,836	7,034	24.39
Net trading gain	**5,168**	3,354	1,814	54.08
Net gain from investment securities	**14,874**	11,935	2,939	24.63
Net hedging gain	**–**	(1)	1	Negative last year
Other net operating income	**746**	760	(14)	(1.84)
Total	**56,658**	44,884	11,774	26.23

2.5.1.6 *Net Fee and Commission Income*

During the reporting period, net fee and commission income of the Group reached RMB35.870 billion, an increase of RMB7.034 billion or 24.39% over the previous year, and accounted for 17.54% of the operating income, up by 2.78 percentage points over the previous year. Among these, commission for custodian and other fiduciary business went up by RMB4.776 billion or 87.63% over the previous year, mainly due to the increase in the wealth management business fee; bank card fees increased by RMB1.760 billion or 11.96% over the previous year, mainly due to the increase of credit card fees; settlement and clearing fees increased by RMB754 million or 64.33% over the previous year, mainly due to the growth of income from L/C and other businesses; guarantee and consulting fees went up by RMB582 million or 12.12% over the previous year, mainly because of the increase of consulting and advisory income; agency fees and commissions decreased by RMB1.030 billion or 13.68% over the previous year, mainly due to the decline of service fees for securitization asset agency over the previous year.

Unit: RMB million

Item	**2021**	2020	Increase/ (decrease)	Growth *(%)*
Bank card fees	**16,474**	14,714	1,760	11.96
Agency fees and commissions	**6,497**	7,527	(1,030)	(13.68)
Guarantee and consulting fees	**5,384**	4,802	582	12.12
Commissions for custodian and other fiduciary business	**10,226**	5,450	4,776	87.63
Settlement and clearing fees	**1,926**	1,172	754	64.33
Other fees and commissions	**97**	92	5	5.43
Subtotal of fees and commissions	**40,604**	33,757	6,847	20.28
Fee and commission expense	**(4,734)**	(4,921)	187	(3.80)
Net fee and commission income	**35,870**	28,836	7,034	24.39

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 RMB20.042 billion, an increase of RMB4.753 billion over the previous year, mainly because the Group strengthened market research and analysis, seized market opportunities, increased the scales of investments in debt securities and funds, and increased the frequency of band operation to drive the rapid growth of income from securities investment.

2.5.1.8 *Operating Expenses*

During the reporting period, the Group incurred RMB62.224 billion operating expenses, an increase of RMB7.969 billion or 14.69% over the previous year. During the reporting period, the cost-to-income ratio (excluding tax and surcharges) stood at 29.34%, up by 2.61 percentage points over the previous year.

Unit: RMB million

Item	2021	2020	Increase/ (decrease)	Growth (%)
Staff costs	**34,403**	29,679	4,724	15.92
Property and equipment expenses and amortization	**9,843**	9,780	63	0.64
Other general operating and administrative expenses	**15,775**	12,772	3,003	23.51
Subtotal	**60,021**	52,231	7,790	14.91
Tax and surcharges	**2,203**	2,024	179	8.84
Total	**62,224**	54,255	7,969	14.69
Cost-to-income ratio	**30.42%**	27.77%	Up 2.65 percentage points	
Cost-to-income ratio (excluding tax and surcharges)	**29.34%**	26.73%	Up 2.61 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 RMB77.048 billion, a decrease of RMB5.941 billion or 7.16% over the previous year. Specifically, allowance for impairment losses on loans and advanced to customers was RMB50.228 billion, representing a decrease of RMB19.057 billion or 27.51% over previous year, mainly because the Group continuously stepped up efforts in credit risk control, risk disposal and mitigation, hence improving asset quality and reducing the consumption of financial resources due to provisioning. Impairment losses for financial investment was RMB18.752 billion, up by RMB10.259 billion or 120.79% over previous year due to the accrued impairment losses for wealth management assets back to balance sheet according to their risk profiles. 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	2021	2020	Increase/ (decrease)	Growth (%)
Loans and advances to customers	**50,228**	69,285	(19,057)	(27.51)
Financial investments	**18,752**	8,493	10,259	120.79
Interbank business (Note)	**–**	18	(18)	(100.00)
Off-balance-sheet items	**4,723**	1,106	3,617	327.03
Repossessed assets	**43**	512	(469)	(91.60)
Other receivables	**3,302**	3,575	(273)	(7.64)
Total	**77,048**	82,989	(5,941)	(7.16)

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

2.5.1.10 *Income Tax Expense*

During the reporting period, the Group's income tax expense was RMB9.140 billion, representing an increase of RMB815 million or 9.79% over the previous year. Effective tax rate during the reporting period stood at 13.95%, down by 0.44 percentage point over the previous year.

Unit: RMB million

Item	2021	2020	Increase/ (decrease)	Growth (%)
Profit before tax	**65,517**	57,857	7,660	13.24
Income tax expense	**9,140**	8,325	815	9.79
Effective tax rate	**13.95%**	14.39%	Down 0.44 percentage point	

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 RMB8,042.884 billion, an increase of 7.08% 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 2021** Balance	Proportion (%)	31 December 2020 Balance	Proportion (%)
Total loans and advances to customers	**4,855,969**	**60.4**	4,473,307	59.6
Accrued interest of loans and advances to customers	**13,064**	**0.2**	12,592	0.2
Less: Allowance for impairment losses on loans and advances to customers [1]	**(120,957)**	**(1.5)**	(125,703)	(1.7)
Net loans and advances to customers	**4,748,076**	**59.1**	4,360,196	58.1
Total financial investments	**2,334,013**	**29.0**	2,089,736	27.8
Accrued interest of financial investments	**15,355**	**0.2**	16,766	0.2
Less: Allowance for impairment losses on financial investments [2]	**(26,727)**	**(0.3)**	(13,770)	(0.2)
Net financial investments	**2,322,641**	**28.9**	2,092,732	27.8
Investment in associates and joint ventures	**5,753**	**0.1**	5,674	0.1
Cash and deposits with central banks	**435,383**	**5.4**	435,169	5.8
Deposits and placements with, and loans to banks and non-bank financial institutions	**251,774**	**3.1**	301,772	4.0
Financial assets held under resale agreements	**91,437**	**1.1**	111,110	1.5
Others [3]	**187,820**	**2.3**	204,508	2.7
Total	**8,042,884**	**100.0**	7,511,161	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, fixed assets, intangible assets, goodwill, use right assets, deferred income tax assets and other assets, etc.

Loans and Advances to Customers

As at the end of the reporting period, the Group recorded RMB4,855.969 billion total loans and advances to customers (excluding accrued interest), up by 8.55% over the end of the previous year. Net loans and advances to customers accounted for 59.1% of total assets, up by 1 percentage point over the end of the previous year. The balance of loans and advances to customers measured at amortized cost took up 89.7% 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 2021**		31 December 2020	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Loans and advances to customer measured at amortized cost	**4,355,927**	**89.7**	4,054,780	90.6
Loans and advances to customer measured at fair value through other comprehensive income	**500,042**	**10.3**	411,403	9.2
Loans and advances to customer measured at fair value through profit or loss	**–**	**–**	7,124	0.2
Total loans and advances to customers	**4,855,969**	**100.0**	4,473,307	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 RMB2,334.013 billion total financial investments (excluding accrued interest), up by RMB244.277 billion or 11.69% over the end of the previous year, mainly because of the increase in the Group's investments in debt securities and funds.

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

Unit: RMB million

Item	**31 December 2021**		31 December 2020	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Investments in debt securities	**1,602,529**	**68.7**	1,436,715	68.8
Investment funds	**397,407**	**17.0**	286,800	13.7
Trust management plans	**234,770**	**10.1**	190,517	9.1
Directional asset management plan	**50,437**	**2.1**	104,336	5.0
Certificates of deposit and interbank certificates of deposit	**35,082**	**1.5**	54,304	2.6
Investment in equity instruments	**12,177**	**0.5**	12,665	0.6
Investment in wealth management products and through structured entities	**1,611**	**0.1**	4,399	0.2
Total financial investments	**2,334,013**	**100.0**	2,089,736	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 2021** Balance	**31 December 2021** Proportion (%)	31 December 2020 Balance	31 December 2020 Proportion (%)
Financial investments measured at fair value through profit or loss	**495,810**	**21.2**	405,632	19.4
Financial investments measured at amortized cost	**1,186,558**	**50.9**	962,990	46.1
Financial investments measured at fair value through other comprehensive income	**646,900**	**27.7**	717,554	34.3
Financial investments designated to be measured at fair value through other comprehensive income	**4,745**	**0.2**	3,560	0.2
Total financial investments	**2,334,013**	**100.0**	2,089,736	100.0

Investment in Debt Securities

As at the end of the reporting period, the Group registered RMB1,602.529 billion investments in debt securities, an increase of RMB165.814 billion or 11.54% over the end of the previous year, primarily because the increased investments in financial debt securities and government bonds.

Classification of Debt Securities Investment by Issuers

Unit: RMB million

Item	**31 December 2021** Balance	**31 December 2021** Proportion (%)	31 December 2020 Balance	31 December 2020 Proportion (%)
Banks and non-bank financial institutions	**436,237**	**27.2**	373,933	26.0
Government	**931,822**	**58.2**	840,445	58.5
Policy banks	**135,127**	**8.4**	118,201	8.2
Business entities	**97,654**	**6.1**	102,142	7.1
Public entities	**1,689**	**0.1**	1,994	0.2
Total	**1,602,529**	**100.0**	1,436,715	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 2021:

Unit: RMB million

Name of debt securities	**Book value**	**Maturity date (DD/MM/YY)**	**Coupon rate (%)**	**Accrued impairment allowance**
2021 Policy Bank Debt Securities	9,299	13/09/2031	3.12%	–
2021 Policy Bank Debt Securities	6,666	07/02/2022	2.75%	–
2021 Policy Bank Debt Securities	6,603	19/04/2022	2.48%	–
2021 Policy Bank Debt Securities	5,730	21/07/2024	2.78%	–
2021 Policy Bank Debt Securities	5,456	03/03/2024	3.19%	–
2020 Policy Bank Debt Securities	5,041	07/08/2023	3.00%	–
2019 Policy Bank Debt Securities	4,542	17/07/2022	3.12%	–
2019 Policy Bank Debt Securities	4,290	14/08/2024	3.24%	–
2020 Policy Bank Debt Securities	4,218	22/12/2023	0.65%	–
2021 Policy Bank Debt Securities	3,743	07/06/2031	3.41%	–
Total	55,588			–

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 RMB5.753 billion investments in associates and joint ventures, an increase of 1.39% 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 2021**	31 December 2020
Investments in joint ventures	**5,220**	5,044
Investments in associates	**533**	630
Allowance for impairment losses	**–**	–
Net investments in associates and joint ventures	**5,753**	5,674

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 2021			31 December 2020		
	Nominal	**Fair value**		Nominal	Fair value	
Item	**principal**	**Assets**	**Liabilities**	principal	Assets	Liabilities
Interest rate derivatives	**2,630,541**	**8,643**	**8,539**	3,058,057	9,395	9,138
Currency derivatives	**1,936,863**	**13,930**	**14,217**	1,977,918	30,363	30,588
Other derivatives	**17,043**	**148**	**151**	19,245	306	83
Total	**4,584,447**	**22,721**	**22,907**	5,055,220	40,064	39,809

Repossessed Assets

As at the end of the reporting period, the Group recorded repossessed assets of RMB2.616 billion, and charged RMB1.286 billion allowances for impairment losses on repossessed assets. The book value stood at RMB1.330 billion.

Unit: RMB million

Item	**31 December 2021**	31 December 2020
Original value of repossessed assets	**2,616**	2,690
– Land, premises and buildings	**2,611**	2,688
– Others	**5**	2
Allowances for impairment losses on repossessed assets	**(1,286)**	(1,323)
– Land, premises and buildings	**(1,286)**	(1,323)
– Others	**–**	–
Total book value of repossessed assets	**1,330**	1,367

Changes in Impairment Allowances

Unit: RMB million

Item	31 December 2020	Accruals/ reversals during the current period	Write-offs/ transfer out during the current period	Others [1]	**31 December 2021**
Loans and advances to customers [2]	126,100	50,228	(64,161)	9,304	**121,471**
Financial investments [3]	16,388	18,752	(7,042)	913	**29,011**
Interbank business [4]	283	–	–	(2)	**281**
Other assets [5]	4,980	3,302	(4,034)	886	**5,134**
Off-balance-sheet items	6,725	4,723	–	(20)	**11,428**
Subtotal of allowances for credit impairment	**154,476**	**77,005**	**(75,237)**	**11,081**	**167,325**
Repossessed assets	1,323	43	(92)	12	**1,286**
Subtotal of allowances for other asset impairments	**1,323**	**43**	**(92)**	**12**	**1,286**
Total	**155,799**	**77,048**	**(75,329)**	**11,093**	**168,611**

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 RMB7,400.258 billion, up by 6.46% from the end of the previous year, primarily due to the increase in deposits from customers and debt certificates issued.

Unit: RMB million

Item	31 December 2021 Balance	Proportion (%)	31 December 2020 Balance	Proportion (%)
Borrowings from central banks	**189,198**	**2.6**	224,391	3.2
Deposits from customers	**4,789,969**	**64.7**	4,572,286	65.8
Deposits and placements from banks and non-bank financial institutions	**1,253,094**	**16.9**	1,221,397	17.6
Financial assets sold under repurchase agreements	**98,339**	**1.3**	75,271	1.1
Debt certificates issued	**958,203**	**13.0**	732,958	10.5
Others (Note)	**111,455**	**1.5**	124,820	1.8
Total	**7,400,258**	**100.0**	6,951,123	100.0

Notes: 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 RMB4,736.584 billion, representing an increase of RMB208.185 billion or 4.60% over the end of the previous year; and deposits from customers accounted for 64.7% of total liabilities, a decrease of 1.1 percentage points from the end of the previous year. The Group's balance of corporate deposits was RMB3,764.275 billion, representing an increase of RMB174.163 billion or 4.85% over the end of the previous year; and balance of personal deposits stood at RMB972.309 billion, representing an increase of RMB34.022 billion or 3.63% over the end of the previous year.

Unit: RMB million

Item	31 December 2021 Balance	Proportion (%)	31 December 2020 Balance	Proportion (%)
Corporate deposits				
Demand deposits	**1,974,319**	**41.2**	1,915,266	41.9
Time and call deposits	**1,789,956**	**37.4**	1,674,846	36.6
Subtotal	**3,764,275**	**78.6**	3,590,112	78.5
Personal deposits				
Demand deposits	**310,054**	**6.5**	327,110	7.1
Time and call deposits	**662,255**	**13.8**	611,177	13.4
Subtotal	**972,309**	**20.3**	938,287	20.5
Total deposits from customers	**4,736,584**	**98.9**	4,528,399	99.0
Accrued interest	**53,385**	**1.1**	43,887	1.0
Total	**4,789,969**	**100.0**	4,572,286	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

Item	31 December 2021 Balance	31 December 2021 Proportion (%)	31 December 2020 Balance	31 December 2020 Proportion (%)
Renminbi	**4,383,814**	**91.5**	4,140,522	90.6
Foreign currencies	**406,155**	**8.5**	431,764	9.4
Total	**4,789,969**	**100.0**	4,572,286	100.0

Breakdown of Deposits by Geographical Region

Unit: RMB million

Item	31 December 2021 Balance	31 December 2021 Proportion (%)	31 December 2020 Balance	31 December 2020 Proportion (%)
Head Office	**2,941**	**0.1**	2,964	0.1
Bohai Rim	**1,222,932**	**25.5**	1,173,136	25.7
Yangtze River Delta	**1,337,865**	**27.9**	1,235,959	27.0
Pearl River Delta and West Strait	**759,667**	**15.8**	761,122	16.6
Central China	**636,401**	**13.3**	577,262	12.6
Western China	**467,708**	**9.8**	460,123	10.1
Northeastern China	**95,197**	**2.0**	98,981	2.2
Overseas	**267,258**	**5.6**	262,739	5.7
Total	**4,789,969**	**100.0**	4,572,286	100.0

2.5.3 Shareholders' Equity

As at the end of the reporting period, the Group's shareholders' equity was RMB642.626 billion, an increase of 14.75% over the end of the previous year. Specifically, other equity instruments stood at RMB118.076 billion, an increase of 51.22% over the end of the previous year, mainly due to the issuance of the undated bonds of RMB40 billion, while other comprehensive income amounted to RMB1.644 billion, an increase of 1,408.26% over the prior year-end, primarily due to the increase in the revaluation and reserve of financial instruments. The table below sets out the changes in shareholders' equity in the Group during the reporting period.

Unit: RMB million

Item	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve and general reserve	Retained earnings	Non-controlling interest	Total
				2021				
31 December 2020	48,935	78,083	59,216	109	134,605	223,625	15,465	560,038
i. Profit for the period						55,641	736	56,377
ii. Other comprehensive income				1,535			(40)	1,495
iii. Capital contributed or reduced by shareholders		39,993					535	40,528
iv. Profit distribution					9,822	(25,261)	(373)	(15,812)
31 December 2021	48,935	118,076	59,216	1,644	144,427	254,005	16,323	642,626

2.5.4 Loan Quality Analysis

During the reporting period, both the NPL balance and NPL ratio of the Group declined, and the overall loan quality and the allowance coverage ratio stayed sound. As at the end of the reporting period, the Group registered RMB4,855.969 billion total loans, up by RMB382.662 billion over the end of the previous year; an NPL ratio of 1.39%, down by 0.25 percentage point 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 RMB2,336.179 billion, an increase of RMB165.779 billion or 7.64% over the end of the previous year; and its balance of personal loans reached RMB2,053.824 billion, an increase of RMB161.924 billion or 8.56% over the end of the previous year. The balance of discounted bills increased by RMB54.959 billion or 13.37% over the end of last year to RMB465.966 billion. The Group's balances of corporate non-performing loans (excluding discounted bills) decreased by RMB4.729 billion over the end of the previous year, corresponding to a 0.37 percentage point decline in the NPL ratio over the end of the previous year. The Group's balances of personal non-performing loans decreased by RMB1.414 billion over the end of the previous year, corresponding to a 0.15 percentage point decrease in the NPL ratio over the end of the previous year.

Unit: RMB million

	31 December 2021				31 December 2020			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Corporate loans	**2,336,179**	**48.11**	**47,828**	**2.05**	2,170,400	48.52	52,557	2.42
Personal loans	**2,053,824**	**42.29**	**19,481**	**0.95**	1,891,900	42.29	20,895	1.10
Discounted bills	**465,966**	**9.60**	**150**	**0.03**	411,007	9.19	0.00	0.00
Total loans	**4,855,969**	**100.00**	**67,459**	**1.39**	4,473,307	100.00	73,452	1.64

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 RMB1,878.157 billion, an increase of RMB247.038 billion over the end of the previous year, accounting for 38.67% of the Group's total loans, up by 2.20 percentage points from the end of the previous year; the balance of loans secured by collateral and pledge loans was RMB2,511.846 billion, an increase of RMB80.665 billion over the end of the previous year, accounting for 51.73% of the Group's total loans, down by 2.61 percentage points from the end of the previous year.

Unit: RMB million

Type of Guarantee	**31 December 2021** Balance	**31 December 2021** Proportion (%)	31 December 2020 Balance	31 December 2020 Proportion (%)
Unsecured loans	**1,292,209**	**26.61**	1,118,670	25.01
Guaranteed loans	**585,948**	**12.06**	512,449	11.46
Loans secured by collateral	**1,963,710**	**40.44**	1,979,989	44.25
Pledge loans	**548,136**	**11.29**	451,192	10.09
Subtotal	**4,390,003**	**90.40**	4,062,300	90.81
Discounted bills	**465,966**	**9.60**	411,007	9.19
Total loans	**4,855,969**	**100.00**	4,473,307	100.00

Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group's total loans stood at RMB4,855.969 billion, an increase of RMB382.662 billion or 8.55% 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 RMB1,325.105 billion, RMB1,256.155 billion and RMB733.840 billion, and accounting for 27.29%, 25.87% and 15.11% of the Group's total, respectively. In terms of growth rate, the Yangtze River Delta, Central China and overseas recorded the highest growth, reaching, 15.27%, 9.74% and 8.96%, 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 the Western China, with the combined NPL balance reaching RMB48.497 billion, accounting for 71.89% of the total. In terms of incremental NPLs, the Pearl River Delta registered the largest increase of RMB3.178 billion and its NPL ratio rose by 0.37 percentage point; the NPL balance and NPL ratios of other regions decreased.

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 were downgraded to non-performing, resulting an increase in NPLs in the region. Second, efforts on NPL resolution were intensified in the Bohai Rim and the Central China, contributing to a remarkably decreased NPL balance.

Unit: RMB million

	31 December 2021				31 December 2020			
	Balance	Proportion (%)	NPL balance	NPL ratio (%)	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Bohai Rim	**1,325,105**	**27.29**	**30,122**	**2.27**	1,269,385	28.38	33,283	2.62
Yangtze River Delta	**1,256,155**	**25.87**	**8,711**	**0.69**	1,089,758	24.37	10,091	0.93
Pearl River Delta and West Strait	**733,840**	**15.11**	**9,442**	**1.29**	681,024	15.22	6,264	0.92
Western China	**573,221**	**11.80**	**8,933**	**1.56**	544,949	12.18	9,279	1.70
Central China	**672,083**	**13.84**	**6,922**	**1.03**	612,438	13.69	9,031	1.47
Northeastern China	**92,254**	**1.90**	**1,504**	**1.63**	89,167	1.99	2,520	2.83
Overseas	**203,311**	**4.19**	**1,825**	**0.90**	186,586	4.17	2,984	1.60
Total loans	**4,855,969**	**100.00**	**67,459**	**1.39**	4,473,307	100.00	73,452	1.64

Note: Bohai Rim includes the headquarters.

Concentration of Corporate Loans by Sector

As at the end of the reporting period, rental and business services, and water, environment and public utilities management were the top two sector borrowers of the Group's outstanding corporate loans. Their loan balances recorded RMB456.182 billion and RMB381.182 billion, respectively, altogether accounting for 35.85% of the Group's total corporate loans, up by 1.18 percentage points from the end of the previous year. The balance of loans granted to the real estate sector posted RMB284.801 billion, accounting for 12.19% of the total, down by 1.06 percentage points from the end of the previous year; loans granted to the manufacturing sector stood at RMB356.129 billion, accounting for 15.24% of the total, up by 0.18 percentage point from the end of the previous year. In terms of growth, loans to water, environment and public utilities management, rental and business service, and manufacturing grew relatively faster, up by 12.44%, 10.32% and 8.97% over the end of the previous year respectively, all higher than the average growth rate of corporate loans.

As at the end of the reporting period, the Group's NPLs were mainly concentrated in two sectors, i.e., manufacturing sector and real estate sector, with their NPL balances collectively taking up 44.38% of the total corporate NPLs. The balance of NPLs in the two sectors decreased by RMB167 million and increased by RMB698 million over the end of the previous year, respectively, corresponding to a 0.32 percentage point decline and a 0.28 percentage point rise in their respective NPL ratios compared with the end of the previous year.

As at the end of the reporting period, the Group's balances of NPLs in the sectors of rental and business service, transportation, storage and postal service and construction increased by RMB2.052 billion, RMB1.291 billion and RMB1.026 billion over the previous year-end, and the NPL ratios went up by 0.40 percentage point, 0.82 percentage point and 0.65 percentage point respectively. The balance of NPLs in the sector of wholesale and retail decreased by RMB4.686 billion from the prior year-end, and the NPL ratio declined by 3.15 percentage points. Main reason for the rise of NPL balance in the sectors of rental and business service, transportation, storage and postal service and construction is the downgrade in risk category of some state-owned enterprises and local government financing vehicles to non-performing.

Unit: RMB million

	31 December 2021				31 December 2020			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Manufacturing	**356,129**	**15.24**	**10,895**	**3.06**	326,803	15.06	11,062	3.38
Real estate	**284,801**	**12.19**	**10,331**	**3.63**	287,608	13.25	9,633	3.35
Wholesale and retail	**163,489**	**7.00**	**6,548**	**4.01**	156,957	7.23	11,234	7.16
Transportation, storage and postal service	**144,053**	**6.17**	**2,739**	**1.90**	134,379	6.19	1,448	1.08
Water, environment and public utilities management	**381,182**	**16.32**	**148**	**0.04**	339,006	15.62	874	0.26
Construction	**105,633**	**4.52**	**6,856**	**6.49**	99,894	4.60	5,830	5.84
Rental and business service	**456,182**	**19.53**	**4,266**	**0.94**	413,523	19.05	2,214	0.54
Production and supply of electric power, gas and water	**84,351**	**3.61**	**1,370**	**1.62**	86,006	3.96	658	0.77
Public and social organizations	**7,898**	**0.34**	**282**	**3.57**	10,701	0.49	248	2.32
Others	**352,461**	**15.08**	**4,393**	**1.25**	315,523	14.55	9,356	2.97
Total corporate loans	**2,336,179**	**100.00**	**47,828**	**2.05**	2,170,400	100.00	52,557	2.42

Concentration of Borrowers of Corporate Loans

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

Major regulatory indicator	**Regulatory Standard**	**31 December 2021**	31 December 2020	31 December 2019
Percentage of loans to the largest single customer (%)[(1)]	**≤10**	**1.23**	4.31	2.27
Percentage of loans to the top 10 customers (%)[(2)]	**≤50**	**10.15**	15.74	13.12

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

	Industry	31 December 2021 Balance	Percentage in total loans *(%)*	Percentage in regulatory capital *(%)*
Borrower A	Transportation, storage and postal services	**9,668**	**0.20**	**1.23**
Borrower B	Real estate	**8,875**	**0.18**	**1.13**
Borrower C	Rental and business services	**8,561**	**0.18**	**1.09**
Borrower D	Real estate	**8,394**	**0.17**	**1.07**
Borrower E	Rental and business services	**7,992**	**0.17**	**1.02**
Borrower F	Transportation, storage and postal services	**7,951**	**0.16**	**1.01**
Borrower G	Real estate	**7,583**	**0.16**	**0.96**
Borrower H	Real estate	**7,330**	**0.15**	**0.93**
Borrower I	Rental and business services	**6,895**	**0.14**	**0.88**
Borrower J	Rental and business services	**6,500**	**0.13**	**0.83**
Total loans		**79,749**	**1.64**	**10.15**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB79.749 billion, taking up 1.64% of its total loans and 10.15% 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 2021		31 December 2020	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Performing loans	**4,788,510**	**98.61**	4,399,855	98.36
Pass	**4,703,620**	**96.86**	4,309,842	96.35
Special mention	**84,890**	**1.75**	90,013	2.01
Non-performing loans	**67,459**	**1.39**	73,452	1.64
Substandard	**33,819**	**0.70**	43,704	0.98
Doubtful	**26,938**	**0.55**	26,206	0.58
Loss	**6,702**	**0.14**	3,542	0.08
Total loans	**4,855,969**	**100.00**	4,473,307	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 RMB393.778 billion over the end of the previous year, and accounted for 96.86% of the total loans, representing an increase of 0.51 percentage point over the end of the previous year; and the balance of special mention loans decreased by RMB5.123 billion, accounting for 1.75% of the total loans, down by 0.26 percentage point over the end of the previous year. The balance of the Group's NPLs recognized in accordance with the regulatory risk classification criteria stood at RMB67.459 billion, representing a drop of RMB5.993 billion over the end of the previous year; and the NPL ratio stood at 1.39%, down by 0.25 percentage point 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 2021, the Group had already made sufficient anticipation and preparation in response to the changing trends of loan quality. Through its pertinent measures for risk prevention and resolution and intensified efforts in NPL disposal, the changes in NPLs were within the Group's expectation and under its control, and as at the end of the reporting period both of the Group's NPL balance and NPL ratio decreased.

Migration of Loans

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

	31 December 2021	31 December 2020	31 December 2019
Migration ratio of pass loans *(%)*	**2.98**	3.52	1.80
Migration ratio of special mention loans *(%)*	**32.87**	48.12	23.03
Migration ratio of substandard loans *(%)*	**77.19**	76.82	23.97
Migration ratio of doubtful loans *(%)*	**58.93**	70.34	8.77
Ratio of migration from performing loans to NPLs *(%)*	**1.93**	2.56	1.83

As at the end of the reporting period, the Bank's ratio of loan migration from performing loans to NPLs was 1.93%, a decrease of 0.63 percentage point 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 remarkable result.

Loans Overdue

Unit: RMB million

	31 December 2021		31 December 2020	
	Balance	**Proportion** *(%)*	Balance	Proportion *(%)*
Loans repayable on demand	**4,765,596**	**98.14**	4,382,347	97.97
Loans overdue[1]				
1-90 days	**43,162**	**0.89**	38,285	0.86
91-180 days	**11,944**	**0.24**	12,693	0.28
181 days or more	**35,267**	**0.73**	39,982	0.89
Subtotal	**90,373**	**1.86**	90,960	2.03
Total loans	**4,855,969**	**100.00**	4,473,307	100.00
Loans overdue for 91 days or more	**47,211**	**0.97**	52,675	1.17
Restructured loans[2]	**16,182**	**0.33**	22,030	0.49

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 RMB90.373 billion, a drop of RMB0.587 billion over the end of the previous year, and the proportion of overdue loans in total loans went down by 0.17 percentage point over the end of the previous year. Of these overdue loans, 0.89% were short-term and/or temporary loans with a maturity of less than 90 days, an increase of 0.03 percentage point from the end of last year. The proportion of loans overdue for 91 days and more was 0.97%, a decrease of 0.20 percentage point from the end of last year.

The Group managed and controlled loan restructuring in a stringent and prudent manner. As at the end of the reporting period, the Group's restructured loans stood at RMB16.182 billion, a decrease of RMB5.848 billion in amount and a decrease of 0.16 percentage point in proportion from the end of the previous year.

Analysis of Allowance for Loan Impairment

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

Unit: RMB million

	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Beginning balance	**126,100**	115,870	101,154
Accruals during the period [(1)]	**50,228**	69,285	68,793
Write-offs and transfer-out	**(64,161)**	(67,236)	(60,686)
Recovery of loans and advances written off in previous years	**9,627**	8,127	5,042
Others [(2)]	**(323)**	54	1,567
Ending balance	**121,471**	126,100	115,870

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 RMB121.471 billion, down by RMB4.629 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 180.07% and 2.50%, up by 8.39 percentage points and down by 0.32 percentage point over the end of the previous year, respectively.

During the reporting period, the Group accrued RMB50.228 billion as allowance for loan impairment losses, a decrease of RMB19.057 billion year on year. The reasons underlying the change in allowance accruals were: the asset quality continued to improve and the expected credit losses were significantly lower than previous year. 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 2021**	31 December 2020
Credit commitments		
– Bank acceptance bills	**669,736**	559,073
– Letters of guarantee	**128,866**	119,741
– Letters of credit	**214,958**	125,197
– Irrevocable loan commitments	**53,473**	49,632
– Credit card commitments	**708,741**	623,478
Subtotal	**1,775,774**	1,477,121
Capital commitments	**1,541**	1,547
Pledged assets	**396,557**	399,902
Total	**2,173,872**	1,878,570

2.5.6 Cash Flow Statement Analysis

Net Cash Outflows Used in Operating Activities

The Group's net cash outflows used in operating activities registered RMB75.394 billion, and the net cash inflows for the same period of last year were RMB156.863 billion, primarily due to the drop of increment of deposits from customers.

Net Cash Outflows Used in Investing Activities

The Group's net cash outflows used in investing activities recorded RMB206.788 billion, a decrease of RMB11.461 billion over the previous year, mainly due to the increase of investment, yet smaller net cash outflow in this period.

Net Cash Inflows Generated from Financing Activities

The Group's net cash inflows generated from financing activities registered RMB219.918 billion, an increase of RMB173.946 billion over the previous year, primarily due to the growth of interbank deposit certificates and financial debt securities issued.

Unit: RMB million

Item	2021	Year-on-year increase (%)	Main reason
Net Cash Outflows Used in Operating Activities	**(75,394)**	(148.1)	
Including: Cash inflows due to increase in deposits from customers	**216,620**	(57.1)	Decrease in increment of deposits from customers
Net cash inflows due to decrease in interbank business (Note)	**49,050**	(31.4)	Decrease in interbank transactions
Cash outflows due to increase in loans and advances to customers	**(432,361)**	(21.7)	Decrease in loan increment
Cash outflows due to decrease in borrowings from central banks	**(35,315)**	155.8	Increase in repayment of borrowings from central banks
Net Cash Outflows Used in Investing Activities	**(206,788)**	(5.3)	
Including: Proceeds from redemption of investments	**3,045,391**	18.5	Increase in sale and redemption of financial investments
Payments on acquisition of investments	**(3,248,304)**	16.7	Increase in financial investments
Net Cash Inflows Generated from Financing Activities	**219,918**	378.4	
Including: Proceeds from issuance of debt certificates	**903,846**	12.0	Increase in issuance of interbank deposit certificates and financial debt securities
Proceeds of issuance of other equity instruments	**43,852**	–	Issuance of undated capital bonds
Repayment for debt certificates	**(678,912)**	(5.7)	Decrease 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 13.53%, an increase of 0.52 percentage point from the end of the previous year; a 10.88% tier-one capital adequacy ratio, 0.70 percentage point higher than the end of the previous year; and a 8.85% core tier-one capital adequacy ratio, up by 0.11 percentage point from the end of the previous year, all meeting regulatory requirements.

In 2022, 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 application efficiency at all fronts.

Capital adequacy ratios

Unit: RMB million

Item	**31 December 2021**	31 December 2020	Increase (%)/ Change	31 December 2019
Net core tier-one capital	**514,078**	471,251	9.09	444,203
Net additional tier-one capital	**117,961**	77,710	51.80	77,555
Net tier-one capital	**632,039**	548,961	15.13	521,758
Net tier-two capital	**153,772**	152,768	0.66	114,139
Net capital	**785,811**	701,729	11.98	635,897
Of which:				
Minimum requirement on core tier-one capital	**290,476**	269,662	7.72	255,679
Minimum requirement on tier-one capital	**348,572**	323,595	7.72	306,815
Minimum requirement on capital	**464,762**	431,460	7.72	409,087
Requirement on reserve capital	**145,238**	134,831	7.72	127,840
Requirement on countercyclical capital	**–**	–	–	–
Requirement on additional capital	**–**	–	–	–
Risk-weighted assets	**5,809,523**	5,393,248	7.72	5,113,585
Core tier-one capital adequacy ratio	**8.85%**	8.74%	Up 0.11 percentage point	8.69%
Tier-one capital adequacy ratio	**10.88%**	10.18%	Up 0.70 percentage point	10.20%
Capital adequacy ratio	**13.53%**	13.01%	Up 0.52 percentage point	12.44%

Note: The Group calculated and disclosed its capital adequacy ratios according to *Provisional Measures for Capital Management of Commercial Banks*. Since the third quarter of 2021, the Group has consolidated CITIC aiBank Corporation Limited in its capital (including capital adequacy and leverage ratio of different levels).

Leverage ratio

Unit: RMB million

	31 December 2021	31 December 2020	Increase *(%)*/ Change	31 December 2019
Leverage ratio	**6.78%**	6.40%	Up 0.38 percentage point	6.71%
Net tier-one capital	**632,039**	548,961	15.13	521,758
Adjusted balance of on-and off-balance sheet assets	**9,322,716**	8,582,636	8.62	7,780,321

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/.

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 end of recognition 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 2021/2021	Increase/ Decrease over previous year-end/year-on-year (%)	Main reason
Precious metals	**9,645**	53.7	Increase in precious metals
Derivative financial assets	**22,721**	(43.3)	Decrease in revaluation of currency derivatives
Financial investments at fair value through other comprehensive income	**4,745**	33.3	Increase in investments in equity instruments
Investment properties	**547**	41.7	Transfer-in of self-use real estates
Placements from banks and non-bank financial institutions	**78,331**	35.6	Increase in placements from banking institutions
Financial liabilities measured at fair value through profit or loss	**1,164**	(86.6)	Short selling of bonds and decrease in structured products
Derivative financial liabilities	**22,907**	(42.5)	Decrease in revaluation of currency derivatives
Financial assets sold under repurchase agreements	**98,339**	30.7	Increase in debt securities sold under repurchase agreements
Debt securities issued	**958,203**	30.7	Increase in the scale of interbank deposit certificates issued
Estimated liabilities	**11,927**	65.5	Increase in provision for impairment of off-balance sheet business
Other equity instruments	**118,076**	51.2	Issuance of RMB40 billion of undated bonds
Other comprehensive income	**1,644**	1,408.3	Increase in fair value changes in financial investments at fair value through other comprehensive income
Net trading gain	**5,168**	54.1	Increase of net trading gain from derivative financial instruments and securities

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

Business Segment	**2021** Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)	2020 Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)
Corporate banking	**94,056**	**46.0**	**25,015**	**38.2**	89,473	45.8	20,689	35.7
Retail banking	**82,567**	**40.4**	**22,704**	**34.6**	79,644	40.8	19,422	33.6
Financial markets business	**26,512**	**13.0**	**19,442**	**29.7**	22,713	11.6	18,002	31.1
Others and unallocated	**1,419**	**0.6**	**(1,644)**	**(2.5)**	3,569	1.8	(256)	(0.4)
Total	**204,554**	**100.0**	**65,517**	**100.0**	195,399	100.0	57,857	100.0

Unit: RMB million

Business Segment	**End of 2021** Segment assets	Proportion (%)	End of 2020 Segment assets	Proportion (%)
Corporate banking	**2,725,565**	**34.1**	2,580,730	34.5
Retail banking	**2,124,792**	**26.6**	1,966,280	26.3
Financial markets business	**2,357,445**	**29.5**	2,058,163	27.6
Others and unallocated	**788,177**	**9.8**	864,075	11.6
Total	**7,995,979**	**100.0**	7,469,248	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 2021/2021				End of 2020/2020			
	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	**3,311,831**	**41.4**	**28,990**	**44.3**	3,142,433	42.1	33,507	57.9
Yangtze River Delta	**1,786,736**	**22.3**	**8,651**	**13.2**	1,599,863	21.4	12,610	21.8
Pearl River Delta and West Strait	**936,397**	**11.7**	**3,008**	**4.6**	886,996	11.9	4,538	7.8
Bohai Rim	**1,827,646**	**22.8**	**9,325**	**14.2**	1,756,340	23.5	4,777	8.3
Central China	**773,844**	**9.7**	**4,248**	**6.5**	715,464	9.6	5,214	9.0
Western China	**645,367**	**8.1**	**8,372**	**12.8**	621,509	8.3	(4,779)	(8.3)
Northeastern China	**117,419**	**1.5**	**(42)**	**(0.1)**	131,475	1.8	317	0.6
Overseas	**380,343**	**4.8**	**2,965**	**4.5**	354,390	4.7	1,673	2.9
Offset	**(1,783,604)**	**(22.3)**	**–**	**–**	(1,739,222)	(23.3)	–	–
Total	**7,995,979**	**100.0**	**65,517**	**100.0**	7,469,248	100.0	57,857	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 year 2021 marks the first year of the national 14th Five-Year Plan period and the 14th Five-Year Plan period of CITIC Group. Under the strategic guidance of CITIC Group, the Party committee, the Board of Directors and the Board of Supervisors of the Bank reviewed, approved and issued the *Development Plan of China CITIC Bank for 2021-2023* (the "New Three-Year Development Plan"). The New Three-Year Development Plan emphasizes requirements of boosting development led by Party building, strengthening coordinated and integrated development and enhancing capital-light intensive development with frontier technologies as the engine, high-quality development as the theme and high value creation as the main task, and enriches the meaning of responsible, unique and valuable provider of the best comprehensive financial services with a human touch. The plan puts forward the implementation path of "one reform, two transformations, three tasks and eight initiatives"[2], pointing out the direction for the development in the coming three to five years. In order to further refine and implement the requirements of the New Three-Year Development Plan, the Party Committee of the Bank deliberated and approved the "342 Action Plan for Developing Core Business Capabilities" in the fourth quarter of 2021 based on extensive research and thorough discussions, fully ushering in the era of core business capabilities development.

2 One reform: Promote market-oriented reform of management mechanism. Two-pronged transformation: Accelerate digital transformation and capital-light transformation. Three critical battles: Fight the battles against asset quality control, expansion and in-depth management of customers, and development of key regions. Eight measures: Led by Party building, return to founding mission, driven by innovation, development of core business capabilities, synergy and integration, cost reduction and efficiency enhancement, Safe CITIC Bank, reform and empowerment.

The Bank adhered to the guidance of Party building and fully implemented the missions and responsibilities of a state-owned enterprise. Deeply understanding the political nature of state-owned enterprises, the Bank took concrete actions to formulate strategies, fulfill missions and pursue development by implementing the decisions and plans of the central government and serving the overall interests of the country. Grounded efforts in the new stage of development, it implemented the new development philosophy, facilitated to build a new development pattern, resolutely put in place the orientation of national macro policies, and continuously intensified credit granting in key areas. As at the end of the reporting period, the balance of inclusive loans, loans to the manufacturing industry and loans to emerging industries with strategic importance of the Bank reached RMB395.802 billion, RMB334.656 billion and RMB310.597 billion respectively, up by 21.8%, 10.5% and 70.2% compared with the end of the previous year. Strictly implementing regulatory requirements, the Bank contributed to the reduction of operating costs of the real economy through fee reductions and concessions, deferred principal and interest payments and so on. And the indicators related to real estate loans were in line with the regulatory and control requirements.

The Bank upheld the development of core business capabilities and accelerated the improvement of market competitiveness. It continued to make efforts with a focus on the four business themes of "stabilizing net interest margin, expanding intermediary business income, removing burden, and expanding customers". During the reporting period, the Bank's average interest rates for new RMB corporate loans and personal loans were 4.65% and 5.53%, up by 5BPs and 23BPs respectively over the prior year-end, and the awareness of "striking a balance between quantity and price" was significantly enhanced. It achieved RMB56.658 billion in intermediary business income, a year-on-year increase of 26.23%, releasing the momentum of capital-light transformation. Moreover, it disposed RMB86.994 billion of non-performing loans, consolidating the asset quality. As at the end of the reporting period, the number of valid corporate accounts increased by 17,000, the number of retail VIP customers broke through one million, and the number of credit cards issued exceeded 100 million, making the Bank the first "100 million-class" joint-stock card issuing bank and achieving a new breakthrough in expanding customers.

Holding firmly to the principle of innovation-driven development, the Bank continued to enhance its development vitality. It set up the digital transformation office, intensified the pillar role of digital transformation, went all out to seize the "entrance ticket" into the era of digital competition. Upholding the customer-centric service philosophy and relying on advanced digital technology, it constantly optimized business processes, improved operation management, consolidated risk control and enriched scenario ecosystem. Through data connectivity, technology-driven and open collaboration, the Bank attain more accurate customer and industry insight, smarter products and service matching, and ultimate service and experience access. By building more in-depth investment market research, more efficient matchmaking of funds and assets, and a more comprehensive and diversified product mapping, it comprehensively enhanced its ability to drive scientific and technological innovation. During the reporting period, 8,424 business demands were delivered, representing a year-on-year increase of 72.94%. Among them, delivery of corporate banking, retail banking, financial market and risk management segments increased by 57.17%, 4.90%, 123.43% and 33.06% respectively compared with the previous year; 3,897 branch-specific demands were delivered, a year-on-year increase of 150.93%.

The Bank adhered to synergistic integration to fully leverage its overall collaboration advantages. Upholding the principle of "One CITIC, One Customer" and the philosophy of "altruism and win-win cooperation", the Bank implemented the new "Five Ones"[3] project, and deepened the consolidation of pillars of its synergistic development. Relying on CITIC Group's unique advantages in both finance and industry, the Bank linked and integrated high-quality business resources across the market, promoted synergistic collaboration between financial participants, between financial and industrial participants and between industrial participants, providing one-stop, customized, multi-scenario and lifecycle professional services to customers. In addition, it built a symbiotic and sharing ecosystem, so as to collaboratively facilitate the capacity building of wealth management, asset management and comprehensive financing. During the reporting period, it achieved a joint financing scale of RMB1.56 trillion, a year-on-year increase of 44.84%, and the cross-selling of products under the retail business line hit RMB87.628 billion, a year-on-year increase of 94.73%.

The Bank was committed to reform for empowerment and focus on deepening institutional innovation. In response to the new situation of market competition and the new requirements for business development, it comprehensively deepened system and mechanism reform, adjusted the organizational structure for retail banking in a top-down approach, piloted the centralized management of large customers in some branches, and steadily advanced the centralized management of the middle and back offices. It continuously deepened human resources reform, established a talent concept of "uniting those men in progression, inspiring men of action and promoting men with achievement", implemented reviews on talents and capabilities, and precisely issued a number of personnel rules and plans. It continuously optimized the performance plans of the Head Office, branches and subsidiaries, and gave more prominence to the combination of current and medium and long-term goals, qualitative and quantitative assessment, as well as annual and process assessment, so as to make the assessment and evaluation more science-based and targeted.

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3 It refers to a CITIC think tank, a systematic platform, an evaluation system, a collaboration network, and a number of high-quality projects.

2.6.2 Wealth Management

The Bank built "new retail" with wealth management at its core, 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, services and activities (hereinafter referred to as "five expertise"). It created a full-fledged retail bank based on the five growth paths of "organizational reform and system remodeling, enhancing professional competency of wealth management, creating a leading private bank in the industry, digital-driven and open collaboration".

In terms of individual customer wealth management, the Bank optimized the management model and transmission mechanism of the Head Office, branches and sub-branches, adjusted the organizational structure of the retail banking section of the Head Office, improved the management and professionalism of branches, reinforced team building of sub-branches, and improved the response speed to market and customer needs. It enhanced customer acquisition, customer activation, customer stratification management and lifecycle companionship, and consolidated the special services of and first-mover advantages in customer groups such as elderly customers, going abroad customers and business travel customers. It created an open product shelf and optimized a fund product selection system. It also promoted the integration of all channels including mobile banking APP, WeCom, remote banking and offline outlets, so as to improve the consistency of experience. Adhering to the balanced development of asset business in terms of quantity, quality and price, the Bank strengthened the integration of lending and borrowing under the "five expertise" customer relationship, provided comprehensive financial services of payment, settlement, investment and financing based on different scenarios, further boosted the development of a centralized operation system, and improved risk management capacities. It created a differentiated and unique service model for private banking, officially launched the "Cloud Enterprise Club" brand, and consolidated the collaboration between private banking and investment banking, thus providing private banking customers with an integrated solution of "individuals + families + enterprises". The Bank accelerated digital empowerment and pressed ahead with the development of operation and management tools such as the smart strategy platform, product trading desk, asset allocation system and retail operation platform (M+). Specifically, the retail operation platform (M+) applied more than 10 new technologies and thus enhanced over 100 functions. It promoted opening and connection, exploring the model of jointly building and exporting wealth management capabilities through "bringing in + going out". Relying on the synergy of the Group and public-private collaboration, the Bank provided customers with comprehensive financial services, reinforced and established the brand advantage of "CITIC Wealth of Happiness". As at the end of the reporting period, the retail assets under management (including assets measured at fair value)[4] of the Bank stood at RMB3.48 trillion.

In terms of corporate wealth management, the Bank actively practiced the capital-light business development strategy, strove to enhance the comprehensive management capability of customers, and made every effort to build a corporate wealth system, with the scale of corporate wealth management growing continuously. As at the end of the reporting period, the scale of corporate wealth management exceeded RMB170 billion, reaching a record high. The scale of net-worth wealth management products hit RMB151.515 billion, accounting for 86.32% of the total scale of corporate wealth management. Fully leveraging the Group's synergy, the Bank realized multiple achievements in mutual funds, trusts and capital management plans, with cumulative sales exceeding RMB3 billion during the reporting period. Moreover, it continued to improve its wealth management system based on products, teams, systems and brands, and met the wealth management needs of corporate customers in all aspects by providing more diversified and comprehensive service solutions, thus vigorously developing corporate wealth management business.

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[4] Including the retail customers' asset under management of the Bank's subsidiaries.

2.6.3 Asset Management

Asset management business is the pivotal link in the value chain of "wealth management – asset management – comprehensive financing" of the Bank. Relying on the financial license advantage of CITIC Wealth Management and its ability to allocate assets, the Bank gave full play to the advantages of synergy across the Group and between parent and subsidiary banks, 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, served science and innovation, supported enterprises with specialized, sophisticated techniques and unique, novel products, continuously empowered technology-based innovative enterprises through direct equity investment, equity financing, industrial fund, patent technology financing and so on, thus promoting breakthroughs in the wellspring core technologies. Focusing on regional strategies, the Bank advanced rural revitalization, helped enhance the quality of new urbanization, and promoted the development of the Belt and Road Initiative. It vigorously developed green finance and continuously increased the proportion of green financial assets. In terms of asset quality, the underlying assets of new products were all performing assets as at the end of the reporting period, indicating good asset quality control.

With customer demands as the guide, the Bank created a product system comprising of ten major product lines, including currency, fixed income and equity products, fully satisfying the differentiated financial needs of different customers. As at the end of the reporting period, the total scale of wealth management products was RMB1,403.3 billion, a new record high. The scale of new products was RMB1,266.7 billion, accounting for 90% of the total, of which the scale of non-monetary fixed income products grew by RMB444.8 billion, ranking among the top of the joint-stock banks' wealth management subsidiaries. The Bank's product performance was highly recognized by the market, winning a total of 28 awards over the year including the "Golden Bull Award" and "Golden Dragon Award".

The Bank's asset management business adhered to innovation and exploration, and reinforced the transformation of financial technology innovation into applications. CITIC Wealth Management became the first fully direct-linked wealth management subsidiary of the wealth management registration center. The automatic transfer function between products was launched, gradually transforming to online intelligent trading. The Bank vigorously explored external channels and accelerated the promotion of mutual progress of dual circulations. Moreover, it established commission sales relationships with more than ten banks and launched the direct banking APP of CITIC Wealth Management on the application store, becoming the first wealth management subsidiary of joint-stock bank to have a direct banking APP. During the reporting period, external channels' incremental sales amounted to RMB127.8 billion, and the number of customers opening accounts in direct sales APP exceeded 1 million.

2.6.4 Comprehensive Financing

The Bank viewed comprehensive financing as of strategic importance. With the goal of "becoming the best comprehensive financial services provider", it built "three-pronged integration"[5] centering on three dimensions: customers, products and management. Relying on the full range of licenses of CITIC Group, the Bank provided customers with full-lifecycle financial services through the integration of various financing channels and products. As at the end of the reporting period, the balance of the Bank's integrated financing was RMB11.47 trillion, up by 12.46% over the prior year-end.

The Bank fully integrated its internal resources, strengthened Group-wide collaboration, and opened up the business chain, thus building a "mega investment banking" ecosystem. It improved the "underwriting – investment – trading" chain for bonds, built up the position as the lead underwriter in the market, and underwrote over RMB760 billion of corporate credit bonds during the reporting period, maintaining the number one position in the market[6]. The Bank integrated the resources across the Group and provided bond financing arrangements for enterprises in all "domestic + overseas" scenarios, forming the reputation of "CITIC Community" brand in the bond market. The Bank proactively expanded its capital market business and developed the integrated service advantage featuring commercial banking plus investment banking with the corporate finance sector as the main body and wealth management subsidiary as the important operator. It has served nearly 3,000 listed companies and companies planning to get listed in total. In 2021, the Bank seized opportunities arising from the registration-based reform of the capital market, built a capital market product system with strong market competitiveness, and realized in-depth management of customers under various scenarios in the capital market.

The Bank's comprehensive financing business closely followed national policies and continuously stepped up investment in the fields of green development, peak carbon emissions and carbon neutrality, rural revitalization, advanced manufacturing, scientific and technological innovation and so on. During the reporting period, CITIC Wealth Management cooperated with multiple branches in carrying out asset collaboration and invested more than RMB400 billion in the areas supported by the country through assets such as the debt financing plan of Beijing Financial Assets Exchange, direct financing instruments for wealth management, asset securitization, broker income certificates, credit bonds and capital market business.

The Bank further strengthened its distinctive products and services in the areas of transaction banking, government finance, bill finance and auto finance, and reshaped its "mega commercial bank" specialties to continuously enhance its differentiated competitive advantages. It constantly enriched its transaction banking system, with a number of innovative products and platforms with corporate fund pool as cure being implemented, providing RMB869.6 billion of financing support to over 20,000 enterprises. As for government financing, the Bank, centering on the comprehensive financing needs of governments at all levels, provided comprehensive financial solutions, including local bond full-process services, government debt replacement, municipal bond services and PPP project financing, with a focus on advancing the whole process service of "lending, using, managing and repaying" of local debts. It promoted business expansion to lower-tier markets, and participated in a total of over 800 local government bond issuance and design projects for governments at all levels, achieving more than RMB130.0 billion in debt financing.

In the future, the Bank will continue to deepen its "three-pronged integration" project, and strive to become a market-leading comprehensive financing provider through a complete service model, clear evaluation criteria and cross-market integration capabilities.

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

6 Based on the ranking of undertaking of debt financing instruments released by Wind.

2.6.5 Digital Transformation

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 enhanced the consolidation of its digital infrastructure base. Aiming at commercial-grade agility, it continued to deepen the integration of business and technology, bringing in a year-on-year increase of 72.94% in the number of business demand delivery and speeding up delivery timelines by 35.00% year on year. It made a major breakthrough in the development of the middle platform, with the first batch of public business capability services being launched in the business middle platform which broke the traditional "vertical well" system development model. The technological middle platform entered a new stage of large-scale implementation and promotion, with a technology base initially taking shape to support the cloud native development model, achieving significant improvement in R&D efficiency. The data middle platform steadily released the value of data. The bank-wide data lake platform and domestic-made data warehouse were put into full operation, and the overall data processing efficiency was improved by more than five times. The Bank continuously deepened the cloud transformation of infrastructure, with the cloud rate of infrastructure reaching 99.6%, the system operation and maintenance cost of a single transaction system decreasing by 20.1% compared with the previous year, and the delivery capacity of infrastructure resources shortening to "hour" level. As one of the first joint-stock banks to launch the full-stack cloud project, it completed the planning and layout of test cloud, production cloud and ecological cloud, so as to seize the technological vantage point. Furthermore, the Bank built three systems that took the leading place in the industry including the bank-wide integrated operation and maintenance, network security and data security. It won the first excellence certification in the industry for its data center service capability maturity, and its production safety assurance capacity was continuously enhanced.

The Bank accelerated the transformation of innovative achievements into real productivity. It basically built the core functions of the AI "CITIC Brain" platform based on independent research and development, fully empowering its products, sales, risk control, operation and maintenance. To address business problems such as repeated manual operations in daily operation and breakpoints in process data, the Bank launched the "Efficiency Plus" platform, which integrated low-efficiency scenario identification, tool research and development, tool shelf and tool service, thus saving a lot of labor costs. The platform was awarded the "Best Process Automation Project in China" by *The Asian Banker* in 2021. In addition, it completed the 2.0 upgrading of its block chain platform, maintained the leading position among its peers, and passed more than 420 professional assessments of the China Financial Certification Authority at one time, continuously enhancing its product capability. It put in place a number of business scenarios including supply chain finance, family trusts and provident fund loans. It was granted the "2021 Best Blockchain Project (Asset Management)" by *The Asian Banker*. It provided a full set of open source and shared "CITIC Solution" for the whole industry, benefited millions of people with names that consist of rarely used Chinese characters, and was selected as one of the "10 Important Things" of IT application in the financial industry by the People's Bank of China in 2021.

The Bank continued to deepen the empowerment of digital technology in business areas. For corporate customers, the Bank created an open, online and comprehensive digital product platform focusing on the ecosystem of industries such as automobile, medical education and cross-border e-commerce to enhance the digital connection with customers. It launched a credit factory for inclusive products, and shortened the cycle of new product development to one month and improved efficiency by 75% in accordance with the model of "streamlined operation, modular assembly and open matchmaking", thereby quickly responding to the innovation needs of front-line products. For retail customers, the retail management platform (M+) was launched to realize integrated management of all customers, products and channels, driving the number of the Bank's VIP customers to exceed one million. The asset allocation system for retail customers was put into operation to fully support the development of portfolio strategies for investment research and advisory of the Head Office and branches and empower wealth management customer managers of sub-branches through top-bottom, whole-process and specialized system tools. Focusing on connection to high-frequency industries and scenarios, the Bank advanced the digital ecosystem development of open banking, and became the first in the industry to launch financial services relying on the HarmonyOS ecosystem. It built more than 10,000 scenarios with industries through standardized product components, serving more than 7.2 million users, recording more than RMB640 billion in cumulative treasury transactions. For the financial market, the Bank launched a centralized trading platform, and took the lead in the industry in realizing ex ante risk control in the financial market, realizing more automatic and intelligent market making and trading. The local currency market-making subsystem covered 20 quotation strategies, with the quotation volume exceeding RMB10 trillion, a year-on-year increase of more than 10 times.

For the middle and back offices, the Bank put into operation an intelligent management platform for comprehensive risks, upgraded the credit risk control and operational risk control platforms, realized full access to business risk control scenarios, and formed a risk control system covering the whole process of online business. It implemented a new generation digital office platform for innovations in information technology application to effectively improve online collaborative office efficiency and create a green and low-carbon office environment.

During the reporting period, the Group invested RMB7.537 billion in information technology, an increase of 8.82% compared with the prior year, and the ratio of investment in technology to operating income grew to 3.68%. As at the end of the reporting period, the Bank's technology personnel (excluding subsidiaries) hit 4,286, with the ratio of technology personnel reaching 7.73%.

2.6.6 Asset Quality

In 2021, in the face of the complex and volatile economic and financial situation, the Bank continuously reinforced the improvement of its risk management system by in advance judgement and planning. It responded to potential risks and stepped up efforts in risk resolution and disposal of non-performing assets, thus constantly consolidating the positive trend of asset quality. During the reporting period, the Bank promoted its risk management system in which risks can be put under control and development can be boosted, and achieved new results in the optimization of its credit structure, achieving a good start in the new three-year development plan for risk management.

As at the end of the reporting period, the Group's total loans amounted to RMB4,855.969 billion, an increase of RMB382.662 billion compared with the end of the previous year, and both of the balance and ratio of non-performing loans, problem loans and overdue loans decreased. Specifically, the balance of non-performing loans was RMB67.459 billion, down by RMB5.993 billion from the end of the previous year; the non-performing ratio was 1.39%, down by 0.25 percentage point over the end of last year. Both the balance and ratio of non-performing loans dropped quarter by quarter, which was the first time in the past decade. The balance of problem loans was RMB152.349 billion, down by RMB11.116 billion from the end of the previous year, and the ratio of problem loans was 3.14%, down by 0.51 percentage point from the end of the previous year. The balance of overdue loans was RMB90.373 billion, down by RMB587 million from the end of the previous year, and the ratio of overdue loans was 1.86%, down by 0.17 percentage point from the end of the previous year. As at the end of the reporting period, the ratio of balance of allowance for loan impairment losses to NPL balance (i.e., allowance coverage ratio) and the ratio of allowance for impairment of loans to total loans stood at 180.07% and 2.50%, respectively, both staying at a sound level.

In terms of risk management system building, the Bank further optimized its management structure to achieve integration of approval and post-lending management, and integration of problematic asset management and asset quality control. It continuously improved the risk management system and mechanism, strengthened the transmission and implementation of credit policies, improved industry research capacities, and continuously enhanced the coordination of marketing guidelines, standards for review and approval, and policies on assessment and resource allocation, so as to promote asset structure optimization and asset quality improvement. Taking into account nature of asset quality, customers, regions and personnel, it improved the authorization system, increased the differentiated authorization according to the Bank's business strategy, achieved flexible risk control, and formed a management closed loop by intensifying authorization review to defend the Bank against risks. It advanced the accountability system building, and improved the system featuring "principal responsible person mechanism for operation + principal responsible person mechanism for approval + accountability identification of non-performing assets" so that responsibilities were well defined and identified, and relevant personnel could be held accountable. Additionally, the Bank continued to improve its unified credit management system, intelligent risk control and consolidated risk management.

With respect to risk prevention and mitigation, on the on hand, the Bank contained the increase in non-performing assets. It constantly improved the approval system by issuing 73 standards for review and approval, and continuously reinspected and revised them to ensure the implementation of the bank-wide risk appetite. It also launched the full-time approver mechanism to make approval more independent and professional. Besides, through strict credit access, the Bank carried out access management of new credit customers based on the white list. Strengthening post-lending inspection, it established a risk monitoring mechanism for key large-amount customers, and dynamically followed up on the operation status of customers to identify and mitigate risks as early as possible. On the other hand, the Bank vigorously disposed of non-performing assets. It continued to develop the platform for disposing of problematic assets, with the resolved or disposed amount of non-performing assets growing annually. And it took reasonable disposal strategies based on the characteristics of such assets, striving to minimize losses and maximize benefits. The Bank highly valued the management after write-off of non-performing assets, and kept improving its capabilities of recovering assets written off. While stabilizing asset quality, it actively made up for profit, and sought benefits from non-performing assets.

2.6.7 Real Estate Business Risk Management

In the real estate sector, China adhered to the principle that housing is for living in, not for speculation, improved the long-effect mechanism to keep the prices of land and housing as well as market expectations stable, and supported the commodity housing market in better meeting the reasonable needs of homebuyers. Efforts were made to develop the financial service system for government-subsidized rental housing, grant M&A loans in a steady and orderly manner, support high-quality real estate enterprises to acquire high-quality projects of struggling real estate enterprises, and thus facilitate the positive circulation and sound development of the real estate sector.

The Group consistently upheld the national real estate regulation policies, strictly implemented the regulatory requirements, adopted the long-term and effective real estate management mechanism, carried out business activities under the principles of controlling the total amount, optimizing the structure and strengthening management, and effectively prevented business risks. As at the end of the reporting period, the balance of the Group's corporate real estate financing bearing credit risk, including the real estate-related loans, acceptances, guarantee, bond investment and investment in non-standardized assets, stood at RMB397.713 billion, representing a decrease of RMB36.993 billion from the prior year-end, of which corporate real estate loans amounted to RMB284.801 billion, representing a decrease of RMB2.807 billion from the prior year-end, accounting for 12.19% of the total corporate loans, a decrease of 1.06 percent points from the prior year-end. The balance of the Group's corporate real estate financing bearing no credit risk, including underwriting on the commission on the commission of and investment with wealth management funds amounted to RMB65.910 billion, representing a decrease of RMB21.490 billion from the prior year-end. And the balance of debt underwritten stood at RMB55.151 billion, down by RMB9.468 billion over the end of previous year. And the balance of debt underwritten stood at RM55.151 billion, down by RM9.468 billion over the end of previous year. Affected by the sluggish real estate market and other factors, the solvency of some real estate enterprises was affected and the debt risk increased. As at the end of the reporting period, the Group's ratio of non-performing real estate corporate loans to real estate corporate loans was 3.63%, an increase of 0.28 percentage point over the beginning of the year.

In 2022, 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. As for the real estate credit business bearing credit risk, the Group will select specific regions, customers and business patterns, and continuously optimize the real estate customer structure and regional structure. It will adhere to the closed-loop management of sales fund and strengthen the risk monitoring of key customers. For the real estate business bearing no credit risk, the Group will strengthen investor appropriateness management, fully disclose key risk information of products, and effectively perform corresponding supervisory duties. Furthermore, the Group will pay high attention to the macro policies on real estate, strengthen market research and forward-looking forecast, and timely optimize internal management measures. Under the current macro environment and industrial policies, the quality of the Group's assets in real estate sector is expected to remain generally stable.

2.7 Business Overview

2.7.1 Corporate Banking

During the reporting period, the Bank's corporate banking followed the "342 Action Plan for Developing Core Business Capabilities" as the guidelines, acted upon the philosophy of "customer-centric services" and accelerated the transformation and sustainable development of corporate banking, therefore its corporate deposits maintained a balanced development featuring steady growth in business scale and reasonable management and control of cost. As at the end of the reporting period, the Bank registered period-end balance of corporate deposits of RMB3,600.248 billion, up by RMB156.267 billion over the prior year-end, continuing to lead joint-stock commercial banks. Its daily average balance of corporate deposits stood at RMB3,544.566 billion, an increase of RMB245.887 billion over the prior year-end. Specifically, the Bank's daily average balance of structured deposits accounted for 5.0% of the total. During the reporting period, the cost rate of its corporate deposits was 2.03%, down by 6 BPs over the prior year, which showed that the Bank managed and controlled its cost of corporate deposits effectively.

In active response to the state's development strategies, the Bank implemented the state's policies on supporting the real economy, manufacturing and private sectors, and fully facilitated efforts ensuring stability on six key fronts[7] and maintaining security in six key areas[8]. As at the end of the reporting period, the Bank's balance of corporate loans was RMB2,130.259 billion[9], an increase of RMB155.260 billion over the prior year-end. During the reporting period, the Bank further tapped into a combination of five policies[10], intensified proactive marketing guiding, and extended credit to its target fields, thus realizing substantial growth in fields with policy support, such as the new generation IT, integrated circuits, green credit, and emerging industries of strategic importance. The loan increment to actively supported industries accounted for 51.29% of the total increment in the year, registering a loan growth exceeding the Bank's average, improving the credit structure by a large margin.

During the reporting period, the Bank registered net operating income of RMB89.333 billion in terms of corporate banking, up by 5.84% over the previous year, accounting for 46.69% of the Bank's net operating income. Specifically, the Bank recorded net non-interest income from corporate banking of RMB13.042 billion, up by 1.42% over the previous year, accounting for 26.02% of the Bank's net non-interest income, down by 5.01 percentage points from the previous year.

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

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

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

10 The "five policies" refer to industry research, credit policy, approval criteria, marketing guidelines, resources and assessment policy.

2.7.1.1 *Customer Management*

Adhering to the "customer-centric philosophy", the Bank vigorously advanced chain marketing toward core customers, kicked off its "100 key customer acquisition channels and 1,000 customer acquisition chains"[11] project, clarifying the models of "linkage + channel + chain-based marketing" and reinforced channel building by developing 3,865 new batch customer acquisition channels, bringing additional 46,000 corporate customers, and contributing to nearly 60% of increase in base customers and valid customers. It also established an inter-branch joint marketing mechanism to support the expansion of key customer bases and development of key businesses. What's more, by fully implementing the CITIC Group's synergy strategy and cultivating the "extensive synergy" scenario-based ecosystem, the Bank cooperated deeply with the CITIC Group's financial subsidiaries, such as CITIC Securities and Goldstone Investment Limited to open accounts for over 1,300 new customers, furthering CITIC's new proposition of "making a big difference through synergy" within the CITIC Group and in the market. As at the end of the reporting period, the Bank recorded 926,700 accounts of corporate customers, including 222,300 accounts of base corporate customers[12] and 124,300 accounts of valid customers[13], up by 32,900 and 17,000 respectively from the end of the previous year.

Strategic Customers

The Bank continuously strengthened the leading role of the Head Office and branches in managing strategic customers, and improved the joint management model for strategic customers with "leading marketing, sharing risks, improving organization, and linking assessment" as the core. Through integrating front, middle and back offices, and coordinating the Head Office and branches, the Bank provided customized support to 167 Head Office-level strategic customers, more than 1,500 strategic customers and their industrial chains at the branch level.

Leveraging the synergistic advantages of CITIC Group, the Bank customized differentiated comprehensive financial solutions for each customer, launched new supply chain financial products, streamlined business process and allocated differentiated resources for each of the strategic customers. During the reporting period, the Bank established strategic cooperation with China Aerospace Science and Technology Corporation, COFCO Corporation, LONGi Green Energy Technology Co., Ltd. and other customers, deepened integrated financing, wealth management and transaction settlement services for leading customers in key fields and industries such as energy, construction, 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.

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11 "100 key customer acquisition channels" refer to building 100 channels with good market prospects and effective batch customer acquisition. "1,000 customer acquisition chains" refer to deepening the marketing clues of three types of chains, namely industrial chain, equity chain and investment chain for 1,000 core customers and giving play to the cluster effect of chain marketing.

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

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

During the reporting period, the Bank's daily average balance of deposits from strategic customers stood at RMB1,301.846 billion, an increase of 12.15% over the previous year-end; and operating income reached RMB28.854 billion. As at the end of the reporting period, the Bank's balance of loans to strategic customers stood at RMB771.827 billion, an increase of 10.64% over the end of the previous year, showing good overall loan quality[14].

Institutional Customers

The Bank fully leveraged its distinctive strengths in institutional business, continuously deepened its customer system, product system, marketing management system and team building system, and focused on building the brand of government financial services. During the reporting period, the Bank focused on public finance, social security, medical insurance and housing, and registered over 50,000 institutional customers by relying on the chain market system covering "government + legal person of private enterprises and public institutions + general public". It advanced digital transformation to enhance services for institutional customers, intensified featured product innovation and promotion in areas such as education, healthcare, public security organs, procuratorial organs and people's courts, and acquired nearly 7,000 new customers in relevant fields. It also actively supported the national strategies of rural revitalization and invigorating the country through transportation, and assumed responsibilities of bolstering pandemic containment through financial means. Furthermore, the Bank spared no effort to create single hit products of local government bonds, provided more than 800 consulting services for local government bond issuance to facilitate the high-quality development of regional economy.

As at the end of the reporting period, the Bank recorded 54,000 accounts of institutional customers[15] of various types. During the reporting period, daily average deposits posted RMB1,228.491 billion, up by 3.28% over the end of the previous year, with an NPL ratio at 0.13%, indicating good asset quality.

Micro and Small Enterprises Customers

During the reporting period, the Bank endeavored to build a "value inclusive" system and incorporated serving the real economy and developing inclusive finance into the Bank's new three-year development plan. It fully supported an orderly return to normal work and daily life of micro and small enterprises, and facilitated high-quality development of financial services for micro and small enterprises, which achieved remarkable results and was widely praised by regulators and all sectors of society. The Bank was awarded the "2021 Excellent Case of Financial Services for Micro, Small and Medium Enterprises" by China Banking Association and China Association of Small and Medium Enterprises.

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14 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.

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

During the reporting period, the Bank continued to strengthen top-level planning for micro and small enterprises. The Board of Directors listened to the report on the development of inclusive finance and considered and adopted the development plan in 2021. The Board of Supervisors conducted special research on inclusive finance and included the implementation of inclusive finance policies into the performance appraisal of senior management members. The steering group and working group for inclusive finance held working meetings on a regular base to coordinate and promote the development of inclusive finance. The Bank continued to boost innovation in products and services, accelerated digital transformation, improved the pilot mechanism for product innovation, and launched intelligent product development credit factories, improving the efficiency of product innovation. Additionally, the Bank continuously reinforced its risk compliance management, improved the risk management policies, worked faster to improve its business procedures and to iterate its intelligent risk control system, in a bid to make its risk management more automated. While deferring the repayment of principal and interest for enterprises with temporary difficulties following the market-oriented principle on a sound legal footing, it enhanced forward-looking forecasting and targeted disposal, and strengthened loan control and anti-money laundering management. It also provided continuous policy and resource support, maintained the weights in performance assessment, defined risk tolerance requirements, and implemented the policy on ensuring no one who has fulfilled his due diligence is held liable. Furthermore, it set special-purpose rewards and subsidies to nurture business growth through favorable policies.

As at the end of the reporting period, the balance of loans to micro and small enterprises[16] stood at RMB984.064 billion, an increase of RMB202.931 billion over the end of the previous year; the number of customers with outstanding loans was 191,600, an increase of 22,600 accounts from the end of the previous year. The balance of inclusive finance loans to micro and small enterprises[17] reached RMB366.867 billion, an increase of RMB68.664 billion over the end of the previous year, representing a growth of 15.02 percentage points faster than that of other loans; the number of customers with outstanding loans was 181,700, an increase of 20,000 from the end of the previous year. The asset quality remained stable, 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.

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

17 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.

2.7.1.2 Businesses and Products

Investment Banking Business

The Bank actively implemented national strategies in its investment banking business, upheld serving the real economy, supported key areas of economic transformation, and enhanced advantages of "financing + intelligence" in investment banking business, giving rise to the continuous and rapid development of all businesses.

During the reporting period, the Bank issued the state's first batch of carbon-neutral bonds, rural revitalization bonds and sustainability-linked bonds, as well as the state's first high-growth bonds and equity-contributed notes for rural revitalization, so as to channel funds in the bond market to support national strategies. Furthermore, the Bank designed a visionary package of financing plans geared to the debt capital market and equity capital market for its customers, stimulated all-round cooperation between enterprises and CITIC institutions, assisted enterprises in high-quality and rapid development, and undertook social responsibilities as a financial enterprise. It leveraged syndicated loans and M&A financing business to vigorously bolster for the development of advanced manufacturing, emerging industries of strategic importance and green credit, and successfully launched highlight projects in key industries of significant support such as clean energy, new energy vehicles and data centers. In addition, the Bank strengthened collaboration with other financial enterprises as well as the industry-finance collaboration within the Group, and focused on comprehensive and long-term value creation. Upholding the philosophy of "professionalism in empowerment and innovation for efficiency", the Bank gave play to the key role of investment banking in the value chain for corporate financing cooperation and engaged in the integrated customer management on all fronts, dedicating to becoming a comprehensive financial service provider in four major financial markets of debt capital, equity capital, traditional credit and non-standard financing.

During the reporting period, the Bank achieved income of RMB8.309 billion from its investment banking business and financing of RMB955.305 billion. It underwrote 1,342 debt financing instruments totaling RMB761.954 billion, with both the quantity and amount ranking first in the market.[18] By virtue of its investment banking highlights, 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.

[18] Ranking based on Wind Info data.

International Business

The Bank fully acted upon national policies in terms of its international business, adhered to its original mandate of serving the real economy and maintained stable business growth. During the reporting period, the Bank innovatively established business scenarios and product systems to promote the building of "Assisting Partner" brand of corporate banking, and achieved an increase of over 60% in the balance of on- and off-balance sheet financing of international business compared with the end of the previous year. It continued to boost the digital transformation and development of international business by launching CITIC "Foreign Exchange Trading" customer client, a milestone product of foreign exchange trading, and a new settlement model "Umbrella Account" for cross-border e-commerce platforms. Moreover, the Bank integrated the three digital high-speed ways for its international business, namely, the online banking "Intelligent Bank-Enterprise Connection", "AMH Global Cash Management" and "Cross-border Fund Pool", to fuel the growth of foreign exchange fund transactions and foreign exchange receipts and payments for international balance of payments. The Bank persistently propelled the FT account[19] system with nationwide impact based on the free trade zones of Shanghai, Guangzhou and Haikou, and rolled out a comprehensive financial service platform "Financing in the Free Trade Zone", consolidating the development foundation for the FT business. It implemented the policy requirements on stabilizing the foreign trade and launch the single hit product of "Credit Guarantee Pass", serving thousands of micro and small enterprises engaged in foreign trade.

During the reporting period, the Bank's forex purchase and sale recorded USD192.897 billion[20], a year-on-year increase of 29.01%; its forex receipts and payments for international balance of payments registered USD340.903 billion, a year-on-year increase of 32.70%. Its cross-border Renminbi receipts and payments amounted to RMB467.188 billion, a year-on-year increase of 43.67%. The relevant indicators continued to be in the forefront of joint-stock commercial banks.

Transaction Banking Business

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

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

[20] The exchange rate of US dollars against Renminbi was 1:6.37095 on 31 December 2021.

In terms of product development, the Bank continuously advanced product innovation. During the reporting period, it enriched its product categories with new products launched such as "Credit Transfer", "Mini Fund Pool", "Credit Guarantee" and "Clearing Express", and further improved its product system to effectively meet customers' diversified needs. It actively explored industry service solutions to problems and difficulties in financing and settlement for construction enterprises, and successfully unveiled the "351" exclusive service plan[21] for transaction banking in the construction industry. In terms of channel building, based on the three-dimensional development model of "new experience, new services and new channels", the Bank strengthened the building of electronic channels for corporate banking, and enhanced online services in an all-around way. Specifically, it launched Smart Internet Banking 4.0 to create an intelligence-driven, convenient and comfortable customer experience through innovative customer acquisition means and online customer management tools. In terms of service improvement, the Bank focused on improving differentiated services and response capabilities, and built a stratified, classified customer service system featuring "five levels and seven stars"[22], so as to provide personalized and integrated financial service solutions, and continuously expand its service radius. It also built an integrated operation system for transaction banking customer experience and response, and established an online information exchange platform. By integrating the work order response process of the mobile operation platform of transaction banking, online banking assessment center, customer service center and service process platform, the Bank responded to customer concerns in the first time, and significantly improved customer satisfaction. During the reporting period, the Bank was awarded the "Best Bank in Supply Chain Finance Innovation" in the 5th Annual Conference of China Supply Chain Finance and the "Golden Trade Award – Best Cash Management Bank" in the 6th Annual Conference of China Transaction Banking.

As at the end of the reporting period, the Bank recorded 836,600 accounts of customers in transaction banking, a growth of 17.24% over the end of the previous year. During the reporting period, the Bank registered trade finance of RMB869.622 billion, 2.6 times of the previous year; it also completed 198,719,400 deals of transaction banking worth RMB134.25 trillion, up by 49.62% and 25.26% over previous year respectively, achieving rapid business development.

Auto Finance Business

The Bank strengthened the building of auto finance product catalogue, and proactively embarked on the new path of businesses such as new energy vehicles, second-hand vehicles and commercial vehicles. Furthermore, it enhanced the online whole process operation, and built competitive barriers in products, risk control and technology, maintaining the leading position in the auto finance business among peers. As at the end of the reporting period, the Bank's auto finance business reached 6,688 auto business customers, up by 1,637 over the prior year-end, an all-time high. The balance of outstanding financing was RMB160.159 billion, up by 9.24% over the prior year-end. During the reporting period, loans of RMB440.046 billion were granted, representing a year-on-year growth of 16.32%, outperforming the market. Its overdue advance ratio stood at 0.03%, 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 eighth consecutive year.

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21 The "351" plan focuses on the three financing problems, five settlement pain points and the first-category off-balance-sheet needs of construction enterprises. By leveraging a package of transaction banking products, the plan provides full-chain services to facilitate construction enterprises in intensive, refined and professional management.

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

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. During the reporting period, the Bank vigorously boosted key businesses such as mutual funds, occupational annuities, enterprise annuities and cross-border custody. It had 80 new mutual funds under custody with a total initial custody amount of RMB133.554 billion, an increase of 1.75 times compared with the previous year. The Bank also made further achievements in occupational annuities, as it was selected as the custody bank of occupational annuities in the Xinjiang Uygur Autonomous Region and Tibet Autonomous Region during the reporting period, and won the qualifications for the custody bank of central government agencies and public institutions and 30 provincial, regional and municipal occupational annuities. Specifically, the custody of enterprise annuities amounted RMB130.629 billion, ranked second among joint-stock commercial banks[23]. The Bank was awarded the Excellent Institution in Pension Custody in 2021 by Caijing.com, the Excellent Bank in Pension Custody in 2021 by *China Times*. Its cross-border custody reached RMB28.853 billion, up by RMB8.797 billion from the end of previous year. What's more, the Bank became the only joint-stock commercial bank to be qualified as the custody and clearing bank for the southbound trading under the Bond Connect program, and its financial asset custody system was awarded the second prize in 2020 Fintech Development by the PBOC. The "Asset Custody Data Platform" developed independently by the Bank was awarded the "Financial Markets Technology Implementation of the Year" by *The Asian Banker*.

During the reporting period, the Bank recorded RMB3.371 billion of income from custody business with a custody scale of RMB11.36 trillion, representing an increase of RMB1,026.546 billion over the prior year-end. The custody accounts continued to beef up deposit growth, recording an average daily balance of deposits of RMB430.413 billion, of which the average daily balance of general deposits on the custody accounts was RMB135.134 billion.

2.7.1.3 *Risk Management*

The Bank followed the "customer-centric" business philosophy in its corporate banking business line. Striving towards the overall goal of "better structure, distinctive characteristics, consolidated foundation and enhanced earnings", it adhered to the philosophy of high-quality and sustainable development, enhanced the capability of comprehensive customer management and achieved high-quality development of its corporate banking business.

In terms of customers, the Bank deepened management of strategic customer list access system and adjusted the strategic customer list in consideration of the state's policy orientation. It conducted in-depth management on its key institutional customers, and continued to enhance the brand image of government financial services. It also gave play to the leading role of customer name list system to increase the proportion of credit granted to high-quality customers in a targeted manner.

[23] According to the data released by Ministry of Human Resources and Social Security

In terms of regions, the Bank put in place the strategic goal to support 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 areas as the guarantee, to accelerate the formation of a regional economic picture of complementary high-quality development.

In terms of industries, the Bank persistently pursued the aim of serving the real economy, seized opportunities arising from the new development pattern, and continued to push forward the adjustment of the Bank's asset structure in response to the national plan for adjusting industrial structure. It also expanded its efforts to bolster for the development of advanced manufacturing and emerging industries of strategic importance, and highly valued the development opportunities for existing and new infrastructure under the new development pattern featuring dual circulation. On top of these, the Bank ensured the support of industries concerning people's livelihood and prioritized its support for cultural, educational and elderly care industries. It rigorously implemented the state's requirements on real estate control to stabilize the housing market, increased efforts to adjust customer structure and risk concentration, and proactively mitigated large-value risk exposures. In addition, it strictly controlled overcapacity, and vigorously developed green and clean energy.

In terms of businesses, the Bank actively endeavored to build a "value inclusive" system by providing credit support to private enterprises and micro and small enterprises, and continuously facilitated the high-quality development of inclusive business. On the basis of its superiority of capital, customers, data and credit of the core supply chain enterprises, the Bank vigorously developed supply chain finance against the real context of trade, strengthened the innovation of supply chain finance model, and established a risk control system fitting into supply chain finance. Additionally, it upscaled supply chain finance business, basic customers and settlement.

As at the end of the reporting period, the Bank's balance of corporate loans (excluding discounted bills) increased by RMB155.260 billion or 7.86% over the end of the previous year; and its NPL ratio was 2.13%, down by 0.33 percentage point over the prior year-end. The Bank's corporate loan asset quality remained overall stable.

2.7.2 Retail Banking

Adhering to the operation logic of retail banking, the Bank promoted the adaptation of "all customer groups – all products – all channels" by enlarging customer base, strengthening product drive, optimizing channel potential and improving service experience, and provided customers with comprehensive "financial and non-financial" services in a timely and appropriate manner.

During the reporting period, the Bank's retail banking business recorded net operating income of RMB80.177 billion, a growth of 3.49% from the previous year, representing 41.91% of its net operating income. Net non-interest income from retail banking recorded RMB22.372 billion, an increase of 5.59% from the last year, accounting for 44.64% of the Bank's net non-interest income, down by 6.49 percentage points over 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 120 million accounts of retail customers, a growth of 7.98% over the end of the previous year.

Specifically, for ordinary customers, it implemented batch customer acquisition mainly relying on online App in a model combining direct banking at the Head Office and localized operation at branches, and differentiated personalized online activities and product recommendation strategies for different scenarios and key customer groups. The Bank recorded an increase of 6.77% of ordinary customers compared with the end of the previous year.

For wealthy and VIP customers, proceeding from customer needs, the Bank tapped into life scenarios based on its professional management capabilities of "investment research by the Head Office, investment advisory by branches and asset allocation by sub-branches", upgraded wealth management customers' service system to build a long-lasting relationship of trust and companionship with them, and established the "CITIC Wealth of Happiness" brand in the market. The increment of VIP and wealthy customers both exceeded 100,000 and the total number of VIP customers exceeded 1 million.

For private banking customers, the Bank built a private banking customer management system around "value addition" for customers, set up a digital-driven smart management strategy pivot, and refined the business model driven by customer journey management and characteristic customer group management. The number of private banking customers reached 60,300 accounts, an increase of 17.87% over the end of the previous year.

In terms of grouped management of customers, the Bank provided comprehensive financial and non-financial services relying on ecological scenarios to key customer groups such as going abroad customers, senior customers[24] and business travel customers, strengthening the brand image of a retail bank "with a human touch".

[24] Refers to the customer groups aged over 50 (inclusive). As the World Health Organization (WHO) introduces a new standard for age classification, i.e., 45-59 years as the middle-aged, 60-74 years as the middle-old aged, 75-89 years as the old aged and 90 years and above as the longevous old aged. Therefore, the wording has been changed from "elderly customers" in previous years to "senior customers".

For going abroad customers, the Bank built a competitive product and service system based on going abroad scenarios, and continuously enriched the benefit system to promote steady rise in customer scale. For senior customers, the Bank continued to refine the “Happiness 1 + 6”[25] service system. Focusing on six major sectors of wealth management, health, privileges, education, accomplishment and inheritance heritage, it launched characteristic services and reinforced the “happiness+ human touch” pension finance brand. To this end, the Bank rolled out a senior-friendly Mobile Card Space APP to continually enrich and enhance the card experience for senior customers.

For business travel customers, the Bank created a closed-loop management of the business travel chain, and constantly optimized business travel product system and kept leading the industry. Furthermore, to improve the “flight + hotel” business layout, the Bank issued a co-branded card with China United Airlines, launched flagship shops consisting of Shenzhen Airlines, China Eastern Airlines and Elong and added new functions such as quick payment and point credit on the CITIC business travel platform, and built an exclusive travel platform for corporate customers joining hands with Huawei Huitong.

As at the end of the reporting period, the Bank’s going abroad customers registered 8.7064 million, and the number of senior customers was 18.3112 million, an increase of 14.38% over the end of the previous year. The Bank had 16.6137 million valid credit card business travel customers.

2.7.2.2 *Businesses and Products*

Investment and Wealth Management Business

Aiming to meet customer demands and improve customer experience as always, the Bank boosted the continuous growth of personal deposits by pursuing asset allocation concept. It constantly upgraded liability products, expanded traditional product sales channels to mobile banking and optimized order push function of the “Weekly Privileges” based on automated seven-day call deposits notification. It also improved customer experience in purchasing products via personal mobile banking, personal online banking etc., and provided customers with abundant deposit products. Moreover, the Bank further promoted the application of deposit products in different scenarios, and launched products such as “CITIC e Manager”, “Brokerage Manager” and “Escrow Profit” for customers of payment and settlement, second-hand apartment transactions and third-party escrow services, respectively, aiming to obtain deposits for settlement purposes in multiple scenarios. As at the end of the reporting period, the balance of the Bank’s personal deposits recorded RMB868.023 billion, up by RMB46.007 billion or 5.60% over the end of the previous year.

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25 Refers to six “financial+ non-financial” service sectors including “Happiness + Wealth Management”, “Happiness + Health”, “Happiness + Education”, “Happiness + Privileges”, “Happiness + Accomplishment” and “Happiness + Heritage”.

The Bank strengthened customer relationships and expanded its investment and wealth management business in response to market changes and in line with customer needs. In terms of wealth management, the Bank actively implemented the new regulations on asset management, established more collaborative relationship with leading institutions and sped up the transformation towards net asset value (NAV) products. As at the end of the reporting period, the scale of existing NAV personal wealth management products meeting the new regulations accounted for 90%, and the agency sales of non-proprietary wealth management products exceeded RMB50 billion. As for agency fund sale, while closely tracking market changes, the Bank strengthened investment research capabilities, customized products from selected fund brands, and created "fixed income+" and equity products for better customer experience. As at the end of the reporting period, the Bank's balance of non-monetary funds surged by 35.41% over the end of the previous year. With respect to agency insurance, the cumulative agency sales of insurance products providing protection increased by 12.50% over the previous year.

During the reporting period, the Bank kicked off the "Cloud Enterprise Club" brand, which is to provide comprehensive, personalized and scarce "individual + family + enterprise" financial and non-financial integrated service solutions together with subsidiaries of CITIC Group relying on the synergy of CITIC Group. It established investment advisory teams of the Head Office and branches, developed the "buyer investment advisory" service model to improve its professional asset allocation capability, implemented the "1 + 1 + N"[26] service philosophy, and deepened the one-to-one diamond accompanying services. It continued to introduce standardized products from quality asset managers and steadily promoted characteristic strategy products such as quantitative, equity and QDII (Qualified Domestic Institutional Investor) products to continuously enrich its quantification private banking product catalogue. As at the end of the reporting period, the Bank's balance of agency private banking products amounted to RMB169.035 billion. During the reporting period, the sales of agency private banking products stood at RMB124.749 billion, including sales of standardized products of RMB91.813 billion, up by 115.99% over the previous year, setting new highs. The standardized private banking products under agency sales stood at RMB116.286 billion. The Bank saw achievements in net-worth transformation of products, optimization of the customer wealth management structure and enhancement of its sustainable development capability.

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.

[26] 1: customer manager of sub-branch, 1: investment advisor of branch, N: investment advisors of the Head Office and experts inside and outside the Group.

In terms of personal housing loans, the Bank continued to grant commercial personal housing loans in accordance with the real estate regulation and control requirements of governments at all levels. In terms of personal business loans, the Bank thoroughly implemented the strategic plan of the nation for supporting the development of micro and small enterprises and the real economy, continuously improved its product policies, and specified operational standards, thereby raising the convenience of customers' fund using. In terms of personal consumer loans, the Bank adhered to the development principles of "independently-developed scenarios, independently-developed risk control and independently-developed product" and continued to update 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.

As at the end of the reporting period, the balance of personal loans (excluding credit cards) of the Bank was RMB1,477.626 billion, an increase of RMB112.111 billion or 8.21% over the end of the previous year. The balance of commercial personal housing loans reached RMB943.677 billion, an increase of RMB45.544 billion or 5.07% over the end of the previous year.

Credit Card Business

Under the premise of compliant operation and risk prevention and control, and focusing on high-quality development of credit card business, the Bank provided multi-dimensional value-added products and services closely surrounding customer demands, and provided high-quality interactive experience with differentiated and refined whole-process services to build its brand name of "credit card with a human touch".

Centered on consumer needs, the Bank managed operation scenarios with characteristics such as business travel, car owner and pets for its credit card business. In terms of channel building, it pushed ahead channel transformation in an all-around way, deepened the transformation of the customer manager system, and reshaped the customer interaction model to build the integrated mechanism for customer acquisition and management. In terms of scenario building, the Bank deepened the building of local and online scenarios and a "Life + Finance" ecosystem, and realized full linkage to daily life scenarios such as food and leisure, fresh food and supermarkets, lifestyle services, top-up and bill payment, etc. based on App services. In addition, the Bank further expanded mobile terminals, carried out intensive strategic cooperation with Huawei and Xiaomi, and launched the "Mobile Card Space" on Huawei's HarmonyOS and the industry's first CITIC Xiaomi Card, steadily gaining momentum of customer acquisition. In terms of activation operation, the Bank kicked off personalized brand marketing activities such as "9-Point benefit delivery", generating continuous increase in customer activity and steady growth in transaction scale.

Besides, the Bank advanced the "capital light" strategy and the membership business model for its credit card business, made remarkable breakthrough in various aspects such as financial, health, 9-Point and other membership business. It consolidated its advantages in annual fee product system, and provided diversified value-added services and refined operation system surrounding customer demands. What's more, the Bank expedited digital transformation, rolled out the "Mobile Card Space 8.0" and updated the smart personalized services. Its 5G all-IP open service platform project was awarded the "Best Digital Employee Engagement Initiative in China" by *The Asian Banker* at Finance China 2021. The Bank intensified efforts in independent technological research, with two inventions winning the national invention patents.

As at the end of the reporting period, the Bank issued cumulatively 101.3239 million credit cards, an increase of 9.40% over the end of the previous year, and recorded RMB527.742 billion balance of credit card loans, a rise of RMB42.510 billion over the end of the previous year. During the reporting period, the Bank's credit card transaction volume stood at RMB2,780.135 billion, an increase of 14.05% year on year; it realized RMB59.128 billion income from credit card business. In addition, the Bank actively promoted credit card asset-backed securitization (ABS) business, and cumulatively issued RMB1.511 billion credit card ABS products during the reporting period. It also disposed of RMB8.048 billion principal of non-performing credit card assets through non-performing asset ABS, effectively accelerating asset turnover.

Going Abroad Financial Services

During the reporting period, the Bank kept upgrading its leading abroad financial service system, and made positive progress in brand building, product innovation, precision services and digital channel building. It released the *2021 Study Abroad Blue Book* that analyzes trends of international student market and provides guidance for student going abroad for further education and their families, enhancing the Bank's influence and reputation in the going abroad financial services. It also launched a new and convenient FX settlement products and upgraded remittance products for overseas study abroad, credit certificates and other going abroad financial products. Furthermore, the newly launched going-abroad-financial-service-specific Mobile Banking App and the upgraded open service platform further enhanced the digital management capability across the whole customer journey, being applauded by the market.

As at the end of the reporting period, the Bank recorded more than 8.7064 million accounts of customers using its going abroad financial services, and the balance of assets under management (AUM) reached RMB1.18 trillion, up by 18.39% over the end of last year.

Ageing Finance Business

During the reporting period, the Bank further upgraded the "Happiness +" service system for senior customers and launched a special service matrix centering wealth management, health, privileges, education, accomplishment and heritage, in a bid to fully meet the personalized service needs of senior customer. It continued to optimize the service process and experience for senior customers by launching green channels and door-to-door services to provide those mobility-impaired. In doing so, the Bank further enhanced the brand recognition of "Happiness + Human Touch". Widely recognized by media and industry association, the Bank's services for senior customers were selected as a model inclusive finance case by China Banking Association, and its platform was awarded the "2020-2021 Excellent Financial Enterprise: Excellent Pension Financial Service Platform of the Year" by *The Economic Observer*.

The Bank made arrangements for full-life-cycle pension finance and actively prepared for system development and promotion of the third pillar private pension accounts. In particular, it incorporated premier target pension funds, tax-deferred pension insurance and other pension financial products into its pension investment portfolio. It also developed solons on pension planning, and launched a calculation system for pension planning to better investor education.

As at the end of the reporting period, the Bank had 18.3112 million senior customers, with AUM balance standing at RMB1.46 trillion, up by 14.54% from the end of last year.

Agency Payment Business

The Bank strategically pushed forward agency payment service through deep coordination between retail and corporate banking, strengthened the Group's collaborative development and premier resource exchanges. During the reporting period, it developed exclusive agency payment marketing service plans for subsidiaries of CITIC Group, created a closed-loop payroll business ecosystem for corporate banking customers and its employees, and upgraded the "Easy Salary 3.0" open agency payroll platform. Specifically, it provided one-stop salary service solutions at the corporate end and launched Xin Xiang Card as a salary card, Kai Xin Afternoon Tea, agency wealth management and other exclusive products and activities, continuously rendering services with a human touch.

2.7.2.3 Risk Management

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

Risk Management of Personal Loans

The Bank pressed ahead with the development of its personal loan system, sought for science-based development strategy, identified and controlled credit risks before, in and after lending all along and enhanced the closed-loop lifecycle management.

In the pre-lending process, the Bank strengthened channel management and employed stratified management for credit risk of products. It implemented the closed-loop lifecycle management over cooperation channels in the aspects of front office marketing, risk access, continuous evaluation, channel exit and so on. It adopted stratified acceptance standards for personal loan products based on their credit ratings. In the lending process, the Bank continued to strengthen the identification, monitoring and management of credit risk and fraud risk to accelerate the development of a centralized operation model. It steadily built an intelligent risk control system, and further improved the personal loan risk model and strategy system based on its products from the perspectives of credit risk prevention, fraud risk prevention and control, and joint debt risk prevention and control. Meanwhile, the Bank improved its risk monitoring and review system, monitored and analyzed risks for products, regions and cooperation channels, and accelerated iteration and updating of products and processes. It expanded the coverage of "internet + real estate registration" and promoted online and digital management of mortgage registration to effectively reduce the risk of false or incomplete mortgages. It also actively promoted the establishment of a centralized retail loan approval model and established a professional personal loan team and job positions to promote the efficient operation of the business. In the post-lending process, the Bank reinforced the usage control, improved the risk early warning mechanism, and carried out centralized post-lending management. It reinforced the usage control across the process of personal loan business by means of automatic system monitoring and manual in-depth investigation. It continuously improved the post-lending early warning mechanism, made full use of internal and external data to enhance the width and accuracy of risk warning and monitoring. It also unified post-lending management at branches to further enhance intensive post-lending risk management capability.

As the epidemic got effectively controlled and the economy and production were recovering in China, the asset quality of the Bank's personal loan business remained sound and stable. As at the end of the reporting period, the Bank's non-performing balance of personal loans (excluding credit card loans) recorded RMB9.769 billion, an increase of RMB552 million from the end of the previous year. The NPL ratio was 0.66%, down by 0.01 percentage point 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 and deepened the adjustment of "customer group structure" and "asset structure" based on big data and intelligent technology, thereby ensuring the stable development of credit card business.

In the pre-lending process, the Bank continuously iterated and upgraded the risk control model and improved the capabilities of risk prevention and control. It moved risk management forward to earlier stages, improved the access standards for high-risk customers, and tracked credit risk changes in new cardholders dynamically in a multi-dimensional manner. Through machine learning, cloud computing and other intelligent technologies, the Bank continuously improved its risk data mining and customer identification abilities. In the lending process, the Bank continued to optimize the allocation of credit resources under the principle of "knowing your customers". By fully exploring internal data and introducing external data, it improved the refined management of customer groups and strictly controlled the proportion of large-amount credit customers. Besides, the Bank reinforced control over fund use and conducted special oversight and management of non-compliant credit card usages like money laundering, gambling and agency payment. In the post-lending process, it adopted various ways for non-performing assets disposal and write-off such as cash recovery, overdue loan write-off and non-performing asset ABS, boosted the efficiency of distressed asset disposal and reduced pressure on non-performing loans with a combination of measures.

The Bank constantly strengthened the risk control system covering the processes before, during and post lending. As a result, its asset structure continued to improve, and the asset quality remained stable. As at the end of the reporting period, the Bank recorded RMB9.650 billion in balance of non-performing credit card loans, corresponding to an NPL ratio of 1.83%, down by 0.55 percentage point from the end of the previous year.

2.7.3 Financial Market Business

Against the backdrop of the resurgence of COVID-19 and increasing downward pressure on the domestic economy, the financial market segment of the Bank closely followed the national policy direction and actively fulfilled its social responsibility. Its business performance was steadily improved based on such measures as more solid market research, optimized asset and liability structure, improved trading ability and further integrated business with interbank customers.

During the reporting period, the Bank's financial market business recorded an operating income of RMB20.985 billion, a drop of 2.24% over the last year, representing a 10.97% in the Bank's total operating income. Of this income figure, non-interest net income from financial market business recorded RMB13.148 billion, an increase of 4.06% over the last year, accounting for 26.23% of the Bank's total net non-interest income, down by 4.26 percentage points from the previous year.

2.7.3.1 Customer Management

During the reporting period, the Bank actively pressed ahead with the transition of in-depth management of interbank customers, built stratified, classified and layered management system and process-based and standardized implementation route. Besides, the Bank upgraded the cooperation profile and assessment functions of interbank customer relationship management (CRM) system. Focusing on key fields such as urban/rural commercial banks, factor market and cross-border customer group, it conducted in-depth management to gradually differentiated competitive edges and made certain breakthroughs in service output, license attainment and coverage expansion.

2.7.3.2 Business 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 mounting 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. As at the end of the reporting period, the Bank's balance of financial interbank assets (including deposits and placements with, and loans to banks and non-bank financial institutions) recorded RMB216.125 billion, representing a drop of 14.65% over the end of the previous year; and its balance of financial interbank liabilities (including deposits and placements from banks and non-bank financial institutions) amounted to RMB1,201.167 billion, representing an increase of 2.30% over the end of the previous year.

During the reporting period, the Bank intensified efforts in serving the real economy, and its volume of bill discounting business reached RMB1,071.938 billion, of which green credit discounting business stood at RMB50.348 billion. It served 11,708 corporate banking customers, of which 7,423 or 63.40% were micro and small enterprises. As at the end of the reporting period, the balance of bill rediscounting reached RMB44.193 billion, representing an increase of 2.93% compared with the previous year, and thereby channeled low-cost funds to the real economy. The balance of the Bank's bill assets amounted to RMB466.243 billion, up by 3.67% from last year-end.

Financial Market Business

During the reporting period, facing the complex external developments and market situation, the Bank adhered to the management strategy of "seizing trends and opportunities, and seeking profit from the market", and gave full play to its professional advantages to make new breakthroughs in economic benefits remarkably and improve its risk management and control ability.

Regarding to forex business, the Bank offered pertinent and multi-layer exchange rate risk management solutions to meet customer needs for financing and value preservation, hedging forex receipt and payment, cross-border M&A and securities investment by its innovative exchange rate product portfolios including forex trading, spot and forward forex purchase and sale, swaps, options and others. Thus, the Bank helped customers achieve value preservation and appreciation of their forex assets. During the reporting period, the Bank completed USD2.12 trillion forex market making transactions, up by 25.44% from last year, and continued to be among the top ones in the list of market makers on the interbank forex market.

Regarding to bond business, the Bank proactively fulfilled its responsibilities as a state-owned financial enterprise by fully acting upon national policies, adhering to its original mandate of serving the real economy and supporting economy transition and upgrading. In green finance field, the Bank took active practices to explore new models in green finance, actively participated in green bond investment, and took the lead in carrying out bilateral market-making quotations for green bonds and micro and small enterprise bonds of multiple varieties and maturities; it shouldered the primary responsibility in rural vitalization strategy and serving the development concerning agriculture, rural areas and rural residents, and underwrote the first tranche of "rural vitalization" themed financial bonds issued by China Development Bank; it also actively implemented the national decisions and plans to continuously facilitate two-way financial opening strategy, pushed forward northbound trading and put in place southbound trading, thus facilitating connectivity in the bond market. At the same time, the Bank also made great efforts to adjust strategies of bond portfolio, reasonably adjusted the portfolio duration, and flexibly arranged portfolio varieties, thus increasing asset circulation and improving the investment return on bond assets.

The Bank bolstered money market transaction businesses such as bond repos, Renminbi interbank lending, and actively participated in the innovation of trading mechanism. During the reporting period, the Bank recorded RMB24.86 trillion in total volume of Renminbi money market transactions. While meeting the needs for liquidity management, the Bank also improved the operating efficiency of short-term capital, thus further cementing its position as a core market trader in the money market. It pushed forward the issuance of Renminbi interbank certificates of deposit, and issued RMB873.890 billion interbank certificates of deposit during the reporting period, representing an increase of 18.86% over the last year, further enriching its liability sources and expanding financing channels.

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

Asset Management Business

During the reporting period, upholding "disposing existing assets, expanding increment and improving capabilities" as its principle of development, the Bank persisted to research-driven development, technology empowerment, continuous innovation and coordinated development, sharpened its core competitiveness in asset management, and thus boosted the transformation of the Bank's capital-light business.

In the transformation of asset management business, as an important platform for the development of asset management, the subsidiary CITIC Wealth Management is a crucial starting point and benchmark for the Bank's "capital-light transformation". Leveraging comprehensive financial service resources with CITIC Group's full range of financial licenses and advantages in diversified industries, it gave full play to collaborative advantages, improved the Head Office-branch coordination mechanism, and enhanced its product creation capabilities. The subsidiary 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. With the implementation of key national initiatives, it continuously improved investment research capabilities, optimized its asset allocation structure, served the real economy and met the value preservation and appreciation needs of wealth of investors.

As at the end of the reporting period, the balance of non-risk-bearing wealth management products of the Bank and CITIC Wealth Management recorded RMB1,403.275 billion, in which the balance of NAV products in conformity with the new regulations on asset management reached RMB1,266.723 billion, accounting 90% of the total, up by 22 percentage points from the beginning of the year. During the reporting period, due to the big increase in new products and the increase of revenue from the trading of existing products, wealth management business of the Bank and CITIC Wealth Management realized income of RMB6.882 billion, up by 222.95% over last year.

2.7.3.3 Risk Management

Financial Market Business

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

Asset Management Business

During the reporting period, the Bank further improved the comprehensive risk management model for the wealth management business. In terms of business, the Bank focused on compliance risk, operational risk and reputational risk, ensured compliance with laws and regulations and regulatory rules, and established an effective internal control mechanism to protect investors' interest. In terms of products, the Bank placed emphasis on liquidity risk, concentration risk, information disclosure risk and valuation risk, improved the risk level evaluation standards for wealth management products, and made solid efforts on investor appropriateness management to ensure that the operation of wealth management products is in line with the requirements in the product manual. In terms of assets, the Bank placed importance on market risk and credit risk, and enhanced the whole-process risk management for assets. Besides, the Bank built and improved a risk reporting system comprising monthly (quarterly) report on wealth management product risk management and non-periodical special reports, and continued to improve the risk management reporting system.

2.7.4 Distribution Channels

2.7.4.1 *Online Channels*

During the reporting period, the Bank continued to develop an integrated ecosystem of online channels, so as to better digital management. It worked faster to build a channel ecological network where Mobile Banking was the main service channel with WeChat Mini Program as a supplement. CITIC Bank Mobile Banking Version 7.0 was awarded the "Best User Care" award at the 5th Good eXperience Award (GXA) in 2021, making the Bank the only bank to win such award. The Bank also launched the CITIC Bank WeChat Mini Program 2.0 to enable differentiated management by group at 37 branches and improve business value of branches. Moreover, it launched Wealth Management Station on WeCom to establish a personalized and comprehensive online business hall for wealth managers, which was awarded the "Best Frictionless All-channel Integration Initiative in China" by *The Asian Banker*. In addition, the Bank upgraded the Intelligent Rubik's Cube platform to build the agile middle-office management capability of personalized and intelligent characteristics. Smart recommendation-driven proactive product sales promoted personalized and in-batch management, with proactive sales covering customers over 250 million times. To innovate digital management, the Bank joined hands with Huawei to launch the "Atomic Service" based on HarmonyOS API, and provided customers with plug-and-play card application and search services in the Harmony ecosystem, making the Bank the first in the banking sector to provide business services in the Harmony ecosystem. Keeping in the step with the national strategy of 5G network development, the Bank updated its SMS platform to 5G messaging platform, which allowed rich text message sending and interactive business processing in the SMS ecosystem.

As at the end of the reporting period, the Bank had 30.2283 million online monthly active accounts (MAUs)[27]. During the reporting period, the transaction amount on mobile banking APP grew by 13.18% over the previous year to reach RMB11.91 trillion.

2.7.4.2 *Physical outlets*

As at the end of the reporting period, the Bank had 1,415 outlets in 153 medium-sized and large cities in the Chinese mainland, including 37 tier-one branches (directly managed by the Head Office), 126 tier-two branches, and 1,252 sub-branches (including 38 community/micro and small sub-branches), plus 1,569 self-service banks (including onsite and offsite self-service banks), 5,398 self-service terminals and 9,078 smart teller machines. 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 supported the economic development of key areas such as the free trade zones, special economic zones, new areas, comprehensive reform areas and high-tech areas.

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

In terms of the layout of overseas outlets, CNCBI, an affiliate of the Bank, had 32 outlets and 2 business centers in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and the Chinese mainland. CNCB (Hong Kong) Investment Co., Ltd. had 3 subsidiaries in Hong Kong and the Chinese mainland. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan. 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 mainly 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 and cross-border RMB payment settlement, and conducts money market transactions, derivative transactions, bond investment and other financial market businesses.

During the reporting period, London Branch successfully issued USD550 million of medium-term bonds (MTN) on behalf of the Head Office, and launched the first USD2 billion interbank certificate of deposit (CD) program in the name of itself, with USD1 billion CDs issued accumulatively as at the end of the reporting period. It handled foreign exchange transactions on the European time trading platform on behalf of the Head Office, and realized the 24-hour operation of the global foreign exchange trading platform, making breakthroughs in a number of businesses. Relying on the advantages of London as an international financial center, the Bank will build London Branch into the business center of the Bank in Europe, the Middle East and Africa, the European treasury operation center, the international talent training center, and CITIC Group's overseas business coordination center.

As at the end of the reporting period, London Branch registered total assets of USD2.951 billion, an increase of 150.02% over the prior year-end. During the reporting period, the branch registered operating income of USD20.6720 million, pre-provision net profit of USD10.8470 million and net profit of USD2.2697 million.

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 2,481 employees and no retired employees at the company's expense. It recorded HKD417.967 billion in total assets and HKD54.665 billion in net assets, up by 6.02% and 4.08% from the end of the previous year, respectively. During the reporting period, due to the impact of the rise of insurance and loan business fees, it realized net profit of HKD2.053 billion, up by 100.36% year on year.

CNCBI: CNCBI is a whole-license commercial bank in Hong Kong SAR. Relying on its geographical advantages of being in the central city of the Guangdong-Hong Kong-Macao Greater Bay Area, CNCBI continuously deepened coordination and cooperation with the Bank and CITIC Group, and made full use of its domestic subsidiaries as platforms to vigorously expand cross-border business. During the reporting period, income from coordinated corporate banking registered HKD920 million, accounting for 22.03% of its total income from corporate banking business. With the strong need of mainland Chinese enterprises for overseas financing and cross-border mergers & acquisitions, it realized HKD215 million in fee income, ranking 1st[28] in the Chinese high yield debt market. Moreover, CNCBI actively promoted the technological transformation of its business, with the number of integrated electronic channel users reaching 204,700 as at the end of the reporting period, accounting for 51.88% of retail customers. The inMotion Dynamic Banking Platform, a flagship platform of mobile banking services, had 131,500 customers, up by 63.32% from the end of the previous year.

As at the end of the reporting period, CNCBI recorded an issued share capital of HKD18.404 billion, and posted total assets of HKD415.385 billion and net assets of HKD49.787 billion, up by 6.09% and 4.66% from the end of the previous year, respectively. During the reporting period, CNCBI realized operating income of HKD8.198 billion and net profit of HKD2.128 billion for the reporting period, up by 12.03% and 84.15% 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 adjust the organization and strengthen the control of operating cost, continually improved team operation efficiency and reduced operation costs.

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%. 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.

[28] According to the ranking by amount released by Bloomberg.

CNCB Investment, as the overseas investment banking business 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, it continuously advanced the building of its marketing service system, further improved product chain and business strategies, and accelerated the development of an overseas asset management center. The bond underwriting business increased significantly, receiving 120 orders for the year, 2.45 times of the previous year. The scale of active asset management business continued to expand, with the number of asset management products increasing to 21 and increasingly diversing product service. During the reporting period, CNCB Investment developed cross-border investment channels such as QDII, Bond Connect, QFII/RQFII, CIBM and QFLP (Qualified Foreign Limited Partner), and realized income from capital-light services of USD21.2590 million, an increase of 44.13% compared with last year. Its business performance was recognized by the market. For the first time, it entered the top 30 list[29] of Chinese USD bond underwriters and won the award of "2021 TOP 30 Private Equity Investment Institutions in the Guangdong-Hong Kong-Macao Greater Bay Area", with its market influence significantly enhanced. During the reporting period, CNCB Investment successfully issued USD500 million of public offering bonds, further optimizing its liability structure.

As at the end of the reporting period, CNCB Investment had 701 employees and no retired employees at the company's expense. It registered total assets equivalent to RMB22.921 billion, up by 16.10% over the prior year-end, net assets equivalent to RMB4.469 billion, up by 30.83% over the prior year-end, and assets under management equivalent to RMB63.080 billion, an increase of 19.37% over the prior year-end. During the reporting period, CNCB Investment recorded net profit equivalent to RMB1.044 billion.

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 pursues a business model featuring limited diversification, upholds the original mission of leasing, and continuously deepens transformative development.

During the reporting period, CITIC Financial Leasing adhered to the orientation of green leasing and focused on the goal of "peaking carbon dioxide emissions" and "carbon neutrality", with business investment reaching RMB18.528 billion. It made innovation in developing household photovoltaic and implemented the first batch of household photovoltaic leasing projects. Besides, it broadened the scope of green leasing and launched the first packaged leasing business for hydropower plants. Meanwhile, it actively expanded into such fields as ships, aircraft, medical equipment and new energy vehicles, promoting the company's return to the original mission of leasing and gradually transiting from a "credit-like" financing business to a "true leasing" financing business. With the successive issuance of two operating leasing businesses, CITIC Financial Leasing achieved zero breakthroughs in aircraft and ship leasing. Taking the initiative to integrate its own development into the national development strategy, CITIC Financial Leasing supported sectors such as high-end equipment manufacturing, strategic new industries, new energy vehicles and so on, with lease grants accounting for 55% and the balance of lease grants to micro, small and medium-sized enterprises accounting for over 80%, thus vigorously supporting the real economy. During the reporting period, CITIC Financial Leasing overfulfilled the task of reducing non-performing assets and achieved remarkable results in risk control.

[29] According to the ranking of Chinese USD bond platforms of WST Pro/SereS.

As at the end of the reporting period, CITIC Financial Leasing had 121 employees and no retired employees at the company's expense. It recorded total assets of RMB51.65 billion, down by 3.1% over the prior year-end, and net assets of RMB6.582 billion, up by 4.38% comparing with the end of the previous year. During the reporting period, CITIC Financial Leasing realized net operating income of RMB1.675 billion, a decrease of 12.12% year on year, and net profit of RMB276 million, an increase of 5.34% year on year. The company recorded return on equity (ROE) of 4.28%, return on assets (ROA) of 0.53%, and a capital adequacy ratio of 12.78%.

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.

During the reporting period, CITIC Wealth Management supported the development of the real economy and met wealth management requirements of various customer groups, actively cultivated star products with distinctive features, accelerated to improve investment and research capabilities of equity assets and made efforts to become a long-term and value investor in the capital market. Relying on the full-license financial resources of CITIC Group, CITIC Wealth Management gave full play to the advantages in science and technology as well as collaborative operations and enhanced its capability of creating inclusive financial products, so as to provide basic, inclusive and diverse products and services for its inclusive and long-tail customers. Continuously making innovation and exploration, it vigorously developed diverse products and investment advisory services, and made an overall plan for personal wealth management, so as to fully leverage the first-mover advantage in the field of discretionary and family trust, and meet the personalized needs of customers. In addition, CITIC Wealth Management actively explored new products, new businesses and new models in the field of bank asset management to consolidate its brand influence.

As at the end of the reporting period, CITIC Wealth Management had 356 employees and no retired employees at the company's expense. It registered total assets of RMB8.200 billion and net assets of RMB7.401 billion. During the reporting period, it recorded net operating income of RMB3.040 billion, and net profit of RMB1.806 billion. It registered the return on equity (ROE) of 27.79% and debt asset ratio of 9.74%, with all businesses operating steadily.

2.7.5.5 *CITIC aiBank*

CITIC aiBank is a new type of internet bank jointly established by the Bank and Fujian Baidu Borui Network Technology Co., Ltd. and the first direct bank with independent legal person status in China, and was officially opened for business on 18 November 2017. It has a registered capital of RMB5.634 billion, and the Bank holds 65.70% of its shares.

During the reporting period, CITIC aiBank followed the strategic direction of "managing wealth for the masses, financing for the general public, developing inclusive finance relying on intelligent technology", CITIC aiBank emphasized the main track thinking and stuck to the differentiated development. It placed strategic importance on proprietary consumer finance business and industry finance, focused on auto finance, inclusive micro and small business and agriculture, rural areas and rural residents finance, and actively explored innovations in green finance, thereby bolstering the low-carbon transformation and development of the real economy. During the reporting period, through these efforts, it was awarded the "Demonstration Case for Practicing Green Finance" by Xinhua Liaowang Institute. It was shortlisted in the KPMG China's "2021 China Leading Fintech 50" list for four consecutive years, and launched AIYA, the first "AI Virtual Brand Officer" in the industry. Its independent platform AIBANK Inside obtained the regulatory permission from the People's Bank of China. During the reporting period, CITIC aiBank achieved balanced development in scale, quality and efficiency, and steadily improved its comprehensive strength and market competitiveness, entering a new stage of strategic formation and rapid development.

As at the end of the reporting period, CITIC aiBank had 807 employees and recorded total assets of RMB79.406 billion, up by 19.46% over the prior year-end, total liabilities of RMB72.601 billion, up by 21.20% over the prior year-end, and net assets of RMB6.805 billion. During the reporting period, it realized net operating income of RMB2.998 billion, up by 74.05% over the previous year, and net profit of RMB263 million. CITIC aiBank once again received a long-term AAA rating for entity credit from China Lianhe Credit Rating Co., Ltd.

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 registered steady business development through active response and various measures. Leveraging on the synergy with the Bank, JSC Altyn Bank enhanced the collaboration between domestic and overseas businesses, and rapidly improved its comprehensive financial service capability. It continued to strengthen business innovation, enhance product competitiveness and improve customer service experience. 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 had 552 employees and recorded share capital of 7.050 billion tenge[30], total assets of 643.184 billion tenge, net assets of 74.359 billion tenge. During the reporting period, it realized net operating income of 29.209 billion tenge, net profit of 16.601 billion tenge, and its ROA and ROE stood at 2.67% and 23.96%, respectively.

[30] The rate on 31 December 2021 of tenge against Renminbi was 1:0.014645862.

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.

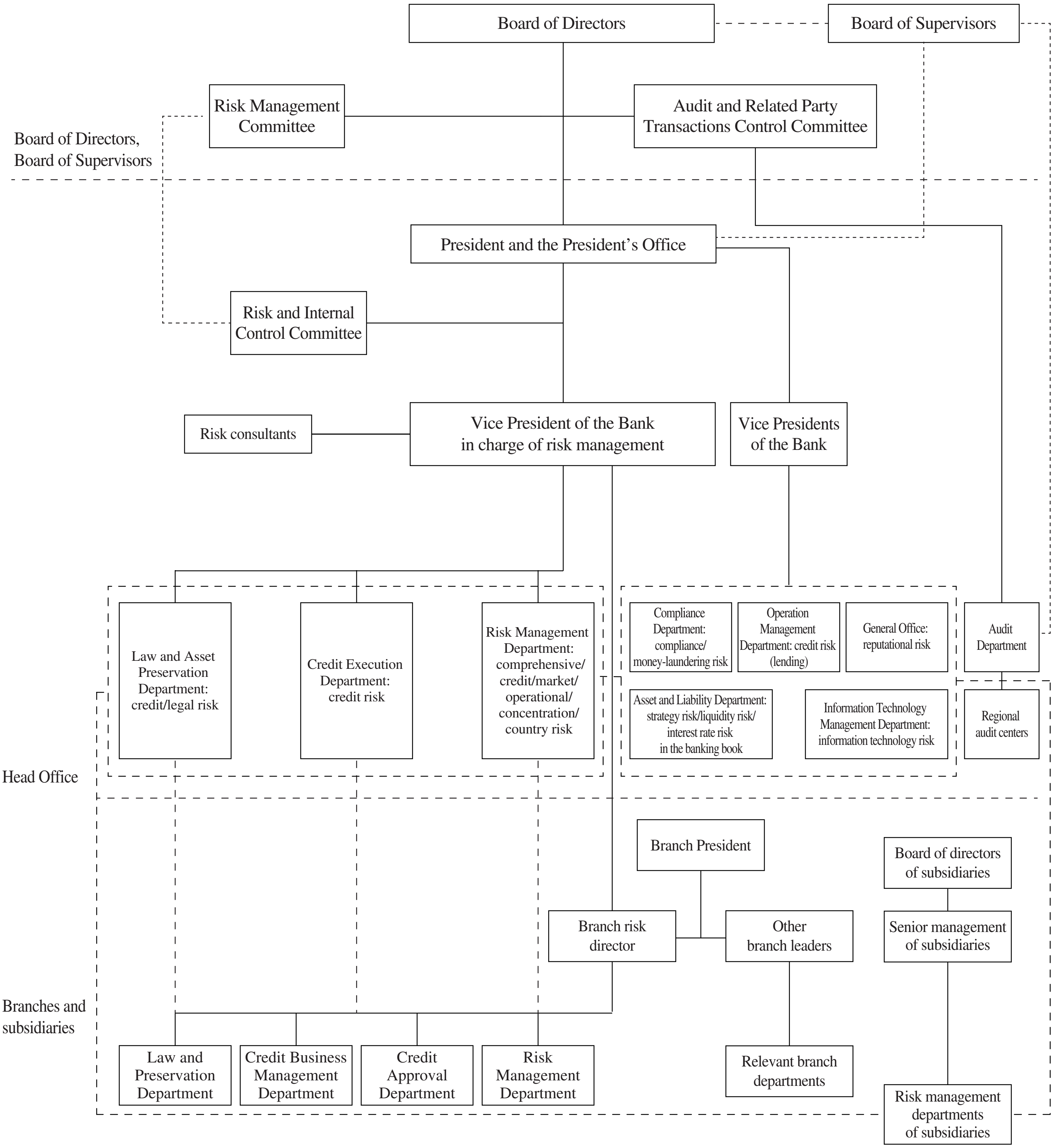
During the reporting period, Lin'an CITIC Rural Bank continued to step up efforts to implement financial relief policies, provided support for inclusive micro and small enterprises through deferred repayment of principal and interest and unsecured loans, and allowed customers who met the requirements for deferred principal and interest payment to defer. As at the end of the reporting period, the cumulative amount of deferred principal repayment (loan renewal without principal repayment) for inclusive micro and small enterprises was RMB945 million and a cumulative total of RMB401 million of unsecured loans were granted to inclusive micro and small enterprises. Besides, Lin'an CITIC Rural Bank applied for RMB160 million of unsecured loans support program and RMB97 million of lending to support agriculture and small businesses from the PBOC. It 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[31]. As at the end of the reporting period, the balance of agriculture-related loans stood at RMB1.132 billion, representing an increase of 20.45% over the prior year-end. The balance of loans granted to micro and small enterprises was RMB1.455 billion, an increase of 18.56% over the end of the previous year. The proportion of loans to farmers and micro and small enterprises reached 92.40%.

As at the end of the reporting period, Lin'an CITIC Rural Bank had 57 employees and recorded RMB2.274 billion total assets, RMB370 million net assets, RMB1.674 billion balance of customer deposits, and RMB1.863 billion combined balance of various loans, a decrease of 2.86%, an increase of 7.84%, a decrease of 7.31% and an increase of 18.46% over the prior year-end, respectively. Its capital adequacy ratio stood at 21.89%, allowance coverage ratio was 450.62%, and the ratio of allowance for impairment of loans to total loans recorded 4.64%. It realized a net profit of RMB39 million for the reporting period.

[31] 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 the central government's relevant policies and provisions, and pursued a steady risk appetite and a proper balance among policy, security, profit and liquidity. It improved relevant policies and procedures and cemented the duties of the three lines of defense. Meanwhile, the Bank strengthened the guidance of credit policies and differentiated authorization management, and released the vitality of community-level institutions while adhering to the bottom line that no systemic risk should occur. It improved the full-time approver system, and further enhanced the professional competence and decision-making ability of approval, thereby improving the review and approval system. Furthermore, the Bank launched the transformation of corporate post-lending management, and reinforced the differentiated management and on-site inspection requirements for customers. It also enhanced the building of the special assets management platform, and strengthened the review of personal loan system and agency sales through private banking as well as model evaluation. In addition, the Bank accelerated IT system improvement and upgrade, and advanced the improvement of its digital risk control system. The Bank also strengthened the building of a professional team for risk management and improved risk management in an all-out effort.

The Bank continued to enhance its capacity for research and development of risk management technology, deepened the multi-level application of big data and artificial intelligence technology, and accelerated the digital transformation of risk management. During the reporting period, the Bank continued to design online product and risk control system relating to transaction banking, auto finance, inclusive finance and personal credit, launched risk view, regional and industry rating models, multi-dimensional risk portraits and uniform scoring model for corporate and individual customers, financial visualization and analysis tools, and intelligent warning based on big data, and continuously enhanced the intelligent approval and refined post-lending management.

During the reporting period, the Bank strictly implemented regulatory requirements, and incorporated large exposure management into its comprehensive risk management system. It improved customer credit management requirements and refined risk exposure measurement rules. It also monitored changes in large exposures through systematic means, regularly reported large exposure indicators and management to regulators, and continuously strengthened the management of customer concentration risk. The limit indicators of large exposures were controlled within the scope permitted by regulators.

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 counter-parties to fulfill the obligations specified in relevant agreements or contracts. The Bank's credit risk mainly comes from various credit businesses, including but not limited to loans, guarantee, acceptance, loan commitments and other on- and off-balance sheet credit businesses, bond investment of banking account, derivatives trading and other businesses, as well as businesses with credit risk such as structured financing and financing wealth management. 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 of the Bank's risk exposures after the mitigation of credit risk asset portfolio and measurement of credit risk capital, please refer to the *2021 Capital Adequacy Ratio Information Disclosure Report of China CITIC Bank Corporation Limited* issued by the Bank. For details on the credit risk management of various businesses of the Bank during the reporting period, please refer to "Business Overview" of this chapter.

During the reporting period, to adapt to changes in the market and policy environment, the Bank took multiple measures to make risk monitoring and post-lending management timelier and more effective. The Bank initiated the transformation of post-lending management, and established a differentiated credit business management system where credits can be increased, maintained, reduced or withdrawn for performing customers under the four-tier classification based on actual risk conditions, while solutions were made for problematic customers with the aim to boost risk mitigation. The Bank set up a long-effect risk monitoring mechanism for key customers, and continuously tracked the business operation information of key customers. In this way, it managed loans close to their maturity and formulated contingency plans in a good manner for risk mitigation to boost risk mitigation and disposal. Furthermore, the Bank enhanced technology empowerment, advanced the comprehensive upgrading of its new-generation credit business system, and strengthened horizontal and vertical information interconnection by breaking information barriers and eradicating information dead zones.

The Bank accelerated the digital transformation of post-lending management. It fully integrated daily tasks including post-lending management into online monitoring, focused on substantial risks, and constantly improved the foresight and effectiveness of risk monitoring. It strengthened the building of its risk early warning system, launched an intelligent risk control and early warning model, and thus realized the initial leap from "management through alarms" to "management through early warnings". The Bank continued to enrich the sources of early warning data, accessing external data such as negative public opinions, industrial, commercial and judicial data, and gave more comprehensive and effective early risk warnings.

The Bank enhanced the refined collateral management. It implemented NAV-based management for collateral appraisal, optimized the confirmation process of collateral value, improved the collateral management rules, and promoted the full coverage of collateral revaluation. It also strengthened the list-based management of appraisal agencies, enhanced the termination mechanism for least-ranking appraisal agencies and the loss recovery mechanism, and continuously expanded the role of collateral in credit risk mitigation.

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 launched the new approach for calculating market risk capital under Basel III, so as to improve the risk measurement capability. It actively conducted research and responded to market volatility, made more forward-looking market analysis, improved the market risk limit setting, proactively investigated debenture risk, and continued to conduct risk monitoring and reminding, hence strongly supporting the development of relevant financial markets businesses. For details of market risk capital measurement, 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. During the reporting period, affected by the slow economic growth in China, the decelerated issuance of local government bonds, and the steady and loose monetary policy, bond market yields dropped amid fluctuations, with the 10-year central government bond yield decreasing by 37 BPs accumulatively. US Treasury bond yields have increased significantly due to the tighter monetary policies of the US Federal Reserve and rising inflation, with 10-year US Treasury bond yield going up by 60 BPs. In response to the volatility in domestic and overseas financial markets, the Bank has scaled up efforts in market research, effectively carried out risk monitoring and warning, continuously improved its market risk limit system and prudently controlled the interest rate risk exposure in the trading book.

Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the overall earnings and economic value of the banking book arising from adverse movements in interest rate, maturity structure, and other factors. It mainly consists of gap risk, benchmark risk and option risk. The Bank manages its interest rate risk in the banking book with the overall objective of observing its prudent risk preference principle and ensuring that overall 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, against China's stable monetary policy and diverse monetary policies of major economies, 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. 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 impacts of the Renminbi exchange rate against the US dollar. During the reporting period, the exchange rate of RMB against the US dollar increased after a decline, and appreciated by 2.62%. The Bank actively responded to the fluctuations with continuous improvement of the measurement and management of foreign exchange exposures, strict control of the foreign exchange risk exposures of relevant businesses, and more intensive routine risk monitoring, forewarning and reporting. As a result, the Bank was able to control its exchange rate risk within the acceptable range.

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, the central bank adhered to the principle of self-sufficiency and stability as its priority, and maintained a flexible, accurate, reasonable and appropriate prudent monetary policy, with remarkable results in expectation management. It strengthened cross-cyclical adjustment in response to changes in economic conditions in the first half and second half of 2021. In the first half of the year, the central bank leveraged the window period under relatively low pressure of stabilizing growth, and focused on optimizing credit structure and reducing financing costs. In the second half of the year, facing the triple pressures of shrinking demand, disrupted supply and weakening expectations, the central bank formulated forward-looking aggregate policies and structural policies, and lowered required reserve ratios twice by 0.5 percentage point each to release RMB2.2 trillion of long-term funds. It increased the re-lending limit for small enterprises, and launched instruments to support carbon emission reduction and re-lending to support the clean and efficient use of coal, etc., in order to increase the financial support for the real economy. The market liquidity was kept reasonably ample, the short-term fund prices fluctuated around the short-term policy interest rates, and the medium and long-term fund prices have fluctuated downward since the Spring Festival. 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 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 146.59%, 46.59 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 2021**	31 December 2020	31 December 2019
Liquidity coverage ratio	**146.59%**	135.14%	149.27%
Qualified premium liquid assets	**929,568**	823,822	744,317
Net cash outflow in the coming 30 days	**634,132**	609,593	498,654

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

The net stable funding ratio was 106.01%, 6.01 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 2021**	30 September 2021	30 June 2021
Net stable funding ratio	**106.01%**	105.01%	103.36%
Available stable funding	**4,671,629**	4,533,522	4,534,668
Required stable funding	**4,406,977**	4,317,296	4,387,056

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

Liability quality management refers to the management activities of commercial banks with respect to the source, structure and cost of liabilities to ensure the safety, liquidity and profitability of their operations in line with their business strategies, risk appetite and overall business characteristics. The target of liability quality management of the Bank is to effectively measure, monitor and control the quality of liabilities by establishing a science-based and complete liability quality management system, and ensure 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 and the Bank maintained high-quality liabilities.

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 launched the implementation of the new standardized approaches for calculating operational risk capital under Basel III, carried out operational risk and control assessment of main business processes, established a stratified and layered indicator monitoring system. It also carried forward the cleaning of tens of thousands of historical loss data across the Bank, formulated and implemented the operational risk management plan for consolidated subsidiaries, and completed the design of the measurement plan for operational risk under new standardized approaches. It strengthened the upgrading of its operational risk management system, established an operational risk data mart and management cockpit, and further enhanced the capability for in-process monitoring of operational risk. At the same time, the Bank continuously reinforced the mechanism for grading and reporting risk incidents, and conducted stricter risk screening on the business stages highly prone to operational risk. Moreover, it made further endeavors to establish a robust risk management system for its outsourcing business, strengthened daily management and risk assessment of outsourcing affairs, and organized outsourcing audits and inspections, thus effectively standardizing the risk management of cooperation with third parties. In addition, the Bank continuously built up capacity for emergency response, and enhanced the business continuity management of key technology projects, in major events and during the pandemic through reviewing the business continuity management system and boosting digital transformation. In the meantime, it also further strengthened the prevention and control of information technology risk, and conducted comprehensive assessment and continuous monitoring of such risks in the Head Office, branches and subsidiaries. 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 revised and issued the *Management Measures for Reputational Risk of China CITIC Bank Corporation Limited* and its supporting policies and made relevant arrangements in terms of governance structure, whole-process management, routine development and supervision accountability. The Bank, willingly subject to the supervision of social opinion, actively responded to 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, the Bank continued to enhance country risk management in line with regulatory requirements and operating strategies, improved and reviewed annual country risk limits, and strengthened limit management of high-risk countries. It also regularly conducted country risk ratings, monitored changes in country risk exposures, carried out stress tests on country risk, and improved the emergency response plan for country risk, thus controlled country risk at an acceptable level.

2.8.10 Anti-Money Laundering (AML)

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

During the reporting period, the Board of Directors, the Board of Supervisors and the senior management of the Bank earnestly performed the Bank's AML responsibilities as a legal person, elevated AML work to a strategic level, and thoroughly practiced an "all-employee, all-aspect and full-process" money laundering risk management concept under the comprehensive risk management system. The Bank further improved its AML legal person governance, enhanced AML authorization management, steadily pushed forward money laundering risk assessment and data governance, and intensified the management on overseas institutions and subsidiaries. It gave full play to the decision-making role of the Anti-Money Laundering Work Leadership Group, carried out in-depth management of high-risk customers, improved the joint prevention and control mechanism of money laundering risk, and promoted the "Three Defense Lines" to perform their duties. The Bank also improved the three-pronged AML rule system comprising of "top-level policies, special policies and line-specific policies", formulated and revised 9 AML internal control rules, and continued to enhance the AML review of "new policies, new products and new systems" in order to give full play to the role of risk control at earlier stages. It optimized the money laundering risk assessment mechanism for customers and products, continuously carried out ex-post supervision, increased internal penalties and accountability, and improved proactive investigation and self-rectification abilities. The Anti-Money Laundering Monitoring Center of the Bank ran smoothly, and effectively released the efficacy of centralized operations. What's more, the Bank continuously increased technology investment, improved the AML information system, and reinforced technology empowerment. It moved faster to establish the sanctions risk management system, optimized the list-based monitoring, improved the review process, and enhanced sanctions risk prevention. It also strengthened AML training for directors, supervisors, senior management members and employees at all levels, continuously conducted internal and external AML publicity, and thereby supported the Bank's AML performance.

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 business operation, the Bank was not aware of any 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 are facing some challenges in development. Some countries experience resurgence in COVID-19 variant cases, and major economies are at greater risk of shifting the extremely loose monetary policy. In the meantime, the mounting protectionism and unilateralism, the growing geopolitical tensions and the slow recovery of the global industry chain and supply chain all pose challenges. China's economic development is facing pressure from demand contraction, supply shocks and weakening expectations, which exerts daunting instability and uncertainty to economic recovery. The regulatory authorities will step up cross-cyclical adjustment in addition to counter-cyclical adjustment in alignment with macro policies to support high-quality economic development. Guided by the policies, the banking industry should contribute to ensuring stability on six key fronts and maintaining security in six key areas, increase support for the real economy, especially micro and small enterprises, technological innovation and green development, further optimize the asset structure, and bolster the high-quality development of the real economy. It should enhance risk management capability, strengthen multi-channel capital replenishment to ensure stable and sound asset quality and enhance risk resistance capability. It should also further accelerate financial technology innovation and drive the capital-light and digital transformation of banks.

On the other hand, commercial banks are facing expanding opportunities. In 2022, macro policies will prioritize stability and pursue progress amid stability. All regions and departments will assume responsibility for stabilizing the macroeconomy, and all sides will take the initiative and launch policies conducive to economic stability. The effectiveness of policies will be manifested appropriately earlier. China will continue to implement a proactive fiscal policy and prudent monetary policy, take firm actions to safeguard macroeconomic stability, and keep major economic indicators within an appropriate range. At the same time, China will deepen the supply-side structural reform with focus on smoothing the circulation of the national economy, breaking through the blockage and constraints of supply and connecting all links of production, allocation, distribution and consumption. The Chinese government will continue to guide financial institutions to ramp up support for the real economy, especially for micro and small enterprises, technological innovation and green development, further energize market entities and boost their confidence, and thoroughly implement major regional development strategies as well as the strategies for coordinated regional development to promote the coordinated development of the east, central, west and northeast regions. China's efforts in realizing steady improvement of the quality and reasonable growth of the economy will continue to fuel high-quality development and provide a broad space for the structural adjustment, transformation and development of commercial banks.

In 2022, the Bank will continue to maintain its target positioning of steady development, adhere to the orientation of serving the real economy and building a bank of value, promote the development of core business capabilities and deepen the operational transformation, with an expected asset growth rate of around 6%-8% for the year. It 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.

2.12 Other Information Disclosed as Required by Regulators

In October 2021, the Bank was enrolled as a domestic systemically important bank. The Group's evaluation indicators for systemic importance are listed below:

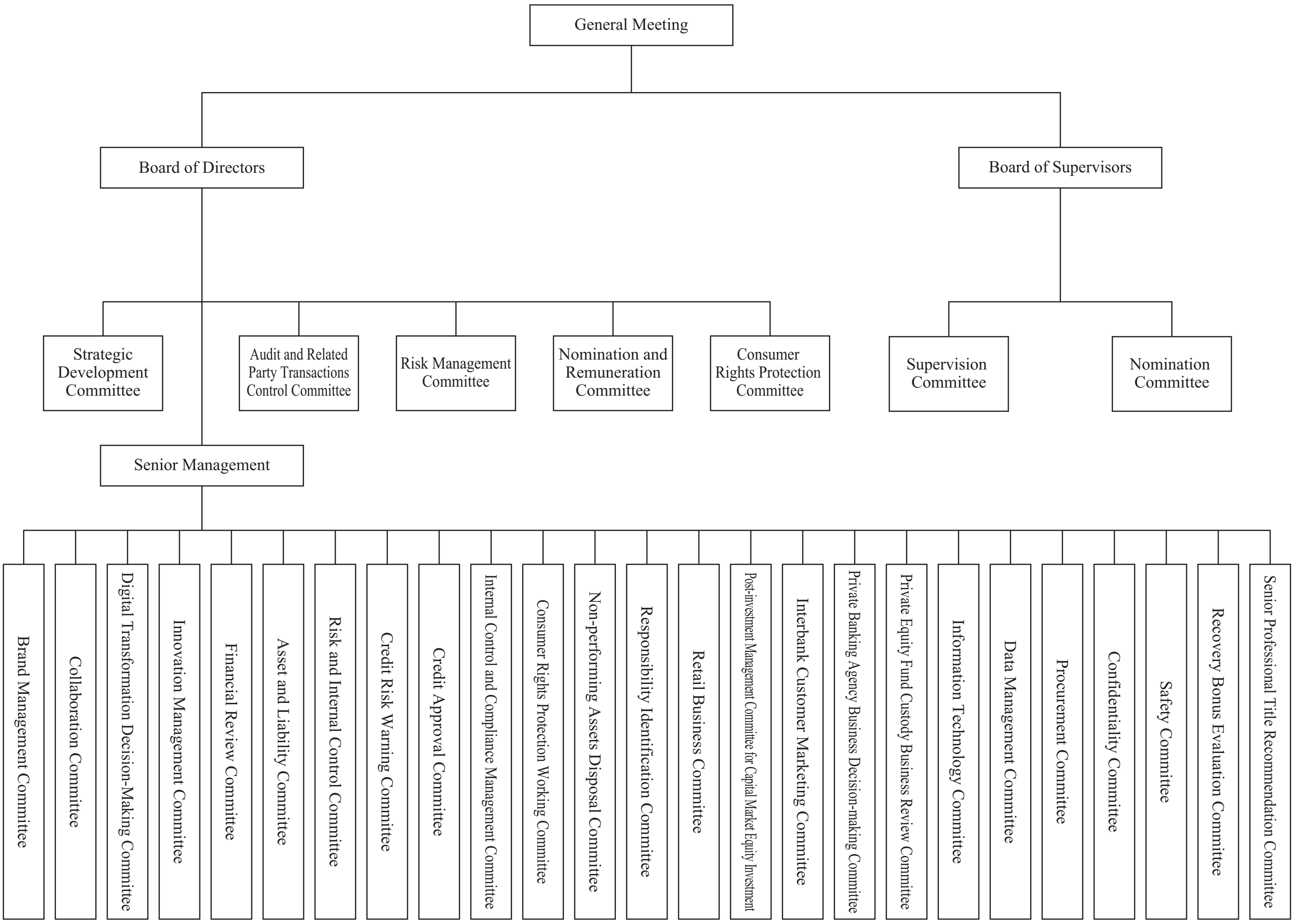
Unit: RMB million

<table>
<tr><th>Tier 1 indicator</th><th colspan="2">Tier 2 indicator</th><th>31 December 2020</th></tr>
<tr><td>Scale</td><td colspan="2">Balance of adjusted on-and off-balance sheet assets</td><td>8,583,082</td></tr>
<tr><td rowspan="3">Relevance</td><td colspan="2">Assets due to/from financial institutions</td><td>1,564,604</td></tr>
<tr><td colspan="2">Liabilities due to/from financial institutions</td><td>1,793,270</td></tr>
<tr><td colspan="2">Issuance of securities and other financing instruments</td><td>1,682,943</td></tr>
<tr><td rowspan="6">Substitutability</td><td colspan="2">Payments settled through payment system or correspondent bank</td><td>173,528,115</td></tr>
<tr><td colspan="2">Assets under custody</td><td>10,332,549</td></tr>
<tr><td colspan="2">Agency and commission business</td><td>1,325,714</td></tr>
<tr><td rowspan="3">Number of customers and number of domestic operating institutions</td><td>Number of corporate customers</td><td>828,800</td></tr>
<tr><td>Number of personal customers</td><td>110,880,000</td></tr>
<tr><td>Number of licensed operating institutions established by the Bank in China</td><td>1,405</td></tr>
<tr><td rowspan="6">Complexity</td><td colspan="2">Derivatives</td><td>5,083,017</td></tr>
<tr><td colspan="2">Securities measured at fair value</td><td>524,803</td></tr>
<tr><td colspan="2">Assets of non-banking affiliates</td><td>410,808</td></tr>
<tr><td rowspan="2">Wealth management business</td><td>Balance of non-principal-guaranteed wealth management products issued by the Bank</td><td>1,078,872</td></tr>
<tr><td>Balance of wealth management products issued by wealth management subsidiary</td><td>39,892</td></tr>
<tr><td colspan="2">Overseas claims and debts</td><td>610,874</td></tr>
</table>

Note: The evaluation data in the table are calculated in accordance with the Evaluation Measures for Systemically Important Banks (Yin Fa [2020] No. 289), and some data may be different from those in the 2020 Annual Report and the data of evaluation indicators for global systemically important banks.

CHAPTER 3 CORPORATE GOVERNANCE

3.1 Corporate Governance Structure



3.2 Overall Profile of Corporate Governance

During the reporting period, the Bank pursued high-quality development, earnestly implemented the state's decisions and plans and regulators' requirements, pressed ahead with the building of the corporate governance system, and accelerated the improvement 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 and checks and balances between governance bodies. The Board of Directors, the Board of Supervisors and their specialized committees effectively performed their functions. The channels for the directors and supervisors to perform their duties were further broadened, the methods for them to perform their duties were improved. And their capabilities of performing 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 its role in strategic decision-making to fully support the development of the real economy and reinforce the duty performance regarding risk prevention. It formulated the science-based development plan for 2021-2023 of the Bank, established a whole-process strategic management system, and solidly advanced the implementation of strategies. It deepened business transformation, focused on building the three core business capabilities of wealth management, asset management and comprehensive financing, enhanced the value of light-capital transformation and development, and pushed forward the comprehensive upgrading of the Bank's financial technology empowerment, thereby making the business structure more coordinated and stable. The Bank pushed forward the financial supply-side structural reform, actively integrated into the domestic and international circulations, and vigorously bolstered the development of key fields such as inclusive finance, green finance, manufacturing and rural revitalization. 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, vigorously pushed forward the reform of risk management system, and pushed forward the "Year for Enhancing Internal Control and Compliance Management" campaign in an in-depth manner to improve the internal control and compliance management on all fronts.

During the reporting period, the Bank organized the directors, supervisors and the board secretary to participate in training by external organizations such as the SSE and the China Securities Regulatory Commission Beijing Bureau ("CSRC Beijing Bureau") and invited experts form PBOC to give lectures, recording 36 person-times participation. The Bank also carried out surveys of 28 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 Bank maintains its independent and complete business as well as the capability of independent business operation. There is no non-independence from the controlling shareholder and de facto controller in terms of assets, 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 business operations.

In terms of finance, the Bank has an independent finance and accounting department, has established an independent finance and accounting system and 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. The procedures and requirements for opening accounts with the Bank by its controlling shareholder and de facto controller according to law are identical to those for other third parties, and the controlling shareholder and de facto controller are independent from the Bank in terms of funds and accounts.

In terms of institutional set-up, the Bank has established the general meeting, the Board of Directors and the Board of Supervisors, and set up business departments and management departments based on its own operation and management needs. 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 to directly face the market and operate independently, 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 and 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 explicitly dividend policies of ordinary shares including the basis, principles, intervals, methods and conditions of profit distribution, highlight the cash distribution as the preferred distribution method, provide for the minimum cash distribution proportion of no less than 10% of the net profit attributable to equity holders of the Bank except for special circumstances and that the change of dividend distribution policies shall be valid after being brought in writing, deliberated and passed at the Board of Directors meeting and approved by special resolution of the general meeting. And these provisions also offer shareholders an online voting platform for participation in voting for the proposals on distribution plans. Formulated in compliance with regulations, through transparent procedures and with complete decision-making process, the Bank's profit distribution policy has clear and definite criteria and proportion for profit distribution, fully protects legitimate rights and interests of its minority investors, and meets the provisions set forth in the Articles of Association of the Bank.

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

Unit: RMB million

Year for which dividends were distributed	**Cash dividends every ten shares (RMB yuan) (pre-tax)**	**Total amount of cash dividends (pre-tax)**	**Net profit attributable to ordinary shareholders of the Bank as indicated in consolidated statements**	**Distribution ratio (Note)**
2018	2.300	11,255	43,183	26.06%
2019	2.390	11,695	46,685	25.05%
2020	2.540	12,429	45,970	27.04%

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

After-tax profit as shown on the Bank's audited 2021 financial statements respectively prepared in accordance with the PRC Accounting Standards and IFRS were both RMB51.514 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 RMB5.151 billion, and appropriated RMB4.574 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 the Bank's fiscal and capital position, the need to safeguard the Bank's sustainable development and the more stringent regulatory requirements on capital adequacy, and in the light of the industry's characteristics and development phase as well as the Bank's profitability, the Bank plans to pay cash dividends to all ordinary shareholders based on the total shares as shown on the Bank's register on the register date. And the cash dividends for A shares and H shares on the register will be RMB3.02 per 10 shares (tax inclusive). Calculated according to the total A shares and H shares on register as at 31 December 2021, the total cash dividends of 2021 for ordinary shareholders will be RMB14.778 billion[32], accounting for 28.08% of the consolidated net profit attributable to ordinary shareholders of the Bank of the year 2021.

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. And these dividends shall be denominated and declared in Renminbi, and shall be paid to A shareholders in Renminbi and to H shareholders in Hong Kong dollar. The dividends to be paid in Hong Kong dollar shall be calculated in accordance with the average benchmark exchange rate of Renminbi to Hong Kong dollar as released by the PBOC one week preceding the convening of the 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 10.73% return on weighted average equity attributable to its ordinary shareholders in 2021 and is expected to maintain a certain level of return and contribution in 2022.

This ordinary share profit distribution plan ("the Plan") complies with relevant provisions of the Articles of Association of the Bank and follows clear criteria and proportions of dividend payment. After sufficient discussion and consideration at the meeting of the Strategic Development Committee 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 24 March 2022 and adopted afterward. It shall be submitted to the 2021 Annual General Meeting for deliberation. It is expected that the Bank will pay the 2021 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 2021 annual dividends to H shareholders on 28 July 2022. Should there be any change thereof, the Bank will publish a separate announcement for disclosure. The record date and specific method of dividend payment to its A shareholders shall be announced separately by the Bank.

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

The Bank's independent non-executive directors have performed their due responsibilities in the decision-making process of the Plan and expressed their independent opinion on the Plan as follows: The 2021 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 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 for deliberation.

When the Plan is submitted to the 2021 Annual General Meeting for deliberation, the Bank will, as required by relevant regulatory requirements, offer investors online voting facilities and disclose voting results in accordance with the shareholding percentages of the voting A shareholders. The shareholding percentages are placed in the three ranges of below 1%, 1-5%, and above 5%. The shareholders with less than 1% shareholding will be further classified into the two categories of above and below RMB500,000 market value of shareholdings and their voting results shall be further disclosed accordingly. Minority investors have opportunities to fully express their opinions and appeals, and the preparation and implementation of this Plan fully protects their legitimate rights and interests.

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

3.5 General Meeting

3.5.1 General Meeting and Shareholders' Rights

Responsibilities of the general meeting

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

Annual general meeting

The annual general meeting of the Bank provides an effective communication platform between the shareholders and the Board of Directors. For the convening of a general meeting, the Bank shall issue a written notice 45 days prior to the date of the meeting, informing all shareholders on record and entitled to attend the meeting of the matters to be deliberated as well as the date and venue of the meeting. Shareholders who intend to attend the meeting shall send their written reply slip to the Bank 20 days before the date of the meeting. Directors, supervisors and the board secretary of the Bank shall attend the general meeting, while President and other senior management members of the Bank shall be present at the general meeting as non-voting attendees. Directors, supervisors and senior management members of the Bank shall make explanations regarding inquiries and suggestions raised by shareholders at the meeting. Domestic and overseas auditors engaged by the Bank shall also attend the general meeting 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 general meeting according to domestic and overseas securities regulatory rules. Details of the voting procedure shall be explained to the shareholders at the beginning of the meeting to ensure shareholders' familiarity with such procedures.

Extraordinary general meeting

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

Submitting proposals to the general meeting

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

Convening of extraordinary meetings of the Board of Directors

Extraordinary meetings of the Board of Directors may be convened when proposed by shareholders that represent 10% or more of the voting rights. The 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 10% or more of the voting rights.

Making inquiries to the Board of Directors

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

3.5.2 Convening of General Meetings

During the reporting period, the Bank convened 1 annual general meeting and 2 extraordinary general meetings, where 19 proposals were adopted after deliberation. These meetings were all convened in compliance with the procedures specified in the Articles of Association of the Bank. Relevant resolutions of these meetings were disclosed by the Bank on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

On 14 January 2021, the Bank held the 1st Extraordinary General Meeting of 2021 in Beijing. The then Chairperson and executive director Ms. Li Qingping presided over the meeting. Some directors and 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 one proposal regarding the appointment of Ms. Li Rong as a shareholder representative supervisor of the 5th Session of the Board of Supervisors.

On 7 May 2021, the Bank held the 2nd Extraordinary General Meeting of 2021 in Beijing. Executive director and President Mr. Fang Heying (who performed the duties of the Chairman according to the resolution of the Board of Directors) presided over the meeting. Some directors and 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 approved three proposals regarding the appointment of Mr. Zhu Hexin as a non-executive director of the 5th Session of the Board of Directors of the Bank, the amendments to the Articles of Association, and the formulation of implementation rules for the accumulative voting mechanism.

On 24 June 2021, the Bank held the Annual General Meeting of 2020 in Beijing. Chairman and non-executive director Mr. Zhu Hexin presided over the meeting. Other directors, some 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 15 proposals regarding the 2020 Annual Report, 2020 final accounts, 2020 profit distribution plan, 2021 financial budget plan, engagement of accounting firms for 2021 and their fees, special report of related party transactions for 2020, report of the Board of Directors for 2020, report of the Board of Supervisors for 2020, director allowance policy of the 6th Session of the Board of Directors, supervisor allowance policy of the 6th Session of the Board of Supervisors, appointment of non-executive directors of the 6th Session of the Board of Directors, appointment of executive directors of the 6th Session of the Board of Directors, appointment of independent directors of the 6th Session of the Board of Directors, appointment of external supervisors of the 6th Session of the Board of Supervisors, and appointment of shareholder representative supervisors of the 6th Session of the Board of Supervisors.

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 9 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 a work report to the meeting; to implement the resolutions adopted by the general meeting; to determine the development strategies, business plans and investment proposals of the Bank; to prepare the annual financial budget and final accounts of the Bank; to prepare the profit distribution plans and loss remedy plans of the Bank; in accordance with the Articles of Association and within the scope of authorization of the general meeting, to determine the plans for major investment, major assets acquisition and disposal and other major matters of the Bank; to prepare proposals for the 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	715,000	–	Yes
Cao Guoqiang	Non-executive Director	Male	Dec. 1964	Sep. 2018-Jun. 2024	0	0	–	Yes
Guo Danghuai	Executive Director, Vice President	Male	May 1964	Sep. 2019-Jun. 2024	636,000	636,000	180.17	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-Jun. 2022	0	0	27.07	No
Chen Lihua	Independent Non-Executive Director	Female	Sep. 1962	Jun. 2016-Jun. 2022	0	0	27.07	No
Qian Jun	Independent Non-Executive Director	Male	Jul. 1970	Dec. 2016-Dec. 2022	0	0	31.00	No
Non-incumbent Directors								
Wan Liming	Non-executive Director	Male	May 1966	Jun. 2016-Apr. 2021	0	0	–	Yes
Yan Lap Kei Isaac	Independent Non-Executive Director	Male	Oct. 1960	Sep. 2018-Dec. 2021	0	0	28.23	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) Due to work arrangement, Ms. Li Qingping has resigned from the positions of the chairperson, executive director and relevant position in special committees under the Board of Directors. Please refer to the 2020 Annual Report of the Bank for relevant information of Ms. Li during her tenure.

(3) The final remunerations of the directors who received remuneration 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.

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

3.6.1.2 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 over twenty 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, and deputy director of Hangzhou Chengdong Office of Shanghai Pudong Development Bank. Mr. Fang has over 20 years of experience in the Chinese banking industry. He graduated from Peking University with a master's degree in business administration for senior management member. He is a senior economist.

Mr. Cao Guoqiang Chinese Nationality

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

Mr. Guo Danghuai　Chinese Nationality

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

Ms. Huang Fang　Chinese Nationality

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

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

Ms. Chen Lihua   Chinese Nationality

Independent non-executive director of the Bank. Ms. Chen is a professor and Ph.D. tutor of the Management Science and Information System Department of Guanghua School of Management at Peking University, and also an executive director of the Center for Research of Circulation Economy and Management, director of Liantai Supply Chain Research and Development Center, and deputy dean of the China National Institute for Research of Development Strategy on Hi-Tech Industry Development Zone of Peking University. In addition, she is vice president of the China Society of Logistics, director of the Supply Chain and Logistics Committee of the China Management Science Society, an expert with special contribution to the logistics industry over the 40 years of China's reform and opening-up, a core expert in the National Strategy Research Group for Supply Chain Innovation and Application, and an expert on national high-tech zones engaged by the Ministry of Science and Technology. Ms. Chen is currently an independent director of 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 institutions, including commercial and investment banking, mutual and hedge funds, credit rating agencies, mergers and acquisitions, legal systems related to finance, comparison of financial systems in emerging markets, development of financial systems during China's economic transformation, and financial risk prevention and control. He published multiple research papers on top academic journals, and contributed chapters of several books on financial system development. His books recently finished include *Power of China's Finance*.

3.6.1.3 Appointment, Resignation and Dismissal of Directors

On 30 October 2020, the Bank's 2nd Extraordinary General Meeting of 2020 elected Mr. Wang Yankang as a non-executive director of the 5th Session of the Board of Directors. Upon the approval by the CBIRC, Mr. Wang Yankang began to serve as non-executive director of the Bank as of 16 April 2021.

On 15 March 2021, the Bank received the resignation from Ms. Li Qingping. She resigned as Chairperson and Executive Director of the Bank and Chairperson and member of the Strategic Development Committee of the Board of Directors due to work rearrangements, with effect from 15 March 2021.

On 21 April 2021, the Board of Directors of the Bank received a resignation report from Mr. Wan Liming, a non-executive director of the Bank. Due to work adjustments, Mr. Wan Liming tendered his resignation from the position of the non-executive director of the Bank. The resignation of Mr. Wan Liming became effective from 21 April 2021.

On 15 March 2021, the 43rd meeting of the 5th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, nominating Mr. Zhu Hexin as non-executive director candidate of the Bank, and electing Mr. Zhu Hexin as Chairman of the Board of Directors. Before the general meeting of the Bank elected him to serve as a non-executive director of the Bank and the regulatory authority approved his qualifications for the Bank's non-executive director and Chairman, pursuant to the regulatory requirements, the Board of Directors agreed to appoint executive director and President Mr. Fang Heying to perform the duties of the Chairman of the Bank, with effect from 15 March 2021 to the date when Mr. Zhu Hexin assumed non-executive director and Chairman of the Bank. On 7 May 2021, the 2nd Extraordinary General Meeting of 2021 elected Mr. Zhu Hexin as a non-executive director of the Bank. Upon the approval by CBIRC, Mr. Zhu Hexin began to serve as non-executive director and Chairman of the Bank as of 21 June 2021.

On 15 March 2021, the 43rd meeting of the 5th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, electing Mr. Fang Heying as Vice Chairman of the 5th Session of the Board of Directors of the Bank. Upon the approval by the CBIRC, Mr. Fang Heying began to serve as Vice Chairman of the Bank as of 21 June 2021.

On 24 June 2021, upon expiration of the term of the 5th Session of the Board of Directors of the Bank, the 6th Session of the Board of Directors was elected at the 2020 Annual General Meeting of the Bank. Mr. Zhu Hexin, Mr. Cao Guoqiang, Ms. Huang Fang and Mr. Wang Yankang served as non-executive directors of the 6th Session of the Board of Directors of the Bank; Mr. Fang Heying and Mr. Guo Danghuai served as executive directors of the 6th Session of the Board of Directors of the Bank; Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Yan Lap Kei Isaac served as independent non-executive directors of the 6th Session of the Board of Directors of the Bank.

On 24 June 2021, the first meeting of the 6th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, electing Mr. Zhu Hexin and Mr. Fang Heying as Chairman and Vice Chairman of the 6th Session of the Board of Directors of the Bank, respectively. The above-mentioned personnel were all re-appointed upon election and took office as of 24 June 2021.

On 10 December 2021, Mr. Yan Lap Kei Isaac was not able to perform his duties due to personal health reasons and resigned as independent non-executive director, member of the Nomination and Remuneration Committee under the Board of Directors, member of the Risk Management Committee under the Board of Directors, and chairman and member of the Audit and Related Party Transactions Control Committee under the Board of Directors of the Bank, which took effect as of 10 December 2021.

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 an independent non-executive director respectively of the 6th Session of the Board of Directors, and they will take office after their qualifications are approved by the regulatory authority.

3.6.2 Meetings of the Board of Directors

During the reporting period, the Board of Directors convened 16 meetings (including 10 on-site meetings and 6 meetings via written resolutions). At the meetings, the Board of Directors deliberated and adopted 101 proposals, including the *2020 Annual Report of China CITIC Bank, 2020 Profit Distribution Plan of China CITIC Bank, 2021 Business Plan of China CITIC Bank, 2021 Financial Budget Plan of China CITIC Bank, 2020 Sustainable Development Report of China CITIC Bank, Report for the First Quarter of 2021 of China CITIC Bank, 2021 Interim Report of China CITIC Bank, 2021 Dividend Distribution Plan for Preference Shares of China CITIC Bank, Report for the Third Quarter of 2021 of China CITIC Bank* and election of the Board of Directors. In addition, the Board of Directors listened to 51 presentations respectively regarding the reports on operating results of the Bank in 2020 and each quarter of 2021, reports on comprehensive risk management in 2020 and each quarter of 2021, reports on internal control and compliance in 2020 and the first half year of 2021, report on consumer protection in 2020 and the first half year of 2021, 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 of Directors meetings have been disclosed published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details thereof.

The attendance records of the directors at the board meetings in the reporting period are set out in the table below.

Directors	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings	Attendance of general meetings
Zhu Hexin	7/8	1/8	1/1
Fang Heying	16/16	0/16	3/3
Cao Guoqiang	16/16	0/16	3/3
Guo Danghuai	16/16	0/16	3/3
Huang Fang	15/16	1/16	2/3
Wang Yankang	10/10	0/10	2/2
He Cao	16/16	0/16	3/3
Chen Lihua	16/16	0/16	3/3
Qian Jun	14/16	2/16	3/3

Notes: (1) During the reporting period, before her departure as director, Ms. Li Qingping attended 2 meetings in person and 1 meetings by proxy among the 3 total meetings taken place during her tenure. She attended one general meeting.

(2) During the reporting period, before his departure as director, Mr. Wan Liming attended 3 meetings in person and 3 meetings by proxy among the 6 total meetings taken place during his tenure. He attended one general meeting.

(3) During the reporting period, before his departure as director, Mr. Yan Lap Kei Isaac attended 11 meetings in person and 3 meetings by proxy among the 14 total meetings taken place during his tenure. He attended 3 general meetings.

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 a number of advice and suggestions, which were all adopted or responded to by the Bank.

3.6.3 Specialized Committees under the Board of Directors

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

3.6.3.1 Strategic Development Committee

As at the end of the reporting period, the Strategic Development Committee of the 6th Session of the Board of Directors comprised 4 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 and independent non-executive director Mr. Qian Jun as committee members. Its principal responsibilities include: to study the Bank's operation and management targets, long-term development strategies, and special strategic development plans respectively regarding human resources, information technology development and other areas, and make recommendations thereon to the Board of Directors; to study programs on major cooperation, investment, financing, and merger and acquisition, and make recommendations thereon to the Board of Directors; and to supervise and examine the implementation of annual business plans and investment programs as authorized by the Board of Directors.

The attendance records of the Strategic Development Committee members at the committee meetings during the reporting period are set out in the table below.

Members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Zhu Hexin	2/3	1/3
Fang Heying	7/7	0/7
Cao Guoqiang	7/7	0/7
Qian Jun	7/7	0/7

Note: During the reporting period, before her departure, Ms. Li Qingping attended 1 meeting in person and 1 meeting by proxy among the 2 total meetings taken place during her tenure.

During the reporting period, the Strategic Development Committee convened 7 meetings in total where it deliberated and adopted 17 proposals, and listened to 2 presentations, of which details are listed as follows:

Date	Meeting Content	Important Comments and Suggestions	Other Duty Performance Details
27 January	Proposal reviewed: Development Plan for 2021—2023 of China CITIC Bank Report listened to: Assessment Report on the *Development Plan for 2018-2020 of China CITIC Bank*	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
11 March	Proposal reviewed: Development Plan for Tier-2 Branches in 2021 of China CITIC Bank	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
25 March	Proposals reviewed: 1. 2020 Profit Distribution Plan of China CITIC Bank 2. 2021 Business Plan of China CITIC Bank 3. 2021 Financial Budget Plan of China CITIC Bank 4. 2020 Sustainable Development Report of China CITIC Bank 5. Report on Equity Management of Substantial Shareholders in 2020 of China CITIC Bank 6. 2021 Work Plan of the Strategic Development Committee under the Board of Directors Report listened to: Development of Inclusive Finance in 2020 and the Work Plan for 2021	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—
29 April	Proposals reviewed: 1. Overseas Development Plan for 2021—2022 of China CITIC Bank 2. *Management Measures for Inclusive Internet Loans to Micro and Small Enterprises of China CITIC Bank* 3. Proposal on the Amendments to the 2021 Financial Budget Plan of China CITIC Bank	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—
24 June	Proposals reviewed: 1. Proposal on Election of Chairman of the Strategic Development Committee of the 6th Session of the Board of Directors 2. 2021—2023 Capital Plan of China CITIC Bank	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—
25 August	Proposals reviewed: 1. 2021 Dividend Distribution Plan for Preference Shares of China CITIC Bank 2. Proposal on the Amendments to the *Rules of Procedures of the Strategic Development Committee under the Board of Directors of China CITIC Bank Corporation Limited*	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—
24 December	Proposals reviewed: 1. Proposal on General Authorization for Issuance of Capital Bonds 2. Proposal on General Authorization for Issuance of Financial Bonds	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—

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 6th Session of the Board of Directors comprised 4 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 and Mr. Qian Jun 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.

The attendance records of the Audit and Related Party Transactions Control Committee members at the committee meetings during the reporting period are set out in the table below.

Members	**In-person attendance/ number of meetings**	**Attendance by proxy/ number of meetings**
He Cao	16/17	1/17
Wang Yankang	10/10	0/10
Chen Lihua	17/17	0/17
Qian Jun	15/17	2/17

Notes: During the reporting period, before his departure as a committee member, Mr. Yan Lap Kei Isaac attended 9 meetings in person and 5 meetings by proxy among the 14 total meetings taken place during his tenure.

During the reporting period, the Audit and Related Party Transactions Control Committee convened 17 meetings in total, where it deliberated and adopted 34 proposals, and listened to 11 presentations, of which details are listed as follows:

Date	Meeting Content	Important Comments and Suggestions	Other Duty Performance Details
21 January	Proposals reviewed: 1. Performance Evaluation Results on Audit Quality in 2020 of China CITIC Bank 2. Amendments to the *Management Measures for Inside Information and Insiders of China CITIC Bank Corporation Limited* 3. Credit Extension to Related Parties	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—
1 February	Proposals reviewed: 1. 2021 Audit Plan of China CITIC Bank 2. Credit Extension to Related Parties Reports listened to: 1. Report on Special Audit on Fraud Case Prevention and Control in 2020 2. Report on Analysis of Risks in Corporate Credit Business of Related Parties of China CITIC Bank	The committee deemed that the Bank attached great importance to fraud case prevention and audit work, and achieved obviously effective results in governance. It recommended strengthening customer concentration management and related party transaction management, and agreed to submit relevant proposals to the Board of Directors for deliberation.	—

Date	Meeting Content	Important Comments and Suggestions	Other Duty Performance Details
19 March	Proposals reviewed: 1. 2020 Annual Report of China CITIC Bank 2. Engagement of Accounting Firms for 2021 and Their Fees 3. 2020 Internal Control Assessment Report of China CITIC Bank 4. Credit Extension to Related Parties 5. Special Report on Related Party Transactions in 2020 of China CITIC Bank 6. Proposal on the Fulfillment of Undertakings to Avoid Peer Competition by CITIC Group and CIFH 7. Proposal on the Duty Performance of the Audit and Related Party Transactions Control Committee under the Board of Directors in Disclosure of the 2020 Annual Report 8. 2021 Work Plan of the Audit Committee under the Board of Directors Reports listened to: 1. Report on Operating Results of China CITIC Bank for 2020 2. Report on Internal Control and Compliance in 2020	The committee affirmed the Bank's work in internal control and compliance, had thorough communication and discussions with auditors on the annual report, and agreed to submit relevant proposals to the Board of Directors for deliberation.	The Independent Non-executive Directors expressed prior approval opinions on the engagement of accounting firms for 2021 and their fees.
13 April	Proposal reviewed: Credit Extension to Related Parties	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
27 April	Proposals reviewed: 1. Report for the First Quarter of 2021 of China CITIC Bank 2. Credit Extension to Related Parties 3. Proposal on the Acquisition of Controlling Shares in CNCBI Investment Holdings Limited by CNCB Investment Report listened to: Report on Operating Results of China CITIC Bank for the First Quarter of 2021	The committee affirmed the Bank's operating results in the first quarter, fully communicated and discussed on the matters of related party transactions, and agreed to submit relevant proposals to the Board of Directors for deliberation.	—
20 May	Proposal reviewed: Credit Extension to Related Parties	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
22 June	Proposals reviewed: 1. Credit Extension to Related Parties 2. *Code of Conduct for External Information Release by Directors, Supervisors and Senior Management Members of China CITIC Bank Corporation Limited* 3. Proposal on Investment of CITIC Wealth Management in Specialized Institution for the Third Pillar Pension Insurance	The committee fully communicated and discussed on the matters of related party transactions and the investment of CITIC Wealth Management in specialized institution for the third pillar pension insurance, and agreed to submit relevant proposals to the Board of Directors for deliberation.	—
23 July	Proposal reviewed: Credit Extension to Related Parties	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—

Date	Meeting Content	Important Comments and Suggestions	Other Duty Performance Details
23 August	Proposals reviewed: 1. 2021 Interim Report of China CITIC Bank 2. Credit Extension to Related Parties Reports listened to: 1. Report on Operating Results of China CITIC Bank for the First Half of 2021 2. Report on Internal Control and Compliance and Anti-money Laundering Work in the First Half of 2021	The committee affirmed the performance of the Bank in the first half of the year, advised to focus more on key credit customers, fully communicated and discussed on the interim report, and agreed to submit relevant proposals to the Board of Directors for deliberation.	—
15 September	Proposal reviewed: Proposal on the Implementation of Full Stack Cloud Planning and Development Project According to IT Innovation Standards	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
22 September	Proposal reviewed: Proposal on Special Expenses for Cooperation between CITIC Bank Beijing Branch and Beijing Public Transport Group in the New Phase of Ticket Counting and Distribution Project	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
27 September	Proposal reviewed: Credit Extension to Related Parties	The committee fully communicated and discussed on the matters of related party transactions, advised to enhance related party transaction management, and agreed to submit relevant proposal to the Board of Directors for deliberation.	—
26 October	Proposals reviewed: 1. Report for the Third Quarter of 2021 of China CITIC Bank 2. Credit Extension to Related Parties Reports listened to: 1. Report on Operating Results of China CITIC Bank for the Third Quarter of 2021 2. Report on Special Audit on Inclusive Legal Person Loans in 2021	The committee affirmed the Bank's performance in the first three quarters, fully communicated and discussed on the inclusive finance business, and agreed to submit relevant proposals to the Board of Directors for deliberation.	—
19 November	Proposal reviewed: Credit Extension to Related Parties	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
10 December	Proposal reviewed: Credit Extension to Related Parties	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—

Date	Meeting Content	Important Comments and Suggestions	Other Duty Performance Details
23 December	Proposals reviewed: 1. Proposal on Adjusting the Upper Limits of Continuing Related Party Transactions 2. Credit Extension to Related Parties Reports listened to: 1. Report on the Implementation of the Audit Plan for 2021 and the Annual Audit Results 2. Report on the Problems Identified in Internal Audits of China CITIC Bank and the Rectification in 2020	The committee affirmed the Bank's internal audit work, fully communicated and discussed the issues found in internal audit and its rectification as well as connected transactions, and agreed to submit relevant proposals to the Board of Directors for deliberation.	—
30 December	Proposal reviewed: Proposal on the Performance Evaluation Results on Audit Quality in 2021 of China CITIC Bank	The committee reviewed and approved the proposal.	—

During the preparation and audit of the Bank's 2021 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 18 March 2022, opining 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.

3.6.3.3 Risk Management Committee

As at the end of the reporting period, the Risk Management Committee of the 6th Session of the Board of Directors of the Bank comprised 4 directors, with Vice Chairman and executive director Mr. Fang Heying as chairman, and executive director Mr. Guo Danghuai, independent non-executive directors Mr. He Cao and Mr. Qian Jun as members. The principal responsibilities of the committee include the following: to supervise the senior management's control of credit risk, liquidity risk, market risk, 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.

The attendance records of the Risk Management Committee members at the committee meetings during the reporting period are set out in the table below.

Members	**In-person attendance/ number of meetings**	**Attendance by proxy/ number of meetings**
Fang Heying	9/9	0/9
Guo Danghuai	8/9	1/9
He Cao	0/0	0/0
Qian Jun	7/9	2/9

Notes: (1) Mr. He Cao assumed the position of a member of the Risk Management Committee on 24 December 2021, and there was no meeting held after his assumption until the end of the reporting period.

(2) During the reporting period, before his departure as a committee member, Mr. Yan Lap Kei Isaac attended 6 meetings in person and 2 meetings by proxy among the 8 total meetings taken place during his tenure.

During the reporting period, the Risk Management Committee convened 9 meetings where it deliberated and adopted 19 proposals, and listened to 26 presentations, of which details are listed as follows:

Date	**Meeting Content**	**Important Comments and Suggestions**	**Other Duty Performance Details**
21 January	Proposal reviewed: Proposal on Improvement of the Authorization Plan of the Board of Directors Report listened to: Report of China CITIC Bank on Rectification of Problems Specified in the Inspection Opinions of PBOC on Anti-money Laundering Law Enforcement	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
1 February	Proposal reviewed: *Management Measures for Financial Services in Response to Emergencies of China CITIC Bank (Version 1.0, 2020)* Reports listened to: 1. Report on Data Governance in 2020 2. Report on Special Audit on Fraud Case Prevention and Control in 2020 3. Report on Analysis of Risks in Corporate Credit Business of Related Parties of China CITIC Bank	The committee advised to enhance the management of risks in corporate credit business of related parties, and agreed to submit relevant proposal to the Board of Directors for deliberation.	—

19 March	Proposals reviewed: 1. 2020 Report on Internal Assessment of Capital Adequacy of China CITIC Bank 2. *2021 Risk Preference Statement of China CITIC Bank* and Risk Preference Plan of Consolidated Subsidiaries 3. Proposal on Adjusting the Forward-looking Coefficient of Impairment at the End of 2020 4. 2020 Report on Management of Capital Adequacy Ratios of China CITIC Bank 5. 2020 Capital Adequacy Ratio Information Disclosure Report of China CITIC Bank 6. 2021 Work Report of the Risk Management Committee under the Board of Directors Reports listened to: 1. Report on Comprehensive Risk Management in 2020 2. Report on Business Cooperation with Top Ten Credit Customers (Group) 3. Report on Internal Rating System for Credit Risk for 2020 4. Report on Liquidity Risk Management in 2020 5. Report on Leverage Ratio Disclosure Information for 2020 6. Report on Management of Interest Rate Risk in the Banking Book in 2020 7. Report on Internal Control and Compliance Work in 2020 8. Report on Non-performing Assets Resolution and Disposal in 2020 of China CITIC Bank 9. Report on the Implementation of Consolidated Management in 2020 of China CITIC Bank Group	The committee affirmed the restructuring of the Bank's key credit customers, fully communicated and discussed on risk management and customer concentration management, and agreed to submit relevant proposals to the Board of Directors for deliberation.	—
27 April	Proposals reviewed: 1. *Management Measures for Inclusive Internet Loans to Micro and Small Enterprises of China CITIC Bank* 2. *Management Measures for Personal Internet Loans of China CITIC Bank* 3. Proposal on the Amendments to the *Rules of Procedures of the Risk Management Committee under the Board of Directors of China CITIC Bank Corporation Limited* Reports listened to: 1. Report on Comprehensive Risk Management in the First Quarter of 2021 2. Outsourcing Risk Assessment Report for 2020 3. Report on Information Technology Risk Management in 2020 4. Report on Innovation Work in 2020	The committee affirmed the Bank's risk management, advised to improve risk management, and agreed to submit relevant proposals to the Board of Directors for deliberation.	—
24 June	Proposal reviewed: Proposal on Election of Chairman of the Risk Management Committee of the 6th Session of the Board of Directors	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—

20 August	Proposals reviewed: 1. Capital Adequacy Ratio Information Disclosure Report for the First Half Year of 2021 2. Proposal on the Amendments to the *Management Measures for Reputational Risk of China CITIC Bank* and Supporting Rules Reports listened to: 1. Report on Comprehensive Risk Management in the First Half of 2021 2. Report on Business Cooperation with Top Ten Credit Customers (Group) in the First Half of 2021 3. Report on Internal Rating System for Credit Risk for the First Half of 2021 4. Report on Leverage Ratio Disclosure Information for the First Half of 2021 5. Report on the Management of Interest Rate Risk in the Banking Book in the First Half of 2021 6. Report on Internal Control and Compliance Work in the First Half of 2021 7. Report on Regulatory Circulars and Rectification in 2020 8. Report on Information Technology Regulatory Rating and Rectification in 2020	The committee fully communicated and discussed the risks in key areas and key customers of the Bank, and agreed to submit relevant proposals to the Board of Directors for deliberation.	—
26 October	Proposal reviewed: Proposal on the Amendments to the 2021 Risk Preference Statement Report listened to: Report on Comprehensive Risk Management in the Third Quarter of 2021	The committee affirmed the Bank's overall risk management in the first three quarters, advised to further strengthen the risk management of key credit customers, and agreed to submit relevant proposal to the Board of Directors for deliberation.	—
19 November	Proposal reviewed: *Liability Management Measures of China CITIC Bank (Version 1.0, 2021)*	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
23 December	Proposals reviewed: 1. Proposal on the Amendments to the *Comprehensive Risk Management Policy of China CITIC Bank* 2. Proposal on the Formulation of the Recovery and Resolution Plan of China CITIC Bank 3. *Basic Rules for Internal Control of China CITIC Bank (Version 1.0, 2021)*	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—

3.6.3.4 Nomination and Remuneration Committee

As at the end of the reporting period, the Nomination and Remuneration Committee of the 6th Session of the Board of Directors of the Bank comprised 3 directors, with independent non-executive director Mr. Qian Jun as chairman, and non-executive director Ms. Huang Fang and independent non-executive director Ms. Chen Lihua as members. Principal responsibilities of the Nomination and Remuneration Committee are the following: to assist the Board of Directors in formulating the procedures and standards for selecting and appointing board directors and senior management members; to advise the Board of Directors on 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.

The Bank believes that the diversity of board members is conducive to enhancing its operational quality and is a key factor in its efforts to attain strategic goals, maintain competitive advantages and achieve sustainable development. In setting the composition of the board membership, the Bank considers the diversity of board members in a number of ways, including but not limited to talent, skill, knowledge, industry experience and expertise, cultural and educational backgrounds, gender, age and ethnicity. The appointment of all board members should be made after comprehensive consideration of the talents, skills, knowledge, experiences, cultural and educational backgrounds required for the overall operation of the Board.

When reviewing candidates for board directorship and making recommendations to the Board, the Nomination and Remuneration Committee under the Board of Directors will consider candidates based on their respective objective conditions, and consider the benefits of board member diversity in all aspects, taking into comprehensive account of the talents, skills, knowledge, experiences, cultural and educational backgrounds of board members. At any given time, the Nomination and Remuneration Committee may recommend the Board to seek improvement to its diversity in one or more aspects in order to maintain an appropriate and balanced composition of the Board in the light of the Bank's business development.

The attendance records of the Nomination and Remunerations Committee members at the committee meetings during the reporting period are set out in the table below.

Members	**In-person attendance/ number of meetings**	**Attendance by proxy/ number of meetings**
Qian Jun	6/6	0/6
Huang Fang	6/6	0/6
Chen Lihua	1/1	0/1

Notes: During the reporting period, before his departure as a committee member, Mr. Yan Lap Kei Isaac attended 3 meetings in person and 1 meeting by proxy among the 4 total meetings taken place during his tenure.

During the reporting period, the Nomination and Remuneration Committee convened 6 meetings where it deliberated and adopted 20 proposals, of which details are listed as follows:

Date	Meeting Content	Important Comments and Suggestions	Other Duty Performance Details
15 March	Proposal reviewed: Proposal on the Nomination of Mr. Zhu Hexin as a Non-executive Director Candidate of the 5th Session of the Board of Directors of China CITIC Bank Corporation Limited	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
19 March	Proposals reviewed: 1. Report of the Board of Directors on the Duty Performance of Directors in 2020 2. Proposal on the Duty Performance of the Nomination and Remuneration Committee under the Board of Directors in Disclosure of the 2020 Annual Report 3. 2021 Work Plan of the Nomination and Remuneration Committee under the Board of Directors 4. Proposal on the Nomination of Non-executive Director Candidates of the 6th Session of the Board of Directors 5. Proposal on the Nomination of Executive Director Candidates of the 6th Session of the Board of Directors 6. Proposal on the Nomination of Independent Director Candidates of the 6th Session of the Board of Directors 7. Proposal on the Allowance Policy for Directors of the 6th Session of the Board of Directors	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—
24 June	Proposals reviewed: 1. Proposal on the Nomination of Members of the Strategic Development Committee of the 6th Session of the Board of Directors 2. Proposal on the Nomination of Members of the Risk Management Committee of the 6th Session of the Board of Directors 3. Proposal on the Nomination of Members of the Audit and Related Party Transactions Control Committee of the 6th Session of the Board of Directors 4. Proposal on the Nomination of Members of the Consumer Rights Protection Committee of the 6th Session of the Board of Directors	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—
22 November	Proposals reviewed: 1. Proposal on the Appointment of Mr. Liu Cheng as Executive Vice President of China CITIC Bank Corporation Limited 2. Proposal on the Nomination of Mr. Liu Cheng as an Executive Director Candidate of the 6th Session of the Board of Directors of China CITIC Bank Corporation Limited 3. Proposal on the Appointment of Mr. Wang Kang as Vice President of China CITIC Bank Corporation Limited 4. Proposal on the Appointment of Mr. Wang Kang as Chief Financial Officer of China CITIC Bank Corporation Limited	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—
10 December	Proposal reviewed: Proposal on the Nomination of Mr. Liao Zibin as an Independent Director Candidate of the 6th Session of the Board of Directors of China CITIC Bank Corporation Limited	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
24 December	Proposals reviewed: 1. 2020 Employee Remuneration Settlement Plan of China CITIC Bank 2. 2020 Performance Evaluation and Remuneration Distribution plan for Senior Management Members of China CITIC Bank 3. Proposal on the Election of Mr. He Cao as a Member of the Risk Management Committee under the Board of Directors	The committee agreed to submit relevant proposals to the Board of Directors for deliberation.	—

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 2021, 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 6th Session 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. Principal responsibilities of the Consumer Rights Protection Committee include the following: to formulate the Bank's strategies, policies and objectives on consumer rights protection work; to urge the senior management to effectively implement and practice relevant work of consumer rights protection; and to supervise the Bank's consumer rights protection work regarding its comprehensiveness, timeliness and effectiveness.

The attendance records of the Consumer Rights Protection Committee members at the committee meetings during the reporting period are set out in the table below.

Members	**In-person attendance/ number of meetings**	**Attendance by proxy/ number of meetings**
Huang Fang	5/5	0/5
Wang Yankang	4/4	0/4
He Cao	5/5	0/5
Chen Lihua	5/5	0/5

During the reporting period, the Consumer Rights Protection Committee convened 5 meetings where it deliberated and adopted 3 proposals, and listened to 5 presentations, of which details are listed as follows:

Date	Meeting Content	Important Comments and Suggestions	Other Duty Performance Details
19 March	Proposal reviewed: 2021 Work Plan of the Consumer Rights Protection Committee under the Board of Directors Reports listened to: 1. Report on Consumer Rights Protection Work in 2020 2. Report on Complaint Management Work in 2020	The committee affirmed the Bank's consumer protection work in 2020, advised to further improve customer services, and considered and approved the *2021 Work Plan of the Consumer Rights Protection Committee under the Board of Directors*.	—
24 June	Proposal reviewed: Proposal on the Election of Chairman of the Consumer Rights Protection Committee of the 6th Session of the Board of Directors	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—
20 August	Reports listened to: 1. Report on Consumer Rights Protection Work in the First Half of 2021 2. Report on Complaint Management Work in the First Half of 2021	The committee affirmed the Bank's consumer protection work in the first half of the year, and advised to study initiatives proactively to further reduce the number of customer complaints.	—
26 October	Report listened to: Report on Regulatory Evaluation of Consumer Protection by the CBIRC and Notification of Complaints	The committee affirmed the Bank's consumer protection work, and advised further improvement of relevant working mechanisms in accordance with regulatory opinions.	—
23 December	Proposal reviewed: Proposal on the Amendments to the *Rules of Procedures of the Consumer Rights Protection Committee under the Board of Directors of China CITIC Bank Corporation Limited*	The committee agreed to submit relevant proposal to the Board of Directors for deliberation.	—

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

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

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

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

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

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 *2021 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, compensation 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	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)
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	13.51	No
Liu Guoling	External Supervisor	Male	Jan. 1960	Jun. 2021-Jun. 2024	0	0	13.51	No
Li Rong	Shareholder Representative Supervisor	Female	Apr. 1968	Jan. 2021-Jun. 2024	364,000	364,000	143.77	No
Cheng Pusheng	Employee Representative Supervisor	Male	Feb. 1968	March 2022-Jun. 2024	–	–	–	–
Chen Panwu	Employee Representative Supervisor	Male	Jan. 1964	Sep. 2017-Jun. 2024	0	0	175.81	No
Zeng Yufang	Employee Representative Supervisor	Female	Dec. 1970	Sep. 2017-Jun. 2024	188,000	188,000	120.53	No
Non-incumbent Supervisors								
Liu Cheng	Chairman of the Board of Supervisors, Employee Representative Supervisor	Male	Dec. 1967	Apr. 2018-Nov. 2021	0	0	189.17	No
Jia Xiangsen	External Supervisor	Male	Apr. 1955	May 2015-Jun. 2021	0	0	12.49	No
Zheng Wei	External Supervisor	Male	Mar. 1974	May 2015-Jun. 2021	0	0	12.49	No
Li Gang	Employee Representative Supervisor	Male	Mar. 1969	Aug. 2019-Mar. 2022	0	0	143.77	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.

(4) On 10 March 2022, the 1st joint meeting of the second staff representative conference of the Bank in 2022 elected Mr. Cheng Pusheng as the employee representative supervisor of the 6th Session of the Board of Supervisors of the Bank. Mr. Cheng Pusheng took office on 14 March 2022.

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 doctoral supervisor 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.), independent director of Bank of China Investment Management Co., Ltd., and independent director of China Development Bank Securities Co., Ltd. Among the previous posts she ever held are dean of the PKU School of Economics, 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 degree of business administration.

Mr. Cheng Pusheng　Chinese Nationality

Employee representative supervisor of the Bank. Mr. Cheng is proposed to be the head of the Audit Department of the Bank and will be formally appointed upon approval of his qualifications by the CBIRC. 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 and secretary of Party committee 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 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 degree in business administration.

3.7.1.3 Changes in Supervisors

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

Due to the expiration of term of office of the 5th Session of the Board of Supervisors in June 2021, the staff representative conference of the Bank held on 23 June 2021 and the 2020 Annual General Meeting of the Bank held on 24 June 2021 elected the 6th Session of the Board of Supervisors of the Bank. Mr. Wei Guobin, Ms. Sun Qixiang and Mr. Liu Guoling serve as external supervisors of the 6th Session of the Board of Supervisors of the Bank. Ms. Li Rong serves as shareholder representative supervisor of the 6th Session of the Board of Supervisors of the Bank. Mr. Liu Cheng, Mr. Li Gang, Mr. Chen Panwu and Ms. Zeng Yufang serve as employee representative supervisors of the 6th Session of the Board of Supervisors of the Bank. Among them, Ms. Sun Qixiang and Mr. Liu Guoling were newly appointed supervisors, and the other supervisors were re-appointed upon election. All of the above-mentioned supervisors assumed their posts as of 24 June 2021.

On 24 June 2021, the first meeting of the 6th Session of the Board of Supervisors of the Bank reviewed and approved relevant proposals, electing Mr. Liu Cheng as chairman of the 6th Session of the Board of Supervisors; appointing supervisors Mr. Wei Guobin, Mr. Liu Guoling, Mr. Li Gang and Ms. Zeng Yufang as members of the Supervision Committee of the 6th Session of the Board of Supervisors of the Bank and supervisor Mr. Wei Guobin as chairman of the committee; appointing supervisors Mr. Sun Qixiang, Mr. Liu Guoling, Ms. Li Rong and Mr. Chen Panwu as members of the Nomination Committee of the 6th Session of the Board of Supervisors of the Bank, and supervisor Mr. Sun Qixiang as chairman of the committee.

On 24 June 2021, Mr. Jia Xiangsen ceased to serve as external supervisor and chairman of the Supervision Committee under the Board of Supervisors of the Bank due to expiration of his term of office. Mr. Zheng Wei ceased to serve as external supervisor and member of the Supervision Committee and the Nomination Committee under the Board of Supervisors of the Bank due to expiration of his term of office.

On 22 November 2021, Mr. Liu Cheng resigned from the positions of chairman of the Board of Supervisors and employee representative supervisor of the Bank due to the change of work. The resignation of Mr. Liu Cheng took effect from 22 November 2021.

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. In accordance with the corporate governance rules, Mr. Cheng Pusheng has served as the 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. 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 the Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors convened 14 meetings (including 13 onsite meetings and 1 meeting via written resolution). 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 29 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 54 presentations respectively regarding the Bank's circular on national economic and financial policies and regulatory requirements that touch on corporate governance, plan implementation assessment report, report on the 2021—2023 development plan, report on operating results, report on comprehensive risk management, report on internal control and compliance, rectification of regulatory issues, consumer rights protection, anti-money laundering and fraud case prevention, report on audit execution and audit plan, 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 8 *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 specialized 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". In line with the guiding principles of national economic and financial policies and regulatory requirements, the Board of Supervisors, after collective study, issued four *Supervision Reminder Letters* concerning key supervision areas and the Bank's priority tasks to the Board of Directors and the senior management and proposed the following supervisory suggestions to the Board of Directors and the senior management: paying attention to potential risks of key credit customers, intensifying efforts in green finance development, strengthening fraud case prevention and staff behavior management, and intensifying risk prevention and control in the process of digital transformation. By doing so, the Board of Supervisors reminded the Board of Directors and senior management of some issues of tendency and on emergence and provided pertinent and constructive suggestions. Meanwhile, the Board of Supervisors conducted thematic surveys including the development and risk prevention and control of inclusive finance business, and solutions to difficulties faced by some branches, covering a total of 6 branches. The Board of Supervisors further improved the effectiveness of surveys by reasonably planning the survey topic selection, continuously improving the survey mode, and reinforcing the transformation of survey value, and put forward systematic and pertinent opinions and suggestions for the reference of the Board of Directors and the senior management of the Bank, thus facilitating the high-quality development of the Bank.

The attendance records of the members of the Board of Supervisors at the meetings during the reporting period are set out in the table below.

Supervisors	**In-person attendance/ number of meetings**	**Attendance by proxy/ number of meetings**
Wei Guobin	14/14	0/14
Sun Qixiang	7/7	0/7
Liu Guoling	7/7	0/7
Li Rong	14/14	0/14
Li Gang	14/14	0/14
Chen Panwu	14/14	0/14
Zeng Yufang	12/14	2/14

Notes: (1) During the reporting period, before his departure as supervisor, Mr. Liu Cheng attended 11 meetings in person and 1 meeting by proxy among the 12 total meetings taken place during his tenure.

(2) During the reporting period, before his departure as supervisor, Mr. Jia Xiangsen attended in person all the 7 meetings taken place during his tenure.

(3) During the reporting period, before his departure as supervisor, Mr. Zheng Wei attended 6 meetings in person and 1 meeting by proxy among the 7 total meetings taken place during his tenure.

(4) From 24 June 2021 when Ms. Sun Qixiang and Mr. Liu Guoling served as external supervisors 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 7 meetings of the Board of Supervisors.

3.7.3 Specialized Committees under the Board of Supervisors

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

Supervision Committee

As at the end of the reporting period, the Supervision Committee of the Bank's Board of Supervisors comprised 4 supervisors, with Mr. Wei Guobin as chairman, and Mr. Liu Guoling, Mr. Li Gang and Ms. Zeng Yufang as members. 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, business 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 10 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 2021 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**	**Attendance by proxy/ number of meetings**
Wei Guobin	2/2	0/2
Liu Guoling	2/2	0/2
Li Gang	4/4	0/4
Zeng Yufang	4/4	0/4

Notes: (1) During the reporting period, before his departure as supervisor, Mr. Jia Xiangsen attended in person all the 2 meetings taken place during his tenure.

(2) During the reporting period, before his departure as supervisor, Mr. Zheng Wei attended in person all the 2 meetings taken place during his tenure.

(3) From 24 June 2021 when Mr. Wei Guobin and Mr. Liu Guoling served as members of the Supervision Committee 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 2 meetings of the Supervision Committee of the Board of Supervisors.

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. 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 for office of candidate supervisors nominated by shareholders and put forward corresponding recommendations. The employee representative supervisors of the Bank are democratically elected or dismissed by employees of the Bank.

During the reporting period, the Nomination Committee of the Board of Supervisors convened 4 meetings which deliberated and adopted 8 proposals including the assessment report on duty performance of Board of Directors, Board of Supervisors, the senior management and its members by Board of Supervisors, the assessment measures for duty performance of the Board of Supervisors and implementing rules, and allowance policy for supervisors. The attendance records of the Nomination Committee members at the committee meetings during the reporting period are set out in the table below:

Members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Sun Qixiang	2/2	0/2
Liu Guoling	2/2	0/2
Li Rong	4/4	0/4
Chen Panwu	4/4	0/4

Notes: (1) During the reporting period, Mr. Wei Guobin attended in person all the 2 meetings taken place during his tenure as a member of the Nomination Committee of the Board of Supervisors.

(2) During the reporting period, before his departure as supervisor, Mr. Zheng Wei attended in person all the 2 meetings taken place during his tenure.

(3) From 24 June 2021 when Ms. Sun Qixiang and Mr. Liu Guoling served as members of the Nomination Committee 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 2 meetings of the Nomination Committee of the Board of Supervisors.

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 specialized 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 working 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

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

3.7.5.4 Related Party Transactions

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

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 deliberation in 2021. 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 *2021 Internal Control Assessment Report of China CITIC Bank Corporation Limited*.

3.7.5.7 Sustainable Development Report

The Board of Supervisors deliberated and approved the *2021 Sustainable Development Report of China CITIC Bank Corporation Limited*.

3.7.5.8 Profit Distribution Plan

The Board of Supervisors deliberated and approved the *2021 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 Article of Associations and its compilation strictly went through relevant decision-making process. It was reasonable, in line with interests of all shareholders and conducive to the long-term development of the Bank.

3.7.5.9 Dividend Distribution Plan for Preference Shares

The Board of Supervisors reviewed and approved the *2021 Dividend Distribution Plan for Preference Shares of China CITIC Bank Corporation Limited*, and deemed that the dividend distribution plan for preference shares of the Bank complied with applicable laws and regulations, the Bank's Articles of Association and the terms of issuance for the preference shares.

3.7.5.10 Implementation of the Regulations on Management of Information Disclosure

The Bank performed its information disclosure obligations in strict accordance with relevant regulatory requirements, earnestly implemented various regulations on the management of information disclosure matters, and disclosed information in a timely and fair manner. The information disclosed during the reporting period was truthful, accurate and complete.

Except for the above disclosed matters, the Board of Supervisors had no objections to other supervisory issues during the reporting period.

3.8 Senior Management

3.8.1 Composition and Responsibilities of the Senior Management

The senior management is the executive arm of the Bank 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 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.

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	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties)
Fang Heying	Vice Chairman, Executive Director, President	Male	Jun. 1966	Since Nov. 2014	715,000	715,000	–	Yes
Liu Cheng	Executive Vice President	Male	Dec. 1967	Since Jan. 2022	0	0	189.17	No
Guo Danghuai	Executive director, Vice President	Male	May 1964	Since Nov. 2014	636,000	636,000	180.17	No
Wang Kang	Vice President, Chief Financial Officer	Male	Jun. 1972	Since Jan. 2022	–	–	–	–
Hu Gang	Vice President, Chief Risk Officer	Male	Mar. 1967	Since May 2017	666,000	666,000	180.17	No
Xie Zhibin	Vice President	Male	May 1969	Since Feb. 2019	0	0	179.27	No
Xiao Huan	Secretary of the Committee for Disciplinary Inspection	Male	Jul. 1972	Since Dec. 2019	640,000	640,000	179.12	No
Lu Wei	Vice President	Male	Oct. 1971	Since Jan. 2017	530,000	530,000	180.39	No
Lü Tiangui	Vice President	Male	Oct. 1972	Since Aug. 2018	550,000	550,000	179.65	No
Lu Jingen	Business Director	Male	Jun. 1969	Since Aug. 2018	165,000	165,000	173.21	No
Zhang Qing	Board Secretary	Female	Aug. 1968	Since Jul. 2019	550,000	550,000	175.77	No
Liu Honghua	Business Director	Male	May 1964	Since Aug. 2019	540,000	540,000	173.21	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) On 22 November 2021, the 6th meeting of the 6th Session of the Board of Directors of the Bank appointed Mr. Wang Kang as Vice President and Chief Financial Officer of the Bank. Upon approval by the CBIRC, Mr. Wang Kang began to serve as Vice President and Chief Financial Officer of the Bank as of 10 January 2022.

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 and Executive Vice President of the Bank. Mr. Liu is concurrently a director of 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. 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, Chief Financial Officer of the Bank. Mr. Wang was general manager of the Budget and Finance Department of the Bank, president of Wuxi Branch, general manager of the Asset and Liability Committee of the Head Office and Board Secretary of CITIC 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 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. Lu Wei Chinese Nationality

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

Mr. Lü Tiangui Chinese Nationality

Party Committee member and Vice President of the Bank. Mr. Lü serves as secretary of Party committee of the Bank's Credit Card Center, and concurrently as board director of China UnionPay Co., Ltd. and CITIC aiBank Corporation Limited and a core member of the China Ageing Finance Forum (CAFF50). Previously, Mr. Lü served as president of the Bank's Credit Card Center, general manager of the Bank's Retail Banking Department and Private Banking Department, and Business Director of the Bank. Earlier, he was deputy chief of the risk management division at Jilin Branch of Bank of China Limited. Mr. Lü has 28 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 is concurrently the general manager of the Corporate Banking Department (Rural Revitalization Department) of the Bank. Mr. Lu previously served as the deputy chief of the corporate credit division, general manager of the Olympic Village sub-branch, general manager 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. 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 head of the Organizing Department of the Party Committee and general manager of the Human Resources Management Department of the Bank, and is concurrently a board director of CNCB (Hong Kong) Investment Limited. Prior to that, Ms. Zhang served as assistant general manager, deputy general manager (presiding), and general manager of the Credit Management and Approval Department of the Bank's Xi'an branch, assistant president, Party committee member and vice president of the branch, and general manager of the Credit Management Department of the Bank. Prior to that, she worked at the Shaanxi branch of Industrial and Commercial Bank of China, successively working on the accounting, planning, credit management in the sub-branch and project review in the branch. She has 29 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 Party committee and president of the Bank's Beijing Branch 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. He also served as secretary of Party committee and president of Taiyuan Branch of the Bank, general manager of the Asset Custody Department and the Corporate Banking Department of the Bank. Prior to that, Mr. Liu worked at China International Trust Investment Company, and successively served as assistant manager, deputy manager and manager of the Business Department II, assistant manager of China Leasing Co., Ltd. and manager, deputy general manager of the Administrative Management Division at China Leasing Co., Ltd. He has nearly 20 years of professional experience in the Chinese banking industry. He graduated from Peking University with a degree of executive master of business administration. He is a senior economist.

3.8.1.3 Appointment and Dismissal of Senior Management Members

On 24 November 2020, the 36th meeting of the 5th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, approving the appointment of Mr. Lu Wei and Mr. Lü Tiangui as Vice Presidents of the Bank. Upon approval by the CBIRC, Mr. Lu Wei and Mr. Lü Tiangui began to serve as Vice Presidents of the Bank as of 2 April 2021.

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.

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 directors, supervisors and senior management members who are at the same time employees of the Bank remunerations corresponding to their positions and remunerations include salary, bonus, subsidy, employee welfare and insurance contributions, housing provident fund and annuity. The remuneration of independent directors and external supervisors consists of basic remuneration, floating remuneration and allowance and shall be decided according to the *Proposal 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 contributory retirement schemes set out in PRC laws and regulations for all employees (including the executive directors, supervisors, and senior management members that are also employees of the Bank). Actual pre-tax remunerations paid to the directors, supervisors and senior management members (both incumbent and non-incumbent) who received remunerations from the Bank were in the amount of RMB25.65 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 or its holding companies, nor any of its subsidiaries or fellow subsidiaries entered into any material contract in relation to the business of the Bank in which any director or supervisor had material interests, whether directly or indirectly.

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 2021, the Bank bought liability insurance for all of its directors, supervisors and senior management members. In 2021, no director 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 March 2021, pursuant to laws, regulations and regulatory requirements and in light of the actual conditions of the Bank, the Bank added contents standardizing the operation of the general meeting and the Board of Directors (including relevant provisions on the cumulative voting system) and amending the rights of substantial shareholders in the Articles of Association. The proposal for the amendments to the Articles of Association was considered and approved at the 2nd Extraordinary General Meeting of 2021 held on 7 May 2021. 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 Equity Incentive Scheme, Employee Stock Ownership Plan or Other Employee Incentive Measures during the Reporting Period

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

3.18 Company Secretary as per the Hong Kong Listing Rules

As at the disclosure date of this report, the Bank engaged, externally, Ms. Kam Mei Ha Wendy (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 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 transferred its 70.32% equity interest in CIFH to the Bank on 23 October 2009, thus releasing CIFH from all obligations under the *Non-Competition Deed*.

The independent non-executive directors of the Bank came to a conclusion on the non-competition undertakings of CITIC Group, holding that CITIC Group honored its non-competition undertakings during the reporting period. CITIC Group produced a statement on the performance of its non-competition undertakings under the *Non-Competition Deed* it entered into with the Bank on 13 March 2007.

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, the Bank enacted the *Implementation Rules for Accumulative Voting Mechanism of China CITIC Bank Corporation Limited,* amended the *Rules of Procedures of the Risk Management Committee under the Board of Directors of China CITIC Bank Corporation Limited,* the *Rules of Procedures of the Consumer Rights Protection Committee under the Board of Directors of China CITIC Bank Corporation Limited,* and the *Administrative Measures for Insider Information and Insiders of China CITIC Bank Corporation Limited* in light of its own real situations and relevant regulatory requirements. These efforts further improved the Bank's corporate governance regulations and provided an important support for the Bank to carry out scientific operation of corporate governance and more standard management of shareholder rights and obligations.

The Board of Supervisors of the Bank continued to strengthen the top-level design, optimized the work flow for agenda item management of meetings of the Board of Supervisors, and improved the its performance assessment policy system. It continuously improved the system and mechanism development by revising the *Measures for Assessment of the Duty Performance of the Board of Directors, the Board of Supervisors and the Senior Management by the Board of Supervisors of China CITIC Bank Corporation Limited,* the *Measures for Assessment of the Duty Performance of Directors, Supervisors and Senior Management Members by the Board of Supervisors of China CITIC Bank Corporation Limited* and the *Rules for Evaluation of Duty Performance of Senior Management Members by the Board of Supervisors of China CITIC Bank Corporation Limited* and formulating supporting policies for duty performance evaluation such as the *Rules for Evaluation of Duty Performance of Directors and Supervisors by the Board of Supervisors of China CITIC Bank Corporation Limited (Trial)* and the *2021 Evaluation Standards for Senior Management Members by the Board of Supervisors of China CITIC Bank Corporation Limited.* The Bank formulated the *Management Measures for Agenda Items of Meetings of the Board of Supervisors of China CITIC Bank Corporation Limited*, further standardizing the management process for agenda items of meetings of the Board of Supervisors, improving the quality and efficiency of meetings and helping the Board of Supervisors effectively perform its duties. In line with the new regulatory rules, the Bank defined key supervisory responsibilities, supplemented and improved the *Supervision List of the Board of Supervisors of CITIC Bank*, which covering 40 duties in six categories, and making supervision more comprehensive and pertinent.

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 the directors to enhance their comprehensive quality and competence for performance of duties in particular. During the reporting period, the Board of Directors and the Board of Supervisors organized the directors and the supervisors to participate in relevant training in accordance with the applicable requirements of the CSRC, Hong Kong Securities and Futures Commission, SEHK and CBIRC. The training achieved very good results.

The table below sets out the participation of the Bank's directors, supervisors, and board secretary in the reporting period in the training provided by relevant institutions:

Name	Title	Trainer	Training Model	Training Duration (day)
Zhu Hexin	Chairman, Non-executive Director	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1.5
Fang Heying	Vice Chairman, Executive Director, President	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	2
Cao Guoqiang	Non-executive Director	China CITIC Bank	On site lecturing	0.5
Guo Danghuai	Executive Director, Vice President	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1.5
Huang Fang	Non-executive Director	China CITIC Bank	On site lecturing	0.5
Wang Yankang	Non-executive Director	CSRC Beijing Bureau, PricewaterhouseCoopers Zhong Tian LLP, China CITIC Bank	Online training On site training On site lecturing	2
He Cao	Independent Non-executive Director	China CITIC Bank	On site lecturing	0.5
Chen Lihua	Independent Non-executive Director	China CITIC Bank	On site lecturing	0.5
Qian Jun	Independent Non-executive Director	SSE, China CITIC Bank	On site lecturing	3.5
Wei Guobin	External Supervisor	China CITIC Bank	On site lecturing	0.5
Sun Qixiang	External Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1.5
Liu Guoling	External Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1.5
Li Rong	Shareholder Representative Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1.5
Li Gang	Employee Representative Supervisor	China CITIC Bank	On site lecturing	0.5
Chen Panwu	Employee Representative Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1
Zeng Yufang	Employee Representative Supervisor	CSRC Beijing Bureau, China CITIC Bank	Online training On site lecturing	1
Zhang Qing	Board Secretary	SSE, China CITIC Bank	On site lecturing	3.5

Ms. Zhang Qing, board secretary and company secretary of the Bank, participated in relevant professional training sessions organized by the regulators and other relevant organizations, completing more than 15 training hours during the reporting period, compliant with relevant regulatory requirements of SEHK.

As per relevant regulatory requirements, the Bank compiled the *References Letters for Directors and Supervisors* on both regular and non-regular basis to help the directors and supervisors gain a comprehensive understanding of the business momentum, strategy implementation, risk control, internal control and compliance of the Bank. The directors of the Bank reviewed the reports and other written materials provided to them regarding the latest developments in the banking industry in general and the Bank's business in particular as well as relevant legal and regulatory requirements. Below is a summary of the directors' continuing professional development during the reporting period.

Name	**Training on business, directors' duties and corporate governance**	**Monthly updates and other reading materials on latest developments in the Bank's business operation and the banking industry as well as relevant legal and regulatory requirements**
Zhu Hexin *(Chairman, Non-executive director)*	✓	✓
Fang Heying *(Vice Chairman, Executive director, President)*	✓	✓
Cao Guoqiang *(Non-executive director)*	✓	✓
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)*	✓	✓
Li Qingping *(The then chairperson, executive director)*		✓
Wan Liming *(The then non-executive director)*		✓
Yan Lap Kei Isaac *(The then 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. The Bank carried out inspections on real estate, local government debt financing and businesses supporting private enterprises and micro and small enterprises, and advanced the rectification and governance of root causes of problems in depth. It strengthened the lifecycle management of policy development to ensure the effectiveness of policy design and implementation, and deepened the clearing of policies of branches. Furthermore, the Bank deepened the standardized management of internal control and compliance, and implemented the grid-based management of abnormal behaviors of employees. It deepened the rectification of irregularities in the credit field, and carried out internal control assessment of key control links. It also strengthened the duty performance 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, 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. During the reporting period, 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 situation, and submitted the self-inspection results in a timely manner. As at the end of the reporting period, the Bank had a senior management member who concurrently served as deputy general manager of the controlling shareholder of the Bank according to work needs and organizational arrangement. The above-mentioned matters are subject to overall arrangement based on organizational considerations.

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 2021, 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.

According to Code C.2.1 of the *Corporate Governance Code*, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. 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 President, Vice Chairman and executive director of the Bank, performing the duties including implementing board resolutions and leading the Bank in its business operation and management and other relevant matters. The division of duties between the Chairperson and President of the Bank was clearly defined and in compliance with the Hong Kong Listing Rules. Due to work arrangement, former Chairperson Ms. Li Qingping resigned from her position as the chairperson and executive director of the Bank, and chairperson and member of the Strategic Development Committee of the Board on 15 March 2021. To ensure the proper functioning of the Board, in accordance to the PRC Company Law and other laws and regulations as well as the Articles of Association of the Bank, the Board of Director nominated Mr. Zhu Hexin as a non-executive director candidate of the 5th session of the Board of Directors and elected Mr. Zhu Hexin as the Chairman of the 5th session of the Board of Directors, to be effective after the election of him as a non-executive director of the Bank on the General Meeting and on the date of the approval of his qualification to act as non-executive director and Chairman of the Bank from the supervisory institution. And the Board of Directors agreed that prior to Mr. Zhu Hexin taking office, in compliance with supervisory provisions, Mr. Fang Heying, executive director and President of the Bank, shall perform the duties of Chairman of the Bank from 15 March 2021, to the date when Mr. Zhu Hexin officially takes the office as non-executive director and Chairman of the Bank. On 7 May 2021, the Bank's 2nd Extraordinary General Meeting of 2021 elected Mr. Zhu Hexin as non-executive director of the Bank. Upon approval by CBIRC, Mr. Zhu Hexin began to serve as director and Chairman of the Bank as of 21 June 2021.

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 *Listing Rules*. On 10 December 2021, Mr. Yan Lap Kei Isaac resigned from the positions of independent non-executive director of the Bank due to personal health reasons. 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 *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 *Listing Rules*. As at the disclosure date of this report, the appointment of Mr. Liu Tsz Bun Bennett is pending for regulatory approval.

According to Article 13.92 of the Hong Kong Listing Rules and the requirements of "Diversity" of the *Corporate Governance Code*, the Nomination Committee (or the Board of Directors) shall formulate a policy on diversity of board members, and disclose its policy or policy summary on diversity in the corporate governance report. Members of the current Board of Directors of the Bank include directors with different gender, age, cultural and educational backgrounds and professional experience. For details on directors, please refer to section "Composition and Responsibilities of the Board of Directors" of this chapter. The Board of Directors of the Bank has formulated the *Policy on Diversity of Board Members*, which meets the requirements of Article 13.92 of the Hong Kong Listing Rules and the requirements of "Diversity" of the *Corporate Governance Code*.

Given the changes in the external business environment and regulatory requirements in general and changes in the business scopes and scales of banks in particular, there is no end to the improvement of internal control of banks. Therefore, the Bank will follow the requirements of external regulators, the work requirements of listed companies and the criteria of leading banks in the world to continuously optimize its internal control management.

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. During the reporting period, 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, for the first time, the Bank held its annual results release conference in the form of "telephone + webcast" to enhance its communication with investors, especially minority investors. In addition, to satisfy investors' needs for acquiring information, the Bank introduced its operating results and development strategies in detail to the market by holding road shows in Beijing, Shanghai and Shenzhen, as well as participating in capital market summits and investor forums, to showcase the Bank's development potential and differentiated advantages in wealth management, asset management and comprehensive financing, hence continuously enhancing investors' recognition of the Bank's investment value. Moreover, for effectively protecting the rights and interests of minority investors, the Bank actively communicated with minority investors through participating in investor reception days in Beijing, responding to the SSE e-interactive platform and answering questions from investor hotline and emails, so as to convey the investment value of the Bank to investors who follow the Bank's development. During the reporting period, the Bank communicated with over 1,500 capital market participants, effectively meeting the communication needs of investors and analysts with the Bank.

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 over 360 periodic reports, interim 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 *The Information Disclosure Management Measures for Listed Companies* and other relevant laws and regulations as well as regulatory provisions, the Bank revised its *Administrative Measures for Insider Information and Insiders and formulated the Code of Conduct for Directors, Supervisors and Senior Management Members in Information Release*, further fortifying the compliance foundation for information disclosure. At the same time, the Bank kept improving its management mechanism for insider information, and properly registered insider information and insiders at critical time points, so as to prevent the risks of insider information divulgence and insider trading. During the reporting period the Bank was not aware of any circumstance where any insider traded the Bank's shares by virtue of insider information.

3.26 Management of Related Party Transactions

During the reporting period, the Bank continued to attach great importance to the management of related party transactions pursuant to the policy trends and management requirements of the CBIRC, the CSRC, the SSE and the SEHK. It optimized its rules and mechanism for such management, raised the awareness for compliance of related party transactions, accelerated the IT application in related party transactions, and enhanced the efficiency and refined management of related party transactions. The Bank also promoted the creation of synergistic value and shareholder value under the premise of compliance, and effectively protected the interests of shareholders and investors.

The Bank upheld its management system that featured decision making by the Board of Directors, supervision by the Board of Supervisors, execution by the senior management, and division of duties among business units. The Bank effectively performed 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 and the Board of Supervisors of the Bank for record, in strict compliance with relevant requirements on the management of related party transactions. The Audit and Related Party Transactions Control Committee under the Board of Directors, chaired by an independent non-executive director, has majority members as independent non-executive directors. 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 and creating value through compliance" and considering policy trends and regulatory requirements, the Bank managed related party transactions more effectively through a further standardized process to enhance the IT application and intelligent operation of related party transactions management and to ensure the compliance and orderly conduct of related party transactions. The Bank continuously conducted in-depth study of regulatory policies. Based on the CBIRC's *Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (Exposure Draft)*[33] *and Measures for Regulation of Behaviors of Substantial Shareholders of Banking and Insurance Institutions (Trial)*, the draft of the SSE Listing Rules[34] and other policies, the Bank conducted in-depth research and analysis of their impact and made implementation plans with reference to the new rules, to ensure the management of related party transactions complied with regulatory requirements. It kept close communication with shareholders' related parties, made overall plans for related party transactions, improved the structure of credit business with such related parties based on their actual needs and on the prerequisite of compliance first, and focused on improving the utilization ratio of approved limit of related party transactions. During the reporting period, the Bank stepped up efforts in improving the mechanism of reporting to directors and supervisors, and enhanced the depth, breadth and refinement of reporting of related party transactions by means of reporting in writing, reporting via correspondence and on-site reporting, which ensured directors and supervisors to have a timely and in-depth understanding of related party transactions management and relevant risks, contributed to more scientific and effective decision-making and avoided improper transfer of interests. Furthermore, the Bank continued to conduct self-inspection on compliance of related party transactions. In consideration with the relevant regulatory requirements concerning related party transaction from CBIRC and the Bank's management requirements for related party transactions, the Bank pushed forward special self-inspection in an all-round and in-depth manner, and made regular self-inspection and timely rectification. Meanwhile, the Bank further improved the related party transactions management system. Based on the integration of information on related parties and related party transactions, the Bank made efforts to gradually realize the connection of the related party transaction management system to the human resources system, business systems and external data platforms, thus continuously increasing the automated collection and statistical processing of information.

33 The *Administrative Measures for Related Party Transactions of Banking and Insurance Institutions* formulated by the CBIRC took effect on 1 March 2022.

34 SSE released the revised *SSE Listing Rules* on 7 January 2022.

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 *2021 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 2021 (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 further strengthened and standardised its internal control system, and completed the revision of the basic rules on internal control. It clarified and consolidated internal control responsibilities, expanded and refined internal control measures, improved internal control support, and standardized supervision and evaluation in accordance with the whole process management and the principle of "ex ante prevention, interim monitoring and ex post supervision". The Bank's institutions at all levels performed their respective responsibilities, jointly participated in the establishment and improvement of an internal control system, improved internal control measures, reinforced internal control support, and continuously carried out evaluation and supervision of internal control, so as to ensure the integrity and reasonableness of internal control system and the effectiveness of its implementation.

In strict compliance with the requirements of the CBIRC, the Bank launched a bank-wide "Year for Enhancing Internal Control and Compliance Management" campaign, in which it conducted self-inspection and self-correction on each of the ten key points, such as corporate governance, consolidated management, internal control and compliance in key risk areas, and systematic governance of recurring problems. Thus, it promoted the deep-rooted rectification of problems and deep-seated governance of irregularities, firmly guarding the bottom line that no systemic risk will occur.

The Bank advanced the development of a "process-centred" policy system in an orderly manner, completing the revision of basic rules on policy management. With the aim of streamlining and integrating policies, it further clarified policy management responsibilities, refined the management requirements of each link, and made the policy formulation process more science-based. It continued to strengthen differentiated authorization, completed the revision of authorization measures, established and improved an accountability system involving authorization and exercise of delegated powers while drawing a clear line of demarcation between rights and duties, refined the rules of management and procedures of rights delegation., improved the supervision and inspection mechanism for authorisation, and reinforced the management of tier-one legal person institutions across the Bank.

The Bank coordinated to organize the "integration of rectification and governance", further promoted the re-inspection and acceptance of rectification, deepened the source rectification of key areas and major categories of problems, and rectification measures, and effectively improved the quality and efficiency of rectification. It carried out the governance of increment control of important business in an innovative way, thus effectively curbing the problem of new violations. Moreover, it actively carried out extended investigation issues, mapped out the problems and pushed forward with immediate rectification, so as to effectively resolve the risks of existing businesses.

The Bank implemented the grid management of employees, integrating the "business + conduct" supervision model to promote the establishment of an internal control mechanism that combines early warning of key links and daily checks, thus forming a new supervision and management model led by daily supervision and where all types of supervision are organically connected, integrated and shared.

The Bank continued to deepen the education and publicity on internal control and compliance, and held risk and compliance culture season activities on a yearly basis. It continued to carry out compliance alerts, "Three Emphasis Education" and compliance tests, conducted extensive compliance tour inspections at outlets forming an atmosphere of building risk and compliance culture with the bank-wide and whole-staff participation, thus promoting the concept of compliance culture throughout the entire process of operation and management.

3.29 Internal Audit

In accordance with its work objective of "promoting audit transformation and enhancing auditing value", pursuant to the overall arrangements set out in the 2021-2023 development plan, and with the guidance of the *Opinions on Comprehensively Improving Audit Quality and Leveraging the Supervisory Role of Audit*, the Bank's internal audit stood firm in the transformation towards "value-oriented internal audit" and "strengthening audit with technology", earnestly fulfilled its duties of audit supervision, continuously advanced digital transformation of audit, effectively promoted the application of audit findings, and remained committed to enhancing auditing value, thus making the audit more independent and effective.

During the reporting period, the Bank overcame difficulties brought by the regular epidemic prevention and control, and focused on high-quality development pursuant to the risk-oriented and value-oriented principles. Guided by high-quality development, the Bank emphasized main responsibilities and audit, and stepped up efforts in audit supervision. Adhering to the work model of “centralized analysis, decentralized verification”, the Bank accentuated audit supervision of policy and strategy implementation, key regulatory concerns and major risks, and key institutions, key fields and the “key minorities”. What’s more, the Bank conducted special audits on manufacturing financing, emerging strategic industries, green finance, inclusive finance, government financing, real estate credit, wealth management business etc. and overall audits on branches and important subsidiaries, kept track of internal control risks in a complicated business environment, and promoted the construction of “Safe CITIC Bank” project and the Bank’s high-quality development by virtue of high-quality audit.

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 2021 in accordance with the relevant requirements of the *Guidelines on Audit of Enterprise Internal Control* and the practicing standards for PRC certified public accountants. Based on the audit findings, PricewaterhouseCoopers Zhong Tian LLP presented to the Bank its audit report on internal control. For details thereof, please refer to the announcement published by the Bank on the websites of SSE (http://www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

In its audit opinion on internal control over financial reporting of the Bank, PricewaterhouseCoopers Zhong Tian LLP was of the view that the Bank maintained effective internal control over financial reporting in all material aspects in accordance with the *Basic Standards for Enterprise Internal Control* and relevant regulations as at 31 December 2021.

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. In consideration that the abovementioned risk management and internal control systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, the Board of Directors can only provide reasonable instead of absolute assurance that the above-mentioned systems and internal control can prevent any material misstatement or loss. For details on the Bank's risk management, please refer to Chapter 2 "Management Discussion and Analysis — Risk Management" of this report.

3.33 Management and Control over Subsidiaries

During the reporting period, in accordance with the regulatory requirements, the Bank continued to improve the management systems and mechanisms for subsidiaries, further enhanced the management capability, and legally and effectively participated in the corporate governance of subsidiaries. It supported subsidiaries in establishing an independent and sound corporate governance structure with effective checks and balances, and empowering and improving their market competitiveness. In terms of management mechanism design of subsidiaries, the Bank was committed to establishing a subsidiary management system integrating "investment, management and service" and set up an inter-department working group headed by senior management member to push ahead with the key works of subsidiary management in a coordinated manner. The Bank also built a matrix management structure featuring uniform integration of corporate governance, comprehensive risk management, business collaboration and other elements in both vertical and horizontal directions and combining uniform and differential management. Based on the *Measures for Consolidated Management of China CITIC Bank Corporation Limited* and special management policies, the Bank consolidated the development of a policy system. In terms of routine management, the Bank continued to strengthen the management of subsidiary key affairs, including standardizing corporate governance, building a solid defense line for internal risk control, improving consolidated management and refining the business collaboration mechanism between the parent company and its subsidiaries. The Bank is building an smart consolidated management platform system covering "all institutions, all elements, all processes and all aspects" to further enhance the systematic 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 59,258 employees, including 58,329 under labor contracts with the Group and 929 dispatched to the Group or hired with letters of engagement by the Group. The Bank had 55,419 employees, of which 11,766 served as managerial function, 40,429 as professional function and 3,224 as supporting function, accounting for 21.23%, 72.95% and 5.82% respectively. 13,949 employees, 25.17% of the total, held post-graduate degrees or above; 39,216 employees, 70.76% of the total, held bachelor's degrees; and 2,254 employees, 4.07% of the total, held junior diplomas and qualifications below junior diploma level. The Group bore fees for 1,947 retirees.

The Bank's Affiliates List (subsidiaries not included)

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Headquarters	Head Office	Address: 6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing Postal Code: 100020	1	2,259	2,811,991
	Credit Card Center	Address: CITIC Bank Building, No. 121 Fuhua 1st Road, Futian Street, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	1	5,168	522,733
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	75	3,094	1,279,915
	Tianjin Branch	Address: A5 No. 162 Zhangzizhong Road, Heping District, Tianjin Postal Code: 300020	36	976	97,553
	Shijiazhuang Branch	Address: CITIC Tower, No. 10, Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei Province Postal Code: 050000	63	1,777	107,656
	Jinan Branch	Address: CITIC Plaza, No. 150, Luoyuan Street, Jinan, Shandong Province Postal Code: 250002	46	1,558	112,735
	Qingdao Branch	Address: No. 22, Hong Kong Middle Road, Qingdao, Shandong Province Postal Code: 266071	52	1,665	131,507
	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	24	799	62,126

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Yangtze River Delta	Shanghai Branch	Address: B1, Room 102-109 1/F, 201-2 2/F, 302-4 3/F, 9-15/F, No. 112 & 138 Expo Road, Pudong New Area, Shanghai Postal Code: 200126	53	1,796	505,572
	Nanjing Branch	Address: CITIC Tower, No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	84	3,369	432,978
	Suzhou Branch	Address: West Building, Business Center, Financial Harbor, No. 266 East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province Postal Code: 215028	28	1,128	167,720
	Hangzhou Branch	Address: No. 9 Jiefang East Road, Jianggan District, Hangzhou, Zhejiang Province Postal Code: 310016	91	3,647	570,252
	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	28	852	106,200
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	1,482	98,174
	Xiamen Branch	Address: 334-101, 201, 301, 401, Hubin South Road, Siming District, Xiamen, Fujian Province Postal Code: 361000	16	464	26,013
	Guangzhou Branch	Address: CITIC Plaza, No. 233, Tianhe North Road, Guangzhou, Guangdong Province Postal Code: 510613	102	3,251	387,150
	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	50	1,603	417,539
	Haikou Branch	Address: Banshan Garden, No. 1 Jinmao Middle Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	11	336	16,704

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Central China	Hefei Branch	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	40	1,134	112,797
	Zhengzhou Branch	Address: CITIC Bank Building, No. 1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	83	2,318	237,604
	Wuhan Branch	Address: CITIC Tower, No. 747 Jianshe Avenue, Hankou, Wuhan, Hubei Province Postal Code: 430000	45	1,434	174,164
	Changsha Branch	Address: No. 1500 Third Section of Xiangjiang North Road, Kaifu District, Changsha, Hunan Province Postal Code: 410011	41	1,202	111,847
	Nanchang Branch	Address: Tower A, No. 16, Hengmao International Mansion, No. 333, Guangchang South Road, Nanchang, Jiangxi Province Postal Code: 330003	20	694	84,634
	Taiyuan Branch	Address: 1-17/F, Building 31, No. 65 Pingyang Road, Xiaodian District, Taiyuan, Shanxi Province Postal Code: 030006	30	919	58,444

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Western China	Chongqing Branch	Address: No. 5 Jiangbeicheng West Avenue, Jiangbei District, Chongqing Postal Code: 400021	31	1,068	133,811
	Nanning Branch	Address: No. 36-1, Shuangyong Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	17	556	50,374
	Guiyang Branch	Address: North Second Tower, BL Zone, Guizhou Financial City, Changling North Road, Guanshanhu District, Guiyang, Guizhou Province Postal Code: 550081	14	430	41,071
	Hohhot Branch	Address: CITIC Tower, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010010	34	854	46,371
	Yinchuan Branch	Address: No. 160 Beijing Middle Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	8	242	17,790
	Xining Branch	Address: No. 1 Jiaotong Lane, Chengxi District, Xining, Qinghai Province Postal Code: 810008	9	224	12,980
	Xi'an Branch	Address: No. 1, Middle Section of Zhuque Road, Xi'an, Shaanxi Province Postal Code: 710061	39	1,122	80,902
	Chengdu Branch	Address: La Defense Tower, No. 1480 North Section of Tianfu Avenue, High-Tech Zone, Chengdu, Sichuan Province Postal Code: 610042	45	1,283	147,441
	Urumqi Branch	Address: CITIC Bank Tower, No. 165, Xinhua North Road, Urumqi, Xinjiang Uygur Autonomous Region Postal Code: 830002	12	383	23,560
	Kunming Branch	Address: Fulin Square, Baoshan Street, Wuhua District, Kunming, Yunnan Province Postal Code: 650021	31	846	70,916
	Lanzhou Branch	Address: No. 9 Minzhu West Road, Chengguan District, Lanzhou, Gansu Province Postal Code: 730000	14	334	18,288
	Lhasa Branch	Address: No. 22 Jiangsu Road, Lhasa, Tibet Autonomous Region Postal Code: 850000	2	128	7,087

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Northeastern China	Harbin Branch	Address: No. 236, Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150000	18	509	32,252
	Changchun Branch	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130000	20	491	36,669
	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	50	1,358	50,163
Overseas	London Branch	5th Floor, 99 Gresham Street, London, EC2V 7NG,UK	1	34	18,800
	Sydney Representative Office	Level 27, Gateway, 1 Macquarie Place, Sydney, NSW 2000, Australia	1	4	–

Notes: (1) In addition to the data listed in the above table, the Bank's staff also included 2,623 employees at its Data Center and Software Development Center, one employee at Hong Kong Branch (under preparation) as well as four employees seconded to JSC Altyn Bank.

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

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

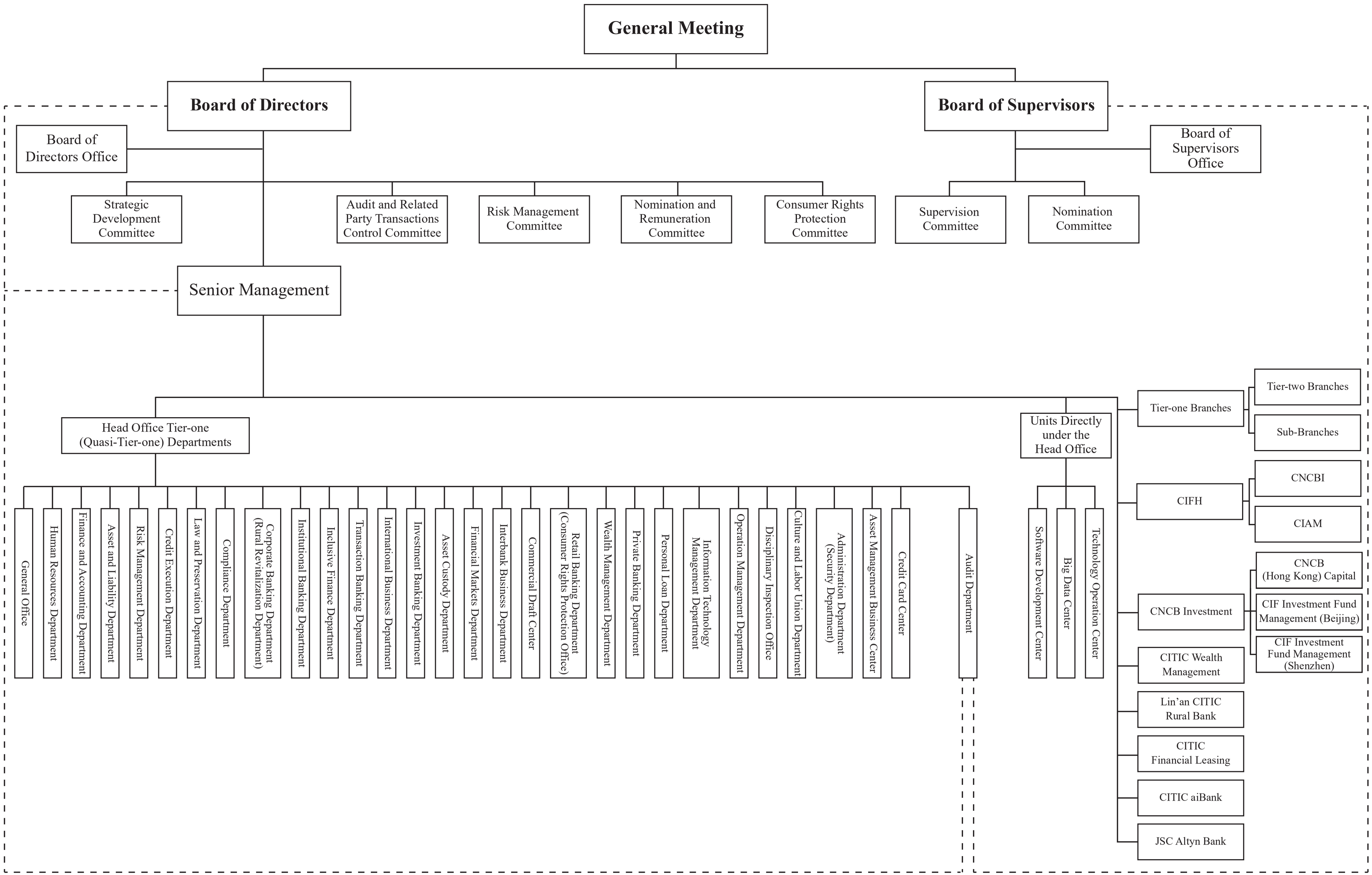
3.34.2 Human Resources Management

During the reporting period, the Bank closely followed the strategic guidelines, and defined new concepts and measures for human resources management. Focusing on the talent concept of "pooling men striving for success, motivating men of action, and supporting men top-notch", the Bank focused on optimizing the human resources mechanism, adhered to consolidating the talent foundation by emphasizing responsibility, capability and value to motivate, foster and enable employees for the improvement of organizational capacity. Meanwhile, the Bank adhered to a remuneration concept featuring position value, performance contribution and competence unleash. In accordance with the principle of combining effective incentives with strict constraints, the Bank strengthened assessment and guidance, and expanded the scope of differentiated remuneration. During the reporting period, the Bank revised the *Policy on Deferred Performance-based Bonus Payment*, and improved the mechanism of remuneration distribution that is compatible with competitiveness raising, risk control and steady development.

3.34.3 Human Resources Training and Development

During the reporting period, the Bank carried out training centering on the Bank's business development, and held 4,171 sessions of training throughout the year, recording 533,700 person-times participation. Amid the regular epidemic prevention and control, the Bank gave full play to the advantages of digital learning platform, and continued to provide online trainings on products, systems, policies, and other business trainings. Grasping the opportunity of the window period of pandemic relieve, the Bank pressed ahead with the face-to-face "pre-service and on-the-job" training for management personnel and the cultivation of various talent teams with a focus on providing special training on digital transformation. With its outstanding performance in talent and training in recent years, the training programs of five branches of the Bank were awarded the "Best Learning Program" of the 12th (2020-2021) China Talent Development Excellence Award by the Training magazine, and the Bank's "Sailing Program" of talent cultivation was listed in the 2021 *Excellent Cases of Talent Development of Chinese Enterprises*.

3.34.4 Organizational Chart



CHAPTER 4 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Bank attaches great importance to the sustainable development along with all stakeholders. It fully integrated the sustainable development concept of "committed to becoming a green bank, humanistic bank, charity bank, honest bank, value bank and brand bank" into its strategy and culture, continuously improved the sustainable development management system. During the reporting period, remarkable achievements in green credit, "carbon footprint" management, inclusive finance, customer services and supplier management were made.

4.1 Environment-Related Performance and Policies

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" accounting, 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 Bank fully implemented the national 14th Five-Year Plan and the Long-Range Objectives through the Year 2035 and earnestly carried out *China CITIC Bank's 2021-2023 Development Plan*. Adhering to the green development philosophy, the Bank promoted the building of green bank, sped up the transformation of credit structure, and strengthened risk management in a bid to achieve carbon emissions peak and carbon neutrality. As at the end of the reporting period, the balance of green credit was RMB200.079 billion, representing an increase of 140.75% compared with the end of the previous year, a growth rate exceeding the average of the Bank.

During the reporting period, the Bank made sustained efforts to improve its system and mechanism building by setting up the Green Finance Steering Group of China CITIC Bank, the Business Promotion Working Group and the Management Improvement Working Group, and formulating the *Work Plan for Green Bank Building of China CITIC Bank* to firmly support the development of green, low-carbon and circular economy from the top-level design.

The Bank developed special credit policies for green finance. During the reporting period, it issued the *Guidelines of China CITIC Bank on Promoting Green, Low-Carbon and Circular Development*, as part of its efforts to actively advance the low-carbon transformation of the energy mix and scale up support for clean energy and relevant supporting facilities. The Bank pushed forward the green transformation and upgrading of traditional industries and infrastructure, and paid close attention to the transformation of achievements made in the green technology field. Moreover, it strengthened the control over the energy-intensive and high-emission industries and reinforced the access standards and existing balance management of projects with heavy pollution and high energy consumption.

The Bank continued to promote innovation in green finance business. It actively developed energy efficiency credit and green credit asset securitization, and supported green industry enterprises to go public for financing and refinancing. The Bank also developed products such as environmental rights, carbon emission rights and ecological compensation for collateral and pledge financing, and stepped up research on ESG (environmental, social and governance) wealth management, green supply chain, green industry fund, etc.

The Bank reinforced ESG management. By enhancing the assessment of environmental and social risks in the pre-credit granting investigation, the Bank took customers' environmental, social and governance conditions as an important basis for credit review and approval, and regularly carried out post-lending inspection of stock projects.

4.1.2 Green Office

The Bank actively followed and complied with the *Environmental Protection Law of the People's Republic of China, the Law on Energy Conservation of the People's Republic of China* and other relevant laws and regulations, advocated "green office", and formulated relevant rules and regulations. It also strengthened publicity in terms of allocation and procurement of official vehicles, office lighting and water use, waste on dining tables and office printing to reduce resource consumption and emissions, practiced the concept of green operation, and improved intensive management.

4.2 Fulfillment of Social Responsibilities

The Bank actively fulfilled its social responsibilities by carrying out paired poverty alleviation and consolidating the achievements made in poverty alleviation efforts. In response to the national strategic plans for rural revitalization, the Bank proactively served the rural revitalization with financial resources. It spared no effort to protect customers' rights and interests and strengthened financial knowledge publicity and education. The Bank also continuously improved supplier management and urged the performance of environmental and social responsibilities by suppliers.

4.2.1 Precision Assistance with Financial Services

During the reporting period, the Bank proactively fulfilled its responsibilities as a state-owned financial enterprise, incorporating precision poverty alleviation with financial services into its new three-year development plan. The steering group and working group for inclusive finance headed by the president of the Bank held regular working meetings to coordinate and promote the steady development of loans for precision assistance with financial services.

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, so as to consolidate poverty alleviation outcomes. It invested more efforts to build the financial support system for precision poverty alleviation, enhanced the construction of financial infrastructure, and extended the service radius of electronic channels. It also intensified consumer rights protection and incorporated the business performance of loans for precision poverty alleviation into the comprehensive performance appraisal of branches. Furthermore, the Bank put in place the allocation of special subsidies, specified requirements for risk tolerance, implemented due diligence liability exemption, and prioritized the approval of precision poverty alleviation loans when other conditions were equal. Making good use of the list of poverty alleviation identification information, the Bank focused on poverty alleviation through industrial development and the people and areas out of poverty. Specifically, it increased industry-driven loans, provided micro-credit for those who have got rid of poverty, and advanced the sustained growth of balance of loans for precision poverty alleviation with financial services and loans in previously impoverished areas. As at the end of the reporting period, the Bank's balance of loans for precision poverty alleviation with financial services stood at RMB30.849 billion, an increase of RMB1.658 billion compared with the end of the previous year. It granted loans to 1,070,500 customers, up by 27,800 from the end of the previous year, and the average interest rate of loans newly granted remained overall stable over the previous year.

In 2022, following the decision and plans of the nation, the Bank will conscientiously implement the regulatory requirements of the People's Bank of China and the CBIRC, constantly scale up precision poverty alleviation with financial services, and actively consolidate and expand the poverty alleviation outcomes. It will make sustained efforts to strengthen the top-level design, optimize systems and mechanisms, and continue to promote financial support for key fields such as people and areas that have been lifted out of poverty and poverty alleviation through industrial development. At the same time, the Bank will strengthen the project screening and risk management of the loan of precision poverty alleviation with financial services and grant loans in compliance with the law to prevent excessive and illegal financing in the name of poverty alleviation.

4.2.2 Poverty Alleviation with Donations

Upholding the target of common prosperity, the Bank resolutely implemented the national work arrangement on pointed poverty alleviation and steadily perform its social responsibility. It continued to carry out paired poverty alleviation in Xietongmen County of Tibet, Tanchang County of Gansu Province and Payzawat County of Xinjiang, as well as projects of poverty alleviation through educational development in 20 provinces and cities across China. It continuously provided medical treatment for children with congenital heart disease in the western region of China and the "three regions and three prefectures"[35], and dispatched officials to take charge of the management and implementation. The 20 branches, under the organization of local governments, actively supported the villages which have shaken off poverty to consolidate poverty alleviation achievements. During the reporting period, focusing on four key areas, namely paired poverty alleviation and poverty alleviation through health care, education and consumption, the Bank dispatched a total of 84 full-time and part-time poverty alleviation officials to 45 villages in 5 regions and counties, implemented 208 paired poverty alleviation and public welfare projects, and donated RMB10,159,500, benefiting about 12,700 households and 42,300 people in difficulty.

[35] Tibet Autonomous Region, the Tibetan inhabited regions in the provinces of Qinghai, Sichuan, Yunnan and Gansu, four prefectures in the southern Xinjiang Autonomous Region, Liangshan prefecture of Sichuan Province, Nujiang prefecture of Yunnan Province and Linxia prefecture of Gansu Province.

The results of the Bank's poverty alleviation efforts during the reporting period are as follows:

Unit: RMB10,000

Item	Numbers and Progress
Overview	
Invested funds	1,015.95
Benefited Low-income People or People in Need	42,300 people from 12,700 households
Inputs by major category	
Paired Assistance	
Including: Types of Assistance	Rural industries, talent, culture, ecological revitalization, the consolidation of poverty alleviation results and others
Number of Assistance Projects	62
Invested Amount	940.37
Assistance through Education	
Including: Amount of Financial Assistance for Students in Difficulty	355.96
Number of Students Assisted	5,251
Assistance through Medical Services	
Including: Amount of Medical Resources Invested in Less Developed Areas	300.00
Number of Children with Congenital Heart Disease Assisted	113 (recovery rate 100%)
Assistance through Consumption	
Including: Amount of Agricultural Products Procured from Less Developed Areas	1,896.58
Awards	
The Bank was awarded "Outstanding Socially Responsible Enterprises in China" by Xinhuanet in January 2021.	

4.2.3 Rural Revitalization

The Bank conscientiously implemented the national strategic plans of the CPC Central Committee and the State Council for rural revitalization, and strictly followed the regulatory policy requirements of the CBIRC such as the *Notice on High Quality Services of the Banking and Insurance Industry for Rural Revitalization in 2021* and the *Assessment and Evaluation Measures for Financial Institutions Serving Rural Revitalization*. It worked to improve its weak links with a focus on agriculture, rural areas and rural residents, further strengthen the development of systems and mechanisms, upgrade products and services, and increase the supply of credit funds to help consolidate and expand the achievements made in poverty alleviation and rural revitalization.

During the reporting period, the Bank strengthened its organizational building and established the Rural Revitalization Department, a tier-one department in the Head Office, to further enhance the quality and efficiency of its rural revitalization efforts. To strengthen policy support, the Bank included agricultural and rural revitalization development into the scope of credit support, set up green approval channels for agriculture-related credit and internal systems of agriculture-related loan reauthorization and zero risk tolerance, and formulated subsidy policy for agriculture-related loan. The Bank endeavored to ensure the supply of financial resources in key areas, actively supported the national strategies for food security, infrastructure construction in rural areas and development of new types of agricultural business entities and farmers, and improved the quality and efficiency of financial services at the county level. During the reporting period, the Bank issued rural revitalization-themed cards and carried out activities such as "e-commerce in rural areas" in 159 county-level sub-branches, with the aim to support the county-level economic development. The Bank also pursued innovation in agriculture-related financial products, accelerated the launch of online credit products, issued the first batch of "rural revitalization" bills nationwide, and created special products such as "forest ownership loan" and "tea farm loan" with regional characteristics.

As at the end of the reporting period, the Bank had 46,200 accounts of agriculture related customers, up by 8,200 accounts compared with the end of the previous year. The balance of the Bank's agriculture-related loans stood at RMB396.716 billion, up RMB54.768 billion or 16.02% compared with the end of the previous year. Among them, the balance of agriculture-related inclusive loans was RMB24.082 billion, an increase of RMB7.763 billion or 47.57% from the end of the previous year, and the balance of unsecured loans granted to farmers amounted to RMB413 million, up RMB250 million or 154.11% compared with the end of the previous year. Loans granted to key areas such as agriculture, forestry, animal husbandry and fishery as well as infrastructure construction in rural areas also recorded growth.

4.2.4 Consumer Rights Protection and Service Quality Management

During the reporting period, the Bank fully implemented the people-centered development philosophy and practically took consumer protection as a major political task and business priority. It put in place various measures to effectively protect the legitimate rights and interests of financial consumers and strictly fulfill its social responsibility, sparing no effort to enhance the contribution of consumer protection. As a result, the Bank received an A rating in the 2020 annual consumer protection assessment of the People's Bank of China, up one level compared with the previous year.

The Bank attached great importance to complaint management. Focusing on customer complaints, the Bank continuously improved the closed-loop management system of "complaint handling – pain point focus – problem solving – improvement and evaluation". It fully publicized the complaint methods and complaint handling process in a prominent position of its official website, mobile client, business premises, offices and other channels. The Bank also launched an annual claim payment quota for customer complaints, which is designed for the rapid processing of consumer complaints at branch level. Furthermore, it actively promoted the establishment of links between 37 tier-one branches and local mediation organizations, and solidly pushed ahead the implementation of the multi-disciplinary dispute resolution mechanism.

During the reporting period, the Bank received a total of 19,696 regulatory referrals for complaints, which mainly involved business such as credit cards, personal loans and debit card account management with a proportion of 86.53%, 6.50% and 3.69% respectively. The complaints were mainly concentrated in Guangdong[36], Shanghai and Jiangsu, accounting for 88.15%, 1.26% and 1.23% respectively.

The Bank continued to strengthen the publicity and education of financial knowledge, stuck to an integrated approach combining thematic and regular education to effectively enhance consumers' self-protection awareness and risk prevention ability. During the reporting period, the Bank cooperated with the CBIRC and the People's Bank of China to carry out "3•15 Banking and Insurance Consumer Protection Awareness Week" and "Protecting Your Pockets with Financial Knowledge" activities. During the campaign, more than 9,000 publicity activities were held, distributing over 9 million copies of publicity materials and reaching a total of more than 100 million people.

4.2.5 Supplier Management

The Bank and its suppliers kept committed to in-depth cooperation in multiple fields and actively promoted the establishment of a long-term and stable partnership that is open, fair, mutually beneficial and sustainable.

The Bank constantly strengthened policy governance and control over key links to actively build a favorable procurement ecosystem, so as to promote closer and more efficient procurement in compliance with rules of all stakeholders. During the reporting period, the Bank launched the "Sunshine Procurement with CITIC Bank" campaign to promote the formation of a compliance culture and positive energy of procurement. The Bank also implemented major national strategic plans such as carbon neutrality, carbon dioxide emission peak and green finance and explored the management mechanism of the list of implementation items of energy-saving and environmental labeling products. It made use of multiple channels to guide suppliers to fulfill their environmental and social responsibilities and encouraged private enterprises engaged in green and manufacturing industries to participate in the Bank's procurement business. As an effort to support real economy and inclusive finance, it developed special service "Centralized Purchase e loan" for small and micro enterprises. Upholding a technology-driven approach, the Bank further strengthened its capability in promoting the digitalized and online operation of centralized procurement, and fully supported and drove the digital and intelligent transformation of information-based procurement.

For details of social responsibility and public benefit activities of the Bank in the reporting period, please refer to the *2021 Sustainable Development Report of China CITIC Bank Corporation Limited* the Bank published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this report.

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

CHAPTER 5 REPORT OF 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 116 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 RMB1.026 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 2021. 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, the SSE and SEHK as well as accounting standards. When engaging in related party 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 transactions constitute no connected transactions as per Chapter 14A of *Hong Kong Listing Rules*.

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 2021 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 2021
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	Yunnan Health & Cultural Tourism Holding Group Co., Ltd.			100
	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 balances of the Bank's credit extension to CITIC Group and its associates, Xinhu Zhongbao and its associates, and China Tobacco and its associates may not exceed 15% of the Bank's net capital of the preceding quarter end respectively, and the balances of the Bank's credit extension to Ping An Insurance (Group) Company of China, Ltd. and Cinda Securities Co., Ltd. may not exceed 10% of the Bank's net capital of the preceding quarter end respectively. All credit extension transactions between the Bank and the above-mentioned related parties were within their respective annual caps and in line with general commercial principles with terms no more favorable than those available to independent third parties.

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 RMB72.118 billion, including RMB65.036 billion to CITIC Group and its associates, RMB5.529 billion to Xinhu Zhongbao and its associates, zero to China Tobacco and its associates, RMB1.553 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., New China Life Insurance Company Ltd. and China Life Pension Company Limited, and RMB553 million to Cinda Securities Co., Ltd.[37]). Under the CBIRC regulatory criteria, the balance of credit that the Bank and its subsidiaries extended to all related enterprises amounted to RMB120.486 billion, including RMB95.705 billion to CITIC Group and its associates, RMB20.478 billion to Xinhu Zhongbao and its associates, RMB205 million to China Tobacco and its associates, and RMB4.098 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 RMB553 million to Cinda Securities Co., Ltd.[38] Such credit extensions to related enterprises were of good quality in general, with one being substandard (RMB60 million), one being doubtful loan (RMB339 million) and one being loss loan (RMB920 million), and all others being performing loans. As such, these credit extension transactions exerts no material impacts on the normal operation of the Bank in terms of transaction volume, structure and quality.

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 or appropriation as set forth in the then effective *Notice on Several Issues Concerning the Standardization of Fund Exchanges between Listed Companies and Their Related Parties and External Guarantees Provided by Listed Companies* (as amended in 2017) (CSRC Announcement [2017] No.16) and the then effective *Notice on Standardization of External Guarantees Provided by Listed Companies* (CSRC Release [2005] No. 120). The related loans that the Bank extended to CITIC Group and its associates, Xinhu Zhongbao and its associates, China Tobacco and its associates, 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.

37 Yunnan Health & Cultural Tourism Holding Group Co., Ltd. was no longer a related party of the Bank as of 29 April 2021. As at 31 March 2021, the balance of credit that the Bank and its subsidiaries extended to Yunnan Health & Cultural Tourism Holding Group Co., Ltd. was RMB896 million.

38 New China Life Insurance Company Ltd. and China Life Pension Company Limited only constituted related parties under *the regulatory rules of SSE.*

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 SSE and SEHK for the annual caps on the seven main categories of non-credit extension continuing related party transactions with CITIC Group and its associates for 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 signed 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 then effective *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange* (as amended in December 2020). Particulars 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 2021**	**Transaction amount in 2021**
CITIC Group and its associates	Third-Party Escrow Services	Service fee income/expense	2	0.22

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, 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 less 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 2021**	**Transaction amount in 2021**
CITIC Group and its associates	Asset Custody Services	Service fee income/expense	7	5.32

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 debts, etc.; (2) the service recipient shall, and will procure its associates to pay service fees for the services (if applicable); (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 2021	Transaction amount in 2021
CITIC Group and its associates	Financial Consulting and Asset Management Services	Service fee income/expense	40	2.20

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 on 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 and 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 2021	Transaction amount in 2021
CITIC Group and its associates	Capital Transactions	Gains and losses of transactions	20	4.56
		Fair value recorded as assets	22	6.45
		Fair value recorded as liabilities	400	4.56

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 2021	Transaction amount in 2021
CITIC Group and its associates	Comprehensive Services	Service fee expense/income	60	31.53

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) where there is no statutory government-prescribed transfer price available at present for a particular asset transfer, 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 2021**	**Transaction amount in 2021**
CITIC Group and its associates	Asset Transfer	Transaction amount	1,700	422.05

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 2021	Transaction amount in 2021
CITIC Group and its associates	Non-Principal-Protected Wealth Management Services and Agency Services		Service fee expense/income	65	11.57
	Investment with Wealth Management Funds or Proprietary Funds	Fund Application	Period-end balance of investment funds	1,900	300.86
		Intermediary Cooperation	Bank investment return and fee expense/income	45	8.96

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.

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	Deposited Amount in 2021	Closing Balance
CITIC Finance	None	0-2.7%	97.91	869.85	115.76

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	Deposited Amount in 2021	Closing Balance
CITIC Finance	None	1%	0.0002	0.000002	0.0002

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 Credit business

During the reporting period, the Group granted a total credit line of RMB12 billion to CITIC Finance, with a credit balance of RMB1.879 billion as at the end of the reporting period. CITIC Finance granted a total credit line of RMB23 billion to the Group, with RMB11.576 billion credit balance as at the end of the reporting period.

5.4.7.4 Other financial business

During the reporting period, the Group provided various settlement services, enterprise annuity account management services and other services for CITIC Finance, and collected total fees of RMB929,800.

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 general commercial terms; and

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

The auditor obtained the list of continuing connected transactions from the Bank's management. After completing relevant work in accordance with Hong Kong Standard on Assurance Engagements 3000 (amended) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by Hong Kong Institute of Certified Public Accountants and the Practice Note 740 (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 established a wholly-owned overseas special purpose vehicle CNCBINV 1 (BVI) LIMITED (hereinafter referred to as "SPV") to meet the needs of business development, and issued bonds with a total amount of USD500 million (hereinafter referred to as the "Bond") with SPV as the issuer. CNCB Investment agreed to provide unconditional and irrevocable guarantee for the Bond(hereinafter referred to as the "Guarantee"), which shall take effect upon the completion of issuance of the Bond. The Bond was issued in November 2021.

For the details of above mentioned guarantees, please refer to *the Announcement on the Guarantee of CNCB Investment for its Wholly-owned Subsidiary* the Bank published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on November 11, 2021.

During the reporting period, save what has been disclosed above and the financial guarantee business that is within its approval business scope, 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 (LG), 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 2021 Annual Report*, the value balance of the letters of guarantee issued by China CITIC Bank was equivalent to RMB128.866 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

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

On 20 January 2016, the Bank completed the registration and custody formalities relating to its private offering of 2,147,469,539 A shares to China Tobacco. China Tobacco undertook to the former CBRC that it would not transfer its subscribed equity in the Bank within 5 years as of the date of completion of the delivery. As at 20 January 2021, the above-mentioned commitments of China Tobacco had been fulfilled, and the shares subject to restrictions on sales had been listed for trading. From the delivery date of the private offering to 20 January 2021, the Bank found no violation of the above commitments by China Tobacco.

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 2020 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 7 consecutive years. Zhu Yu 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 5 and 4 consecutive years' audit service for the Bank, respectively. Leung Wai Kin is the signing CPA for the auditor's report regarding the Bank's 2021 financial statements prepared in accordance with the IFRS, and he has provided 2 years' audit service for the Bank.

The Group paid audit fees (including those for its subsidiaries) equivalent to about RMB18.35 million, including RMB9.12 million for the auditing of the Bank (of which, RMB800,000 was for auditing the internal control report) in total to PricewaterhouseCoopers Zhong Tian LLP who audited its 2021 financial report prepared in accordance with the PRC Accounting Standards and its internal control report as at 31 December 2021 and to PricewaterhouseCoopers who audited its 2021 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 RMB2.57 million to PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers for their non-audit services (including professional services rendered for asset securitization and debt issuance).

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 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

During the reporting period, the Group paid back to society with enthusiasm in strict accordance with the *Charity Law of the People's Republic of China* and other applicable laws and regulations, tilting its donations to areas in the greatest need of help. During the reporting period, the Group made donations of RMB11.6192 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 RMB4.1462 million, an increase of 8.18%, total tax payment of RMB30.575 billion, and a social contribution value per share of RMB5.64.

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 employee salaries and locally defined contribution rates. In addition, the Bank established enterprise annuity plans for its employees with contribution rate set at 7% of employee salary income.

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

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 Shares

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares 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, right allocation to the existing ordinary shareholders, new shares issuance to the existing shareholders, transfer of capital reserve to share capital, conversion of preference shares to ordinary shares or other means permitted by laws and administrative regulations or as approved by relevant authorities authorized by the State Council.

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 for what is disclosed in Chapter 7 "Preference Shares" and Chapter 8 "Convertible Corporate Bonds" of this report, the Bank neither entered into nor continued any equity linked agreements 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 transfer market, if the duration of shareholding is less than 1 month (inclusive), the full amount of his or her dividend income shall be calculated as taxable income; if the duration of shareholding is between 1 month and 1 year (inclusive), 50% of the dividend income shall be calculated as taxable income for the time being; and if the duration of shareholding lasts more than one year, the dividend income shall be exempted from individual income tax for the time being. All the above-mentioned dividend income shall be taxed at a uniformly applicable tax rate of 20%.

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

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

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

H Shareholders

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

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

Tax matters in relation to the Shanghai-Hong Kong Stock Connect shall be handled according to the provisions of the *Notice 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 2021 and outlook for 2022, 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 2021 annual results of the Bank and the Group and their audited 2021 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 Responsibilities – Consumer Rights Protection and Service Quality Management" of this report.

5.34 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 2020		Changes (+, -)					31 December 2021	
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	**2,147,469,539**	**4.39**				**-2,147,469,539**	**-2,147,469,539**	**–**	**–**
1. Shares held by the state									
2. Shares held by state-owned legal persons	2,147,469,539	4.39				-2,147,469,539	-2,147,469,539	–	–
3. Shares held by other domestic investors									
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons									
4. Foreign-held shares									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
Shares not subject to restrictions on sale:	**46,787,369,030**	**95.61**				**+2,147,473,439**	**+2,147,473,439**	**48,934,842,469**	**100.00**
1. Renminbi denominated ordinary shares	31,905,206,053	65.20				+2,147,473,439	+2,147,473,439	34,052,679,492	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	**48,934,838,569**	**100.00**				**+3,900**	**+3,900**	**48,934,842,469**	**100.00**

6.1.2 Shares Subject to Restrictions on Sale

Publicly tradable time of shares subject to restrictions on sale

Unit: share

Time	Incremental publicly tradable shares upon expiry of lock-up period	Number of shares subject to restrictions on sale	Number of shares not subject to restrictions on sale
20 January 2021	2,147,469,539	–	48,934,842,469

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

Unit: share

Name of shareholder subject to restrictions on sale	Number of shares subject to restrictions on sale held	Publicly tradable time	Incremental publicly tradable shares	Conditions of restrictions on sale
China National Tobacco Corporation	–	20 January 2021	2,147,469,539	On 20 January 2016, the Bank completed the registration and custody formalities relating to its private offering of 2,147,469,539 A shares to China Tobacco. China Tobacco undertook to the former CBRC that it would not transfer its subscribed equity in CITIC Bank within 5 years as of the date of completion of the delivery. As at 20 January 2021, the above-mentioned undertaking of China Tobacco has been fulfilled, and relevant shares subject to restrictions on sale have become tradable. (Refer to the announcements of the Bank published on the official websites of SSE (www.sse.com.cn) and the HKEXnews (www.hkexnews.hk) for details thereof.)

6.2 Issuance and Listing of Securities

6.2.1 Equity Financing

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

6.2.2 Issuance of Bonds

Pursuant to the *Approval regarding the Issuance of Undated Capital Bonds by China CITIC Bank Corporation Limited from China Banking and Insurance Regulatory Commission* (CBIRC Reply [2021] No. 57) and the *Affirmative Decision of Administrative License of the People's Bank of China* (PBOC Decision [2021] No. 58), the Bank has been approved for the issuance of undated capital bonds in the national inter-bank bond market in an amount up to RMB40 billion (hereinafter referred to as "Undated Capital Bonds") to replenish the additional tier-one capital of the Bank in accordance with relevant regulations. The Undated Capital Bonds were book-built on 22 April 2021 and the issuance was completed in the national inter-bank bond market on 26 April 2021. The size of issuance of the Undated Capital Bonds is RMB40 billion. The coupon rate is 4.20% during the first 5 years and will be reset every 5 years. The issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. The proceeds from the issuance of the Undated Capital Bonds were used to replenish the additional tier-one capital of the Bank in accordance with applicable laws and approvals of the regulatory authorities.

Pursuant to the *Reply of the China Banking and Insurance Regulatory Commission on Approving the Issuance of Special Financial Bonds for Loans to Small and Micro Enterprises by China CITIC Bank* (CBIRC Reply [2020] No.4) and the *Affirmative Decision of Administrative License from the People's Bank of China* (PBOC Decision [2020] No. 20), the Bank was approved to issue financial bonds up to RMB50.0 billion (hereinafter referred to as "Financial Bonds") in the national inter-bank bond market. The Financial Bonds were issued in installments, and the issuance of the 2020 Special Financial Bonds for Loans to Small and Micro Enterprises (Tranche 1) in an amount of RMB30 billion was completed on 18 March 2020. The 2021 Special Financial Bonds for Loans to Small and Micro Enterprises (the "21 CITIC SME Bonds") issued was the last tranche of the Financial Bonds. The 21 CITIC SME Bonds were book-built on 8 June 2021 and the issuance was completed in the national inter-bank bond market on 10 June 2021. The size of the issuance of the three-year fixed-rate 21 CITIC SME Bonds was RMB20.0 billion and the coupon rate was 3.19%. The proceeds from the issuance were used to grant loans to small and micro enterprises in accordance with applicable laws and approvals of the regulatory authorities.

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 public issuance of the above Undated Capital Bonds and the 21 CITIC SME Bonds.

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 165,078 accounts of ordinary shareholders in total, including 137,385 accounts of A shareholders and 27,693 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 2022), the Bank recorded 162,274 accounts of ordinary shareholders in total, including 134,696 accounts of A shareholders and 27,578 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	11,551,745,163	23.61	0	-6,479,967	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-ownedl legal person	A share	1,018,941,677	2.08	0	-95,124,000	0
5	Central Huijin Asset Management Ltd.	State-owned legal person	A share	267,137,050	0.55	0	-5,701,250	0
6	China Construction Bank Corporation	State-owned legal person	H share	168,599,268	0.34	0	0	0
7	Hong Kong Securities Clearing Company Limited	Overseas legal person	A share	92,577,806	0.19	0	+12,298,207	0
8	China Merchants Bank Co., Ltd. – SSE Dividend Traded Open-ended Index Securities Investment Fund	Other	A share	57,866,462	0.12	0	+32,284,762	0
9	China Everbright Bank Company Limited – Aegon-Industrial Commercial Mode Preferred Hybrid Securities Investment Fund (LOF)	Other	A share	45,386,034	0.09	0	+45,386,034	0
10	Hebei Jiantou Xiong'an Construction and Development Co., Ltd.	State-owned legal person	A share	31,034,400	0.06	0	+31,034,400	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 2021 of China Construction Bank Corporation*, as at 30 September 2021, 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		32,719,444,053(L)	96.08	66.86
	H share	Interest of controlled corporations	10,313,000(L)	0.07	0.02
CITIC Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,719,444,053(L)	96.08	66.86
CITIC Polaris Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,719,444,053(L)	96.08	66.86
CITIC Glory Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,719,444,053(L)	96.08	66.86
CITIC Group	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,719,444,053(L)	96.08	66.86
Summit Idea Limited	H share	Beneficiary owner	2,292,579,000(L)	15.41	4.685
Total Partner Global Limited	H share	Interest of controlled corporations	2,292,579,000(L)	15.41	4.685
Hong Kong Xinhu Investment Co., Ltd.	H share	Beneficiary owner	153,686,000(L)	1.03	0.314
		Interest of controlled corporations	2,292,579,000(L)	15.41	4.685
Xinhu Zhongbao Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Xinhu Group Corporation Limited	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Hengxingli Holding Group Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Ningbo Jiayuan Industrial Development Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Huang Wei	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Li Ping	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999

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 disclosure form. When there is a change to shares of the Bank held by shareholders, unless multiple conditions are met, related shareholders need not to notify the change to the Company and SEHK. Therefore, the latest shares held by shareholders at the Company may differ from those already submitted to SEHK.

Except for the 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	715,000 (L)	0.0048	0.0015
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
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%.

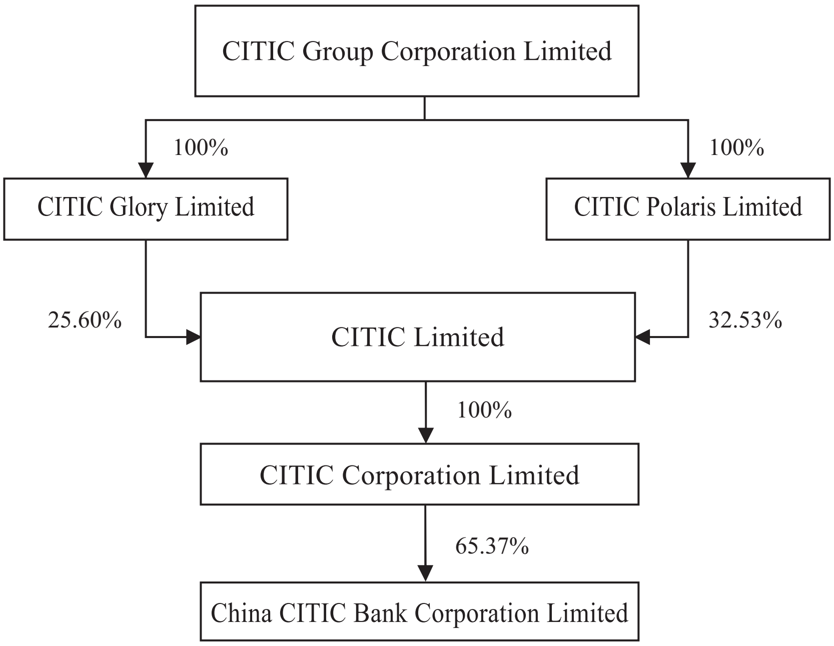
In January 2016, CITIC Limited notified the Bank that it planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding did not exceed 5% of the Bank's total issued share capital. As at 21 January 2017, 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; (2) mining, forestry and other resource development and the raw materials industry; (3) machine manufacturing; (4) real estate development; (5) the information industry: information infrastructure, basic telecommunications and value-added telecom services; (6) commercial and trade services and other industries; environmental protection; pharmaceuticals, biological engineering and new materials; aviation, transportation, warehousing, hotels and tourism; domestic and international trade, import and export, commerce; education, publication, media, culture and sports; consulting services; 3. Grant of shareholder loans to its domestic and overseas subsidiaries; capital operation; asset management; domestic and overseas project design, construction, contracting and sub-contracting, and labor export; and other business items approved by competent authorities. (The market entity shall discretionally choose its business projects and conduct its business activities according to the law; the entity changed from a domestic enterprise into a foreign-invested enterprise on 22 July 2014, and 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[39]:



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 Corporation Limited	Fortune Class Investments Limited, Metal Link Limited	CITIC Group Corporation Limited

39 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.

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

Name of shareholder	Name of listed company	Place of listing	Stock code	Shareholding percentage (%)
CITIC Corporation Limited 15.47% CITIC Limited 2.91%	CITIC Securities Co., Ltd.	Shanghai Hong Kong	600030.SH 06030.HK	18.38%
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. 33.71% Silver Log Holdings Ltd 16.60% Cuixin Holdings Corporation Limited 3.85%	CITIC Telecom International Holdings Limited	Hong Kong	01883.HK	57.82%
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%	China Overseas Land & Investment Limited	Hong Kong	00688.HK	10%
Easy Flow Investments Limited 25.91%	Frontier Services Group Limited	Hong Kong	00500.HK	25.91%
CITIC Metal Africa Investments Limited 26.01%	Ivanhoe Mines Ltd.	Toronto	IVN.TSX IVPAF.OTCQX	26.01%
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 Information on Other Substantial Shareholders

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

Summit Idea Limited is a company incorporated in Hong Kong. As at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominees Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares, with 1,123,363,710 H shares of the Bank pledged as collateral as at the end of the reporting period. Summit Idea Limited is a wholly-owned subsidiary of Xinhu Zhongbao. In addition to the aforementioned stake, Hong Kong Xinhu Investment Co., Ltd., a wholly owned subsidiary of Xinhu Zhongbao, owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares. Xinhu Zhongbao (SH.600208) was listed on the Shanghai Stock Exchange in 1999. Its principal business is real estate and finance. As at 30 June 2021, the company recorded registered capital of RMB8.599 billion, total assets of RMB130.649 billion and net assets of RMB40.158 billion. The company is an industry leader in terms of the size, strength and quality of its real estate business. Xinhu Zhongbao has developed more than 50 real estate projects in over 30 cities across the country with aggregate development areas reaching over 30 million square meters. In terms of financial business, Xinhu Zhongbao has formed a financial investment pattern that covers securities, banking, insurance, futures, etc. It has made forward-looking investment in high-tech companies engaged in block chain, big data, artificial intelligence and cloud computing, and is an important shareholder of Wind, Bangsun Technology, Hyperchain and other high-tech companies which owned leading technology and market shares.

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

In accordance with 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

6.8 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.

6.9 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 2022), the Bank recorded 51 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	CITIC Securities – SPD Bank – CITIC Securities Star No. 43 Collective Asset Management 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	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	+4,160,000	10,300,000	2.94	Onshore preference shares	–	–	–
10	TruValue Asset Management – SPD Bank – TruValue Stable Wealth No. 2 Collective Asset Management Plan	Other	+10,000,000	10,000,000	2.86	Onshore preference shares	–	–	–

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

(2) Note on related relations or concerted actions of the above preference shareholders: Based on publicly available information, the Bank came to the preliminary conclusion that there was related relation between China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai and China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai, between Ping An Life Insurance Company of China, Ltd. – Universal – Individual Universal Insurance and Ping An Life Insurance Company of China, Ltd. – Dividend – Dividends for Individual Insurance, and between CITIC Securities – SPD Bank – CITIC Securities Star No. 43 Collective Asset Management Plan and TruValue Asset Management – SPD Bank – TruValue Stable Wealth No. 2 Collective Asset Management Plan. Except for these, the Bank was not aware of any 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 number 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, i.e., 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 way of book finding. Cash dividends shall be paid for the above-mentioned preference shares on an annual basis, with the interest-bearing principal calculated as the total par value of the issued ongoing preference shares and the interest start date being the payment date of the subscribed shares (i.e., 26 October 2016).

Dividends on the above preference shares shall not be cumulative, i.e., the shortage from a full-amount dividend payout in the current year will not be accumulated to the next interest-bearing year. Except for access to the dividends agreed upon in accordance with the issuance plan, the above-mentioned preference shareholders shall not participate in the distribution of surplus profits together with the ordinary shareholders.

Since 26 October 2021, the benchmark interest rate of "CITIC Excellent 1" became 2.78%, and with a fixed premium of 1.30% 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 2021 Plan on Payment of Dividends on Preference Shares at the Board meeting convened on 25 August 2021, approving that the preference share dividends accrued between 26 October 2020 and 25 October 2021 would be paid on 26 October 2021. On 26 October 2021, 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 2021. The Bank paid out a preference dividend of RMB3.80 per share (before tax), which was calculated at a nominal dividend rate of 3.80% of "CITIC Excellent 1", with the total dividend payment for preference shares amounting to RMB1.330 billion (before tax).

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 16 October 2021.

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 on the Shanghai Stock Exchange for trading on 19 March 2019. All proceeds from the issuance of A-share convertible bonds have been used for operation to support business development, and will be used to replenish the Bank's core tier-one capital after the conversion to shares according to relevant regulations. The term 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 for details thereof.

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

Unit: RMB Yuan

Convertible bond holders at the period end (accounts)	17,378
Guarantors of convertible bonds of the Bank	None

Name of top ten convertible bond holders	**Nominal value of bonds held at the end of the period**	**Percentage of bonds held *(%)***
CITIC Corporation Limited	26,388,000,000	65.97
China National Tobacco Corporation	2,521,129,000	6.30
Special account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China)	1,447,927,000	3.62
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)	840,551,000	2.10
Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)	675,881,000	1.69
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	615,305,000	1.54
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank)	543,760,000	1.36
Special account for collateralized bond repurchase in the securities depository and clearing system (Agricultural Bank of China)	416,768,000	1.04
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of Communications)	301,502,000	0.75
Special account for collateralized bond repurchase in the securities depository and clearing system (Shanghai Pudong Development Bank)	251,180,000	0.63

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 11 September 2019, i.e., the first trading day after six months from the completion of the issuance to the convertible bond maturity date and will expire on 3 March 2025. As at the end of the reporting period, a total of RMB327,000 CITIC Convertible Bonds have been converted to A-share ordinary shares of the Bank, with the total number of converted shares reaching 45,896, which accounted for 0.00009379% of the total ordinary shares issued by the Bank before the conversion of CITIC Convertible Bonds.

8.4 Previous Adjustments of Conversion Prices

On 29 July 2021, the Bank distributed cash dividends on ordinary shares (A share) for the year 2020. 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, and rights issue (excluding the share capital increase due to the conversion of convertible bonds issued this time) and that the Bank distributes cash dividends. Therefore, after this profit distribution, the conversion price of CITIC Convertible Bonds was adjusted from RMB6.98 per share to RMB6.73 per share since 29 July 2021 (the ex-dividend date). Previous adjustments to conversion prices are set out in the table below:

Unit: RMB Yuan

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
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
The latest conversion price at the disclosure date of this report				6.73

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 of Securities by Listed Companies and the Administrative Measures for the Issuance and Trading of Corporate Bonds* of CSRC, the Bank entrusted the credit rating agency Dagong Global Credit Rating Co., Ltd. (hereinafter referred to as "Dagong Global") to track and rate 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 (2021)* which stated the rating results that: maintaining the Bank's long-term credit rating at AAA with a stable outlook and the credit rating of CITIC Convertible Bonds at AAA. The Bank managed to remain stable in all aspects of operation, as exemplified by the reasonable asset structure, the steady liabilities without obvious changes, and the robust credit position. In future years, income from normal operations, cash inflows, and realization of current assets will constitute the principal cash sources for the Bank's debt service.

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 2021
(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 210, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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 2021, 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 financial investments	
Refer to Note 4(c), Note 5(i), Note 22 and Note 23 to the consolidated financial statements. As at 31 December 2021, gross loans and advances to customers and accrued interest included for the purpose of expected credit loss assessment, as presented in the Group's consolidated balance sheet, amounted to RMB 4,869,033 million, for which management recognized an impairment allowance of RMB 121,706 million; total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB 1,848,813 million, for which management recognized an impairment allowance of RMB 29,114 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 expected credit losses models.	We understood and evaluated management's key 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 key internal controls relating to the measurement of ECL for loans and advances to customers, and financial investments, primarily including: (1) Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models; (2) Internal controls relating to significant management judgments and assumptions, including the 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; (3) Internal controls over the accuracy and completeness of key inputs used by the models; (4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and advances and financial investments in stage 3; (5) Internal controls over the information systems for ECL measurement;

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
Management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For stages 1 and 2 financial assets, 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;	(6) 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 financial investments (continued)	
(3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; (4) Management overlay adjustments due to significant uncertain factors not covered in the models; (5) The estimated future cash flows for corporate loans and advances and financial investments in stage 3. The Group established governance processes and controls for the measurement of ECL. The amount of impairment of the loans and advances to customers and financial investments is significant, and the measurement has a high degree of estimation uncertainty. For measuring ECL, the management adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions, and involved significant inherent risk. In view of these reasons, we identified this as a key audit matter.	We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of 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 and other available information 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), Note 23(a) and Note 59 to the consolidated financial statements. As at 31 December 2021, non-principal guaranteed wealth management products ("WMPs") issued and managed by the Group involved structured entities, and amounts for structured entities included in the consolidation scope and those not included were disclosed in Note 23(a) and Note 59 respectively. Management's decision on whether or not to consolidate structured entities was based on an assessment of the Group's power, its variable returns 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 key 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's 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Kin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2022

China CITIC Bank Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2021
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*Year ended 31 December* *2021*	*2020*
Interest income		306,165	298,006
Interest expense		(158,269)	(147,491)
Net interest income	6	147,896	150,515
Fee and commission income		40,604	33,757
Fee and commission expense		(4,734)	(4,921)
Net fee and commission income	7	35,870	28,836
Net trading gain	8	5,168	3,354
Net gain from investment securities	9	14,874	11,935
Net hedging loss	10	-	(1)
Other operating income		746	760
Operating income		204,554	195,399
Operating expenses	11	(62,224)	(54,255)
Operating profit before impairment		142,330	141,144
Credit impairment losses	12	(77,005)	(82,477)
Impairment losses on other assets	13	(43)	(512)
Revaluation gains/(losses) on investment properties		23	(69)
Share of profit/(loss) gain of associates and joint ventures		212	(229)
Profit before tax		65,517	57,857
Income tax expense	14	(9,140)	(8,325)
Profit for the Year		56,377	49,532
Net profit attributable to:			
Equity holders of the Bank		55,641	48,980
Non-controlling interests		736	552

China CITIC Bank Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
For the year ended 31 December 2021

(Amounts in millions of Renminbi unless otherwise stated)

		Year ended 31 December	
	Notes	*2021*	*2020*
Profit for the year		56,377	49,532
Other comprehensive income, net of tax:	15		
Items that will not be reclassified to profit or loss (net of tax):			
- Fair value changes on financial investments designated at fair value through other comprehensive income		30	(119)
- Changes in defined benefit plan liabilities		(1)	-
- Others		-	51
Items that may be reclassified subsequently to profit or loss (net of tax):			
- Other comprehensive income transferable to profit or loss under equity method		(12)	8
- Fair value changes on financial assets at fair value through other comprehensive income		2,394	(5,204)
- Impairment allowance on financial assets at fair value through other comprehensive income		32	841
- Exchange difference on translation of financial statements		(1,081)	(2,741)
- Others		133	-
Other comprehensive income, net of tax	15	1,495	(7,164)
Total comprehensive income for the year		57,872	42,368
Total comprehensive income attribute to:			
Equity holders of the Bank		57,176	41,728
Non-controlling interests		696	640
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	16	1.08	0.94
Diluted earnings per share (RMB)	16	0.98	0.86

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 2021

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*31 December 2021*	*31 December 2020*
Assets			
Cash and balances with central banks	17	435,383	435,169
Deposits with banks and non-bank financial institutions	18	107,856	133,392
Precious metals		9,645	6,274
Placements with and loans to banks and non-bank financial institutions	19	143,918	168,380
Derivative financial assets	20	22,721	40,064
Financial assets held under resale agreements	21	91,437	111,110
Loans and advances to customers	22	4,748,076	4,360,196
Financial investments	23		
- at fair value through profit or loss		495,810	405,632
- at amortised cost		1,170,229	959,416
- at fair value through other comprehensive income		651,857	724,124
- designated at fair value through other comprehensive income		4,745	3,560
Investments in associates and joint ventures	24	5,753	5,674
Investment properties	26	547	386
Property, plant and equipment	27	34,184	33,868
Right-of-use assets	28	10,638	11,556
Intangible assets		2,925	2,544
Goodwill	29	833	860
Deferred tax assets	30	46,905	41,913
Other assets	31	59,422	67,043
Total assets		8,042,884	7,511,161

China CITIC Bank Corporation Limited
Consolidated Statement of Financial Position (continued)
As at 31 December 2021

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*31 December 2021*	*31 December 2020*
Liabilities			
Borrowings from central banks		189,198	224,391
Deposits from banks and non-bank financial institutions	33	1,174,763	1,163,641
Placements from banks and non-bank financial institutions	34	78,331	57,756
Financial liabilities at fair value through profit or loss		1,164	8,654
Derivative financial liabilities	20	22,907	39,809
Financial assets sold under repurchase agreements	35	98,339	75,271
Deposits from customers	36	4,789,969	4,572,286
Accrued staff costs	37	19,253	20,333
Taxes payable	38	10,753	8,411
Debt securities issued	39	958,203	732,958
Lease liabilities		9,816	10,504
Provisions	40	11,927	7,208
Deferred tax liabilities	30	8	11
Other liabilities	41	35,627	29,890
Total liabilities		7,400,258	6,951,123

China CITIC Bank Corporation Limited
Consolidated Statement of Financial Position (continued)
As at 31 December 2021

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*31 December 2021*	*31 December 2020*
Equity			
Share capital	42	48,935	48,935
Other equity instruments	43	118,076	78,083
Capital reserve	44	59,216	59,216
Other comprehensive income	45	1,644	109
Surplus reserve	46	48,937	43,786
General reserve	47	95,490	90,819
Retained earnings	48	254,005	223,625
Total equity attributable to equity holders of the Bank		626,303	544,573
Non-controlling interests	49	16,323	15,465
Total equity		642,626	560,038
Total liabilities and equity		8,042,884	7,511,161

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

Approved and recognized for issue by the board of directors on 24 March 2022.

Zhu Hexin
Chairman
Non-Executive Director

Fang Heying
Vice Chairman
Executive Director
President

Wang kang
Vice President
Chief Financial officer

Xue Fengqing
Head 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 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

China CITIC Bank Corporation Limited
Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2020

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*Equity attributable to equity holders of the Bank*							*Non-controlling interests*		
		Share capital	*Other Equity instruments*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Ordinary equity holders*	*Other equity instruments holders*	*Total equity*
As at 1 January 2020		48,935	78,083	58,977	7,361	39,009	81,535	203,411	8,546	6,667	532,524
(i) Net profit		-	-	-	-	-	-	48,980	170	382	49,532
(ii) Other comprehensive income	15	-	-	-	(7,252)	-	-	-	88	-	(7,164)
Total comprehensive income		-	-	-	(7,252)	-	-	48,980	258	382	42,368
(iii) Investor capital											
- Additional investments in joint ventures		-	-	239	-	-	-	-	-	-	239
(iv) Profit appropriations											
- Appropriations to surplus reserve	46	-	-	-	-	4,777	-	(4,777)	-	-	-
- Appropriations to general reserve	47	-	-	-	-	-	9,284	(9,284)	-	-	-
- Dividend distribution to ordinary shareholders of the Bank	48	-	-	-	-	-	-	(11,695)	-	-	(11,695)
- Dividend distribution to non-controlling interests		-	-	-	-	-	-	-	(6)	-	(6)
- Dividend distribution to preference shareholders	48	-	-	-	-	-	-	(1,330)	-	-	(1,330)
- Interest paid to holders of perpetual bonds	48/49	-	-	-	-	-	-	(1,680)	-	(382)	(2,062)
As at 31 December 2020		48,935	78,083	59,216	109	43,786	90,819	223,625	8,798	6,667	560,038

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 2021
(Amounts in millions of Renminbi unless otherwise stated)

	Year ended 31 December	
	2021	*2020*
Operating activities		
Profit before tax	65,517	57,857
Adjustments for:		
- revaluation (gain)/loss on investments, derivatives and investment properties	(455)	(250)
- investment gain	(14,113)	(10,558)
- net gain on disposal of property, plant and equipment, intangible assets and other assets	(26)	(142)
- unrealised foreign exchange loss/(gain)	(835)	858
- credit impairment losses	77,005	82,477
- impairment losses on other assets	43	512
- depreciation and amortisation	3,457	2,992
- interest expense on debt securities issued	26,962	21,606
- dividend income from equity investment	(35)	(20)
- depreciation of right-of-use assets and interest expense on lease liabilities	3,696	3,845
- income tax paid	(12,880)	(17,468)
Subtotal	148,336	141,709
Changes in operating assets and liabilities:		
Decrease/ (increase) in balances with central banks	7,878	(12,824)
(Increase)/decrease in deposits with banks and non-bank financial institutions	(3,832)	35,874
Increase in placements with and loans to banks and non-bank financial institutions	(20,787)	(4,923)
Increase in investments in financial assets held for trading purposes	(8,469)	(5,243)
Decrease/ (increase) in financial assets held under resale agreements	19,642	(101,166)
Increase in loans and advances to customers	(432,361)	(551,929)
Decrease in borrowings from central banks	(35,315)	(13,808)
Increase in deposits from banks and non-bank financial institutions	9,758	211,850
Increase/(decrease) in placements from banks and non-bank financial institutions	20,966	(33,604)
(Decrease)/increase in financial liabilities at fair value through profit or loss	(7,386)	7,596
Increase/(decrease) in financial assets sold under repurchase agreements	23,303	(36,544)
Increase in deposits from customers	216,620	504,563
(Increase)/decrease in other operating assets	(28,945)	4,576
Increase in other operating liabilities	15,198	10,736
Subtotal	(223,730)	15,154
Net cash flows from operating activities	(75,394)	156,863

China CITIC Bank Corporation Limited
Consolidated Statement of Cash Flows
(continued)
For the year ended 31 December 2021

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*Year ended 31 December* *2021*	*2020*
Investing activities			
Proceeds from disposal and redemption of investments		3,045,391	2,570,954
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		168	368
Cash received from equity investment income		438	416
Payments on acquisition of investments		(3,248,304)	(2,783,341)
Payments on acquisition of property, plant and equipment, land use rights and other assets		(4,481)	(4,619)
Net cash paid for acquisition of associates and joint ventures	24	-	(2,027)
Net cash flows used in investing activities		(206,788)	(218,249)
Financing activities			
Cash received from debt securities issued	39	903,846	807,022
Cash received from other equity instruments issued	43	43,852	-
Cash paid for redemption of other equity instruments		(3,324)	-
Cash paid for redemption of debt securities issued		(678,912)	(720,194)
Interest paid on debt securities issued		(26,252)	(22,319)
Dividends paid		(15,812)	(15,094)
Principle and interest paid for leasing liabilities		(3,480)	(3,443)
Net cash flows from financing activities		219,918	45,972
Net decrease in cash and cash equivalents		(62,264)	(15,414)
Cash and cash equivalents as at 1 January		319,566	342,449
Effect of exchange rate changes on cash and cash equivalents		(4,484)	(7,469)
Cash and cash equivalents as at 31 December	50	252,818	319,566
Cash flows from operating activities include:			
Interest received		323,057	306,814
Interest paid		(119,881)	(117,290)

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 2021, the Group mainly operates in Mainland China with branches covering 31 provinces, autonomous regions and municipalities. In addition, the Bank's subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC ("Hong Kong") and other overseas countries and regions.

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

The consolidated financial statements were approved by the Board of Directors of the Bank on 24 March 2022.

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 2021 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 ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and at fair value through other comprehensive income, and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(a) Standards and amendments effective in 2021 relevant to and adopted by the Group

In the current year period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current year.

(i) <u>Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</u>

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16("Interest Rate Benchmark Reform–Phase 2"). The amendments are effective for annual periods beginning on or after 1 January 2021.

3 Principal accounting policies (continued)

(a) Standards and amendments effective in 2021 relevant to and adopted by the Group(continued)

(i) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16(continued)

The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial instruments (that is, financial instruments classified as amortised cost and debt instruments at FVOCI), lease receivables and lease liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognize hedge ineffectiveness.

Adoption of the above standards and amendments has no significant impact on the operating results, comprehensive income or financial position of the Group.

(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

The Group has not adopted the following new and revised IFRSs and IFRS interpretations that have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee but are not yet effective.

(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 and have not been adopted before their effective dates by the Group(continued)

				Effective for annual periods beginning on or after
(1)	Amendments to IFRS 3	(i)	Business Combination	1 January 2022
(2)	Amendments to IAS 16	(ii)	Property,Plant and Equipment: Proceeds before Intended Use	1 January 2022
(3)	Amendments to IAS 37	(iii)	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
(4)	Annual Improvements to IFRSs 2018-2020 Cycle (Issued in May 2020)	(iv)	Minor Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16	1 January 2022
(5)	Amendments to IAS 1	(v)	Classification of Liabilities as Current or Non-current	1 January 2023
(6)	Amendments to IAS 1 and IFRS Practice Statement 2	(vi)	Disclosure of Accounting Policies	1 January 2023
(7)	Amendments to IAS 8	(vii)	Accounting Estimates	1 January 2023
(8)	Amendments to IAS 12	(viii)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
(9)	Amendments to IFRS 10 and IAS 28 Amendments	(ix)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	Effective date has been deferred indefinitely

(i) Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognize contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

3 Principal accounting policies (continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current year and have not been adopted before their effective dates by the Group(continued)

(ii) Amendments to IAS 16: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iii) Amendments to IAS 37: Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Cost of Fulfilling a Contract. The amendments clarify the meaning of 'costs to fulfil a contract', they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iv) IFRS improvements 2018-2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements 2018-2020 cycle, which include fees included in the 10% test for derecognition of financial liabilities, illustrative examples accompanying IFRS 16, 'Leases', subsidiary as a first-time adopter and taxation in fair value measurements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

3 Principal accounting policies (continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current year and have not been adopted before their effective dates by the Group(continued)

(v) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).
- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect classification.
- The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.
- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The amendment changes the guidance for the classification of liabilities as current or non-current. It could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. All entities should reconsider their existing classification in the light of the amendment and determine whether any changes are required. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

3 Principal accounting policies (continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current year and have not been adopted before their effective dates by the Group(continued)

(vi) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

And the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;

The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

3 Principal accounting policies (continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current year and have not been adopted before their effective dates by the Group(continued)

(vii) Amendments to IAS 8: Accounting Estimates

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

(viii) Amendments to IAS 12： Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

3 Principal accounting policies (continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current year and have not been adopted before their effective dates by the Group (continued)

(viii) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

(ix) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognize the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognized by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

4 Summary of significant accounting policies

(a) Consolidated financial statements

(i) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities assumed are measured based on their carrying amounts in the financial statements of the acquiree at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against share premium in the capital reserve with any excess adjusted against retained earnings. The issuance costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. The combination date is the date on which one combining enterprise obtains control of other combining enterprises.

(ii) Business combinations not involving entities under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before the business combination. Where (i) the aggregate of the acquisition date fair value of assets transferred (including the acquirer’s previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (ii) the acquirer’s interest in the acquisition date fair value of the acquiree’s identifiable net assets, the difference is recognized as goodwill (Note 4(j)). If (i) is less than (ii), the difference is recognized in the consolidated statement of profit or loss for the current period. The issuance costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed as incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognized in the consolidated statement of profit or loss. The acquiree’s identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognized by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognized as investment income for the current period; the amount recognized in other comprehensive income relating to the previously-held equity interest in the acquire will be reclassified to profit or loss.

4 Summary of significant accounting policies (continued)

(a) Consolidated financial statements (continued)

(iii) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries, as well as structured entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Bank has power, only substantive rights (held by the Bank and other parties) are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest is presented separately in the consolidated statement of financial position within owners' equity. Profit or loss and total comprehensive income attributable to non-controlling equity holders are presented separately in the consolidated statement of profit or loss and other comprehensive income.

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of equity holders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances, transactions and cash flows, and any recognized profits arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated only limited to the extent that this is no evidence of impairment.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore, the opening balances and the comparative figures of the consolidated financial statements are restated.

Where a subsidiary was acquired during the reporting period, through a business combination not involving enterprises under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

4 Summary of significant accounting policies (continued)

(a) Consolidated financial statements (continued)

(iii) Consolidated financial statements (continued)

The difference between the costs of long-term investments newly acquired by the Bank by acquiring minority interests and the fair value of the Bank's share of the net identifiable assets of its subsidiaries calculated based on the increased shareholding, and the difference between the proceeds the Bank obtained from partial disposal of its equity investments in its subsidiaries without ceasing control over the subsidiaries and its share of the net assets of the subsidiaries that corresponds to the disposed long-term equity investments, shall both be recognized as adjustments to reduce the capital reserve (share premium) of the consolidated statement of financial position, and if the capital reserve (share premium) is not sufficient to cover the reductions, the excess is charged to the retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group 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 a Group and the accounting entity of the bank or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

4 Summary of significant accounting policies (continued)

(b) Foreign currency translations

(i) Translation of foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated into Renminbi by applying the spot exchange rates at the dates of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the reporting date. The resulting exchange differences are 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 asset.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and classification of financial instruments

Financial assets

Financial assets are classified on the basis of the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost

The business model adopted by the Group for managing its financial assets refers to how the Group manages its financial assets in order to generate cash flows. The business model determines whether the cash flows from the financial assets managed by the Group come from the collection of contractual cash flows, sale of financial assets or a combination of the two methods. In determining the business model for a group of financial assets, the Group considers various factors, including: past experience in collecting cash flows from this group of assets; how to assess the performance of this group of asset and report it to key management personnel; how to assess and manage risks are; and how to compensate people responsible for managing these assets, among others.

The contractual cash flow characteristics of financial assets refer to contractual terms as agreed in the financial instrument contracts that reflect the economic characteristics of the financial assets, i.e., the contractual cash flows arising at a specified date from the financial assets at amortised cost or FVOCL are solely payments of principal and interest on the principal amount outstanding. Of which, the principal is the fair value of the financial asset at initial recognition, and the amount of the principal may change over the life of the financial asset, if, e.g., there are repayments of principal; and the interest includes consideration for the time value of money, and credit risk, other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and classification of financial instruments (continued)

Financial assets(continued)

The classification requirements for debt instruments and equity instruments are described below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on: i) the Group's business model for managing the asset; and ii) the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cashflows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost.
- Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and classification of financial instruments (continued)

Financial assets(continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions i) and ii) below are met:

i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity investments of the Group are measured at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than trading. After designation, the fair value change is recognized in the other comprehensive income and it is not allowed to subsequently reclassify to profit or loss (including upon disposal). Impairment loss and reversal of impairment is not presented separately in the financial statement and is included in the fair value change. Dividend income as the return from investments is recognized by the Group when the right to receive is formed

Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortised cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and classification of financial instruments (continued)

Financial liabilities(continued)

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel.

(ii) Measurement of financial assets

Initial measurement

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, ie, all cashshort falls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Detailed information about ECL in the above areas is set out in note 55(a).

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at fair value through other comprehensive income. The loss allowance is recongnised in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-months ECL at the current reporting date and the amount of ECL reversal is recognize in profit or loss.

At the reporting date, the Group only recognized the cumulative changes in lifetime ECL since initial recognition as a loss allowance for POCI financial assets. At each reporting date, the Group recognized in profit or loss the amount of the changes in lifetime ECL as an impairment gain or loss.

(iv) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Modification of loans(continued)

If the terms are substantially different, the Group 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 recognized a financial asset only when (1) the contractual rights to the cash flows from the asset expire, or (2) when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, or (3) when it transfers the financial asset and gives up the control of the transferred assets though the Group neither transfers nor retains substantially all the risks and rewards of ownership.

Where a transfer of a financial asset in its entirety meets the criteria for de-recognition, the difference between the two amounts below is recognized in the consolidated statement of profit and loss:

– the carrying amount of the financial asset transferred；

– the sum of the consideration received from the transfer and the cumulative gain or loss that has been 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 recognized when the related obligation is discharged, is cancelled or expires. An agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability recognized and the consideration paid and payable is recognized in the consolidated statement of profit and loss.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(vii) Securitization

As part of its operations, the Group securities financial assets, generally through the sale of these assets to structured entities which issue securities to investors. 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 liabilities 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 recognized, and the consideration paid by third parties are recorded as a financial liability. Upon sale of financial assets that partially qualify for de-recognition, where the Group has not retained control, it recognized these financial assets and recognized separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

(viii) Sales of assets on condition of repurchase

De-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not 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 recognize the asset and settling the liability simultaneously.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(x) Financial assets held under resale and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions which the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions which the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

Cash advanced or received is recognized as amounts held under resale and repurchase agreements on the consolidated statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognized in the consolidated statement of financial position.

The difference between the resale and repurchase consideration, and that between the purchase and sale consideration, should be expired over the period of the respective transaction using the effective interest method and are included in interest expense and interest income, respectively.

(xi) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognized in equity. Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from equity holder’s equity.

(d) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are not related to the Group’s precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net 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 (l)). Cost includes direct attributable costs of investment. Dividends declared by subsidiaries are recognized in investment income.

Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(f) Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

When acquiring associates and joint ventures, the Group 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 recognized its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognized in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

- The Group recognized its share of investee's profits or losses, other comprehensive income and other changes in equity holders' equity after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures. When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

- The Group discontinues 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 (l).

(g) Property, plant and equipment

Property, plant and equipment is asset held by the Group for the conduct of business and is expected to be used for more than one year. Construction-in-progress, an item of property, represents property under construction and is transferred to property when ready for its intended use.

(i) Cost

Property, plant and equipment is stated at cost upon initial recognition. Costs of a purchased property, plant and equipment comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of the self-constructed property, plant and equipment comprise construction materials, direct labor costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent to initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs

The Group recognized in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the consolidated statement of profit or loss as an expense when incurred.

4 Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated to write off the cost, less residual value if applicable, of property, plant and equipment and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

	Estimated useful lives	*Estimated residual value*	*Depreciation rate*
Buildings	30 – 35 years	5%	2.71%-3.17%
Computer equipment and others	3 – 10 years	5%	9.50%-31.67%

No depreciation is provided in respect of construction in progress.

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

(iv) Impairment

Impairment losses on property, plant and equipment are accounted for in accordance with the accounting policies as set out in Note 4 (l).

(v) Disposal and retirement

Gains or losses arising from the disposal or retirement of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss on the date of disposal or retirement.

4 Summary of significant accounting policies (continued)

(h) Intangible assets

Intangible assets are initially recognized at cost. The cost less estimated net residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment loss on intangible assets is accounted for in accordance with the accounting policies as set out in Note 4 (l). Impaired intangible assets are amortised net of accumulated impairment losses.

Intangible assets which are not yet available for use should be estimated at least at each financial year-end, even if there was no indication that the assets were impaired.

(i) Investment properties

Investment properties are land and/or buildings which are owned and/or held under a leasehold interest to earn rental income and/or for capital appreciation.

The Group's investment properties are accounted for using the fair value model for subsequent measurement when either of the following conditions is met:

- There is an active property market in the location in which the investment property is situated;

- The Group can obtain the market price and other relevant information regarding the same type of or similar properties from the property market, so as to reasonably estimate the fair value of the investment property.

Investment properties are stated at fair value in the consolidated statement of financial position. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in the consolidated statement of profit or loss.

When there is a change in use of properties from owner-occupation to earn rentals or for capital appreciation, the investment property transferring from property, plant and equipment or intangible assets is measured at fair value on the date of transfer. If the fair value on the transferred investment property is lower than the carrying amount of property, plant and equipment or intangible assets on the date of transfer, the difference is recognized in profit or loss, otherwise in the comprehensive income.

When an investment property is sold, transferred, retired or damaged, the Group recognized the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated statement of profit and loss.

4 Summary of significant accounting policies (continued)

(j) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or a group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs impairment test on goodwill annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is 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 (l).

(k) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly 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)

(l) Allowance for impairment of non-financial assets

(i) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset other than goodwill such as investments in associates and joint ventures, property, plant and equipment, investment properties, intangible assets and other assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognized as an impairment loss in the consolidated statement of profit or loss.

(ii) Impairment of goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or the group of CGUs that is expected to benefit from the synergies of the combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that is largely independent of the cash flows from other assets or groups of assets.

4 Summary of significant accounting policies (continued)

(l) Allowance for impairment of non-financial assets (continued)

(ii) Impairment of goodwill (continued)

The CGU or the group of CGUs to which goodwill has been allocated is tested for impairment by the Group annually, or whenever there is an indication that the CGU or the group of CGUs are impaired, by comparing the carrying amount of the CGU or the group of CGUs, including the goodwill, with the recoverable amount of the CGU or the group of CGUs. The recoverable amount of the CGU or the group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or the group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or a group of the CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognized any impairment loss for that asset before testing for impairment on the CGU or group of the CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of the CGUs containing the goodwill. In such circumstances, the Group tests the CGU for impairment first, and recognized any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or the group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or the group of CGUs, pro rata on the basis of the carrying amount of each asset. The carrying amount of an asset should not be reduced below the highest of its fair value less costs of disposal (if measurable); its value in use (if determinable) and zero.

An impairment loss in respect of goodwill is not reversed.

4 Summary of significant accounting policies (continued)

(m) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique (Note 57).

(n) Employee benefits

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group 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 participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are charged to profit or loss when the related services are rendered by the employees.

In addition to the statutory provision plan, the Bank's employees have joined its annuity scheme (the "scheme") which was established by the CITIC Group Corporation ("CITIC Group") in accordance with policies regarding the state-owned enterprise annuity policy. The Bank has made annuity contributions in proportion to its employee's gross salaries which are expensed in the consolidated statement of profit or loss when the contributions are made.

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss as and when the contribution fall due.

4 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

(iii) Post-employment benefits: Defined benefit plans

The defined benefit plans of the Group are supplementary retirement benefits provided to the domestic employees.

The Group adopts the projected unit credit actuarial cost method, using unbiased and mutually compatible actuarial assumptions to estimate the demographic and financial variables, to measure the obligation associated in the defined benefits plan. The discounted present value of the defined benefit obligation is 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.

(o) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

Government grants are 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.

4Summary of significant accounting policies (continued)

(o) Government grants (continued)

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is 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.

(p) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially 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)

(q) Provisions and contingent liabilities

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The Group recognize the loss allowance of financial guarantee contracts measured by ECL as a provision.

A contingent liability is (a) a possible obligation that arises from past events and whose existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or (b) a present obligation that arises from past events and it is not probable that an outflow of economic benefits is required to settle the obligation; or the amount of the obligation cannot be measured reliably. Such liability is disclosed as contingent liabilities under Note 51.

(r) Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated financial statements as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) at the instruction of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

4 Summary of significant accounting policies (continued)

(s) Income recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from owners. Revenue is recognized when the controls of related products or services is obtained and satisfy the other conditions for different type of revenues as below.

(i) Interest income

Interest income of financial assets is calculated using the effective interest method and included in the profit and loss.

The accounting policies about interest income of financial assets measured at amortised cost refer to note 4(c)(ii).

(ii) Fee and commission income

Fee and commission income is recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognized as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan or anticipating will not, the fee is recognized as revenue on expiry.

(iii) Dividend income

Dividend income is recognized in the consolidated statement of profit or loss on the date when the Group's right to receive payment is established.

(iv) Rental income from operating lease

Rental income received under operating leases is 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.

4 Summary of significant accounting policies (continued)

(t) Income tax

Current tax and deferred tax are recognized in the consolidated statement of profit or loss except to the extent that they relate to a business combination or items recognized directly in equity (including other comprehensive income).

Current income tax is the expected tax payables on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payables in respect of previous periods. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences also arise from unused tax losses and unused tax credits. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be 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)

(u) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturity of three months or less at acquisition.

(v) Profit distribution

Proposed dividends for ordinary shares which are declared and approved after the end of each reporting period are not recognized as a liability in the consolidated statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the notes to the consolidated financial statements. Dividends payable are recognized as liabilities in the period in which they are approved.

As authorized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved.

(w) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

(x) Operating segments

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group considers the business from different perspectives including products and services and geographic areas. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

4 Summary of significant accounting policies (continued)

(x) Operating segments(continued)

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

5 Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit recognition (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 55(a).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- Management overlay for asset portfolios whose non-linear risk characteristics cannot be adequately reflected through impairment models; and
- Discounted cash flows model is applicable to assets related to corporate client in stage 3.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 55(a).

5 Critical accounting estimates and judgements (continued)

(ii) Classification of financial assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include evaluation and reporting of financial asset performance to key management personnel, risks affecting the performance of financial assets and their management methods, and related business management personnel. The way to get paid, etc.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; Whether interests is only included currency time value, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

(iii) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(iv) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements and etc., the Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

5 Critical accounting estimates and judgements (continued)

(iv) De-recognition of financial assets (continued)

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgment is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

5 Critical accounting estimates and judgements (continued)

(v) Consolidation of structured entities

The Group makes significant judgment to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

- assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

- performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

- assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

(vi) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be recognized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(Amounts in millions of Renminbi unless otherwise stated)

6 Net interest income

	Year ended 31 December	
	2021	*2020*
Interest income arising from (Note (i)):		
Deposits with central banks	6,073	6,048
Deposits with banks and non-bank financial institutions	2,040	2,470
Placements with and loans to banks and non-bank financial institutions	4,475	4,931
Financial assets held under resale agreements	1,267	782
Loans and advances to customers		
- corporate loans	115,866	110,823
- personal loans	116,770	113,092
Financial investments		
- at amortised cost	39,483	37,722
- at fair value through other comprehensive income	20,188	22,134
Others	3	4
Subtotal	306,165	298,006
Interest expense arising from:		
Borrowings from central banks	(6,804)	(5,796)
Deposits from banks and non-bank financial institutions	(27,755)	(24,092)
Placements from banks and non-bank financial institutions	(2,276)	(2,494)
Financial assets sold under repurchase agreements	(1,631)	(2,239)
Deposits from customers	(92,388)	(90,778)
Debt securities issued	(26,962)	(21,606)
Lease liabilities	(448)	(481)
Others	(5)	(5)
Subtotal	(158,269)	(147,491)
Net interest income	147,896	150,515

Note:

(i) Interest income from impaired financial assets is RMB 507 million for the year ended 31 December 2021 (2020: RMB 515 million).

(Amounts in millions of Renminbi unless otherwise stated)

7 Net fee and commission income

	Year ended 31 December	
	2021	*2020*
Fee and commission income:		
Bank card fees	16,474	14,714
Commission for custodian business and other fiduciary	10,226	5,450
Agency fees and commission (Note (i))	6,497	7,527
Guarantee and advisory fees	5,384	4,802
Settlement and clearance fees	1,926	1,172
Others	97	92
Total	40,604	33,757
Fee and commission expense	(4,734)	(4,921)
Net fee and commission income	35,870	28,836

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	
	2021	*2020*
Debt securities and certificates of interbank deposit	2,909	1,633
Foreign currencies	1,095	2,092
Derivatives and related exposures	1,164	(371)
Total	5,168	3,354

(Amounts in millions of Renminbi unless otherwise stated)

9 Net gain from investment securities

	Year ended 31 December	
	2021	*2020*
Financial investments		
- at fair value through profit or loss	12,933	8,090
- at amortised cost	63	443
- at fair value through other comprehensive income	(110)	(137)
- Investments in financial assets designated at fair value through other comprehensive income	33	5
Revaluation gain on transferred out of equity at disposal	979	2,876
Forfeiting resale gains	294	261
Net gain from bills rediscounting	693	510
Net gain/(loss) from securitisation of financial assets	(9)	2
Others	(2)	(115)
Total	14,874	11,935

10 Net hedging loss

	Year ended 31 December	
	2021	*2020*
Net loss on fair value hedge	-	(1)

(Amounts in millions of Renminbi unless otherwise stated)

11 Operating expenses

	Year ended 31 December	
	2021	*2020*
Staff costs		
- salaries and bonuses	25,299	22,165
- welfare expenses	1,373	1,266
- social insurance	1,813	1,544
- housing fund	1,570	1,396
- labor union expenses and employee education expenses	808	475
- housing allowance	-	4
- other short-term benefits	218	307
- post-employment benefits – defined contribution plans	3,171	2,414
- post-employment benefits – defined benefit plans	1	1
- other long-term benefits	150	107
Subtotal	34,403	29,679
Property and equipment related expenses		
- depreciation of right-of-use assets	3,248	3,364
- depreciation of property, plant and equipment	2,302	1,986
- rent and property management expenses	1,069	1,314
- maintenance	1,182	1,251
- amortisation expenses	1,155	1,006
- electronic equipment operating expenses	441	444
- others	446	415
Subtotal	9,843	9,780
Tax and surcharges	2,203	2,024
Other general operating and administrative expenses (Note (i))	15,775	12,772
Total	62,224	54,255

Note:

(i) Included in other general operating and administrative expenses were audit fees of RMB 18 million for the year ended 31 December 2021 (2020: RMB 18 million) and non-audit fees of RMB 3 million for the year ended 31 December 2021 (2020: RMB 4 million).

(Amounts in millions of Renminbi unless otherwise stated)

11 Operating expenses (continued)

(a) Individuals with highest emoluments

For the year ended 31 December 2021, of the 5 individuals with the highest emoluments in the Group, there was no director (2020: Nil) and no supervisor (2020: Nil). The aggregate of the emoluments before individual income tax in respect of the other five (2020: five) highest paid individuals of the Group were as follows:

	Year ended 31 December	
	2021	*2020*
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	18,734	19,256
Discretionary bonuses	21,026	15,982
Contribution to pension scheme	799	628
Total	40,559	35,866

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	
	2021	*2020*
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 2021 (2020: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

12 Credit impairment losses

	31 December 2021	*31 December 2020*
Deposits with banks and non-bank financial institutions	16	(10)
Placements with and loans to banks and non-bank financial institutions	(7)	19
Financial assets held under resale agreements	(9)	9
Interest receivables	3,616	3,305
Loans and advances to customers	50,228	69,285
Financial investments		
- at amotised cost	18,917	7,436
- at fair value through other comprehensive income	(165)	1,057
Other receivables	(314)	270
Off-balance sheet items	4,723	1,106
Total	77,005	82,477

13 Impairment losses on other assets

	31 December 2021	*31 December 2020*
Other assets-repossessed assets	43	512

(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* *2021*	*2020*
Current tax			
- Mainland China		14,785	16,245
- Hong Kong		314	52
- Overseas		43	28
Deferred tax	30	(6,002)	(8,000)
Total		9,140	8,325

Mainland China and Hong Kong income tax have been provided at the rate of 25% and 16.5% respectively. Overseas tax has been provided at the rate of taxation prevailing in the regions in which the Group operates respectively.

(b) Reconciliation between income tax expense and accounting profit

	Year ended 31 December *2021*	*2020*
Profit before tax	65,517	57,857
Income tax calculated at PRC statutory tax rate	16,379	14,464
Effect of different tax rates in other regions	(272)	(90)
Tax effect of non-deductible expenses (Note(i))	2,481	2,207
Tax effect of non-taxable income		
- interest income arising from PRC government bonds and local government bonds	(6,658)	(6,108)
- dividend income from investment funds	(2,218)	(1,585)
- others	(572)	(563)
Income tax	9,140	8,325

Note:

(i) It mainly includes the non-deductible write-off losses 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 limit.

(Amounts in millions of Renminbi unless otherwise stated)

15 Other comprehensive income, net of tax

	Year ended 31 December	
	2021	*2020*
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	7	(142)
- income tax	23	23
Others		
- net changes during the year before tax	-	51
Subtotal	29	(68)
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	(12)	8
Fair value changes on financial assets at fair value through other comprehensive income, net of tax (Note(i))		
- net changes during the year before tax	4,375	(4,078)
- net amount transferred to profit or loss	(966)	(2,924)
- Income tax	(1,015)	1,798
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note(ii))		
- net changes during the year	(53)	1,110
- income tax	85	(269)
Others		
- net changes during the year	133	-
Exchange differences on translation of fianacial statements	(1,081)	(2,741)
Subtotal	1,466	(7,096)
Other comprehensive income, net of tax	1,495	(7,164)

Note:

(i) Fair value changes on financial assets at fair value through other comprehensive income include those of financial assets (Note 23(a)) and loans and advances to customers (Note 22(a)) at fair value through other comprehensive income.

(ii) Credit impairment allowance include financial assets (Note 23(a)) and loans and advances to customers (Note 22(b)) at fair value through other comprehensive income.

(Amounts in millions of Renminbi unless otherwise stated)

16 Earnings per share

Earnings per share information for the year ended 31 December 2021 and 2020 is computed by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the year.

The Bank issued non-cumulative preference shares during the year ended 31 December 2016, under the terms and conditions as detailed in Note 43(i). The Bank declared and paid cash dividends of RMB 1,330 million of non-cumulative preference shares for the year of 2021 (2020: 1,330 million).

The Bank issued RMB 40 billion write-down undated capital bonds (the “Bonds”) in 2019, with terms and conditions disclosed in detail in Note 43(ii) under perpetual Bonds. The Bank declared and paid RMB 1,680 million in interests on the perpetual bonds in 2021.

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 2021, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

The diluted earnings per share is calculated on the assumption that the RMB40 billion A-share convertible corporate bonds publicly issued by the Bank on 4 March 2019 are deemed to have all been converted to ordinary shares upon issuance, and by dividing, after adjustments for the interest expenses of the convertible corporate bonds for the period, the net profit of the year attributable to ordinary shareholders of the Bank, by the adjusted weighted average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2021	*2020*
Profit for the year attributable to equity holders of the Bank	55,641	48,980
Less: Equity attributable to holders of other equity instruments of the Bank	3,010	3,010
Profit for the year attributable to ordinary shareholders of the Bank	52,631	45,970
Weighted average number of shares (in million shares)	48,935	48,935
Basic earnings per share (in RMB)	1.08	0.94
Diluted earnings per share (in RMB)	0.98	0.86

(Amounts in millions of Renminbi unless otherwise stated)

17 Cash and balances with central banks

	Notes	*31 December 2021*	*31 December 2020*
Cash		5,694	5,951
Balances with central banks			
- statutory deposit reserve funds	(i)	361,237	367,592
- surplus deposit reserve funds	(ii)	65,571	57,211
- fiscal deposits	(iii)	2,711	1,049
- foreign exchange reserve	(iv)	-	3,200
Accrued interest		170	166
Total		435,383	435,169

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 2021, the statutory deposit reserve funds placed with the PBOC was calculated at 8% (as at 31 December 2020: 9%) of eligible Renminbi deposits for domestic branches of the Bank and at 8% (as at 31 December 2020: 9%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 9% (as at 31 December 2020: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

As at 31 December 2021, the statutory RMB deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited in mainland China, a subsidiary of the Group, was at 5% (as at 31 December 2020: 6%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the PBOC.

(ii) The surplus deposit reserve funds are maintained with the PBOC for the purposes of clearing.

(iii) Fiscal deposits placed with the PBOC are not available for use in the Group's daily operations, and are non-interest bearing.

(Amounts in millions of Renminbi unless otherwise stated)

17 Cash and balances with central banks (continued)

(iv) The foreign exchange reserve is maintained with the PBOC in accordance with the related notice issued by the PBOC. The reserve is 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. Since 12 October 2020, the foreign exchange reserve rate has been reduced from 20% to zero.

18 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	*31 December 2021*	*31 December 2020*
In Mainland China			
- banks		72,083	65,836
- non-bank financial institutions		4,700	3,040
Subtotal		76,783	68,876
Outside Mainland China			
- banks		22,878	63,556
- non-bank financial institutions		7,472	629
Subtotal		30,350	64,185
Accrued interest		868	461
Gross balance		108,001	133,522
Less: Allowances for impairment losses	32	(145)	(130)
Net balance		107,856	133,392

(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 2021*	*31 December 2020*
Demand deposits (Note (i))		54,376	76,347
Time deposits with remaining maturity			
- within one month		17,929	6,954
- between one month and one year		34,828	49,760
Subtotal		107,133	133,061
Accrued interest		868	461
Gross balance		108,001	133,522
Less: Allowances for impairment losses	32	(145)	(130)
Net balance		107,856	133,392

Note:

(i) As at 31 December 2021, within the demand deposits there were pledged deposits of RMB 536 million (as at 31 December 2020: RMB 501 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 2021*	*31 December 2020*
In Mainland China			
- banks		18,093	17,242
- non-bank financial institutions		93,170	87,500
Subtotal		111,263	104,742
Outside Mainland China			
- banks		31,975	62,377
- non-bank financial institutions		-	-
Subtotal		31,975	62,377
Accrued interest		769	1,358
Gross balance		144,007	168,477
Less: Allowances for impairment losses	32	(89)	(97)
Net balance		143,918	168,380

(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 2021*	*31 December 2020*
Within one month		55,633	86,315
Between one month and one year		79,905	74,604
Over one year		7,700	6,200
Accrued interest		769	1,358
Gross balance		144,007	168,477
Less: Allowances for impairment losses	32	(89)	(97)
Net balance		143,918	168,380

(Amounts in millions of Renminbi unless otherwise stated)

20 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in foreign exchange, precious metals, interest rate and credit derivatives related to trading, asset and liability management and customer initiated transactions. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to offer risk management solutions to match individual customer needs. These positions are actively managed through hedging transactions with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments, 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 2021			*31 December 2020*		
	Nominal amount	*Assets*	*Liabilities*	*Nominal amount*	*Assets*	*Liabilities*
Non-Hedging instruments						
- interest rate derivatives	2,630,541	8,643	8,539	3,058,057	9,395	9,138
- currency derivatives	1,936,863	13,930	14,217	1,977,918	30,363	30,588
- precious metal derivatives	17,043	148	151	19,245	306	83
Total	4,584,447	22,721	22,907	5,055,220	40,064	39,809

(a) Nominal amount analysed by remaining maturity

	31 December 2021	*31 December 2020*
Within three months	2,067,349	1,953,495
Between three months and one year	1,376,726	2,054,168
Between one year and five years	1,109,269	1,020,240
Over five years	31,103	27,317
Total	4,584,447	5,055,220

(Amounts in millions of Renminbi unless otherwise stated)

20 Derivatives (continued)

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBIRC in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 31 December 2021, the total amount of credit risk weighted amount for counterparty was RMB 22,204million (as at 31 December 2020: RMB 23,184 million).

21 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	*31 December 2,021*	*31 December 2,020*
In Mainland China			
- banks		64,515	60,598
- non-bank financial institutions		26,217	50,409
Subtotal		90,732	111,007
Outside Mainland China			
- banks		677	146
- non-bank financial institutions		63	-
Subtotal		740	146
Accrued interest		12	13
Gross balance		91,484	111,166
Less: Allowance for impairment losses	32	(47)	(56)
Net balance		91,437	111,110

(Amounts in millions of Renminbi unless otherwise stated)

21 Financial assets held under resale agreements (continued)

(b) Analysed by types of collateral

		31 December 2021	*31 December 2020*
Debt securities		91,472	109,655
Discounted bills		-	1,498
Subtotal		91,472	111,153
Accrued interest		12	13
Gross balance		91,484	111,166
Less: Allowance for impairment losses	32	(47)	(56)
Net balance		91,437	111,110

(c) Analysed by remaining maturity

As at 31 December 2021 and 31 December 2020, the financial assets held under resale agreements of the Group all mature within one month.

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers

(a) Analysed by nature

	Notes	*31 December 2021*	*31 December 2020*
Loans and advances to customers at amortised cost			
Corporate loans and advances			
- loans		2,250,726	2,124,014
- discounted bills		4,523	2,300
- finance lease receivables		46,854	43,690
Subtotal		2,302,103	2,170,004
Personal loans and advances			
- residential mortgages		973,390	916,320
- credit cards		528,261	485,600
- business loans		312,584	284,174
- personal consumption		239,589	198,682
Subtotal		2,053,824	1,884,776
Accrued interest		13,064	12,592
Gross balance		4,368,991	4,067,372
Less: Allowances for impairment losses on loans	32		
- principal		(120,722)	(125,552)
- interest		(235)	(151)
Loans and advances to customers at amortised cost, net		4,248,034	3,941,669
Loans and advances to customers at fair value through other comprehensive income			
- loans		38,599	2,696
- discounted bills		461,443	408,707
Carrying amount of loans and advances at fair value through other comprehensive income		500,042	411,403
- fair value changes through other comprehensive income		756	(5)
Loans and advances to customers at fair value through profit or loss			
Personal loans and advances			
- residential mortgages		-	7,124
Total		4,748,076	4,360,196
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	32	(749)	(548)

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers (continued)

(b) Analysed by assessment method of allowance for impairment losses

	31 December 2021			
	Stage one	*Stage two*	*Stage three (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)

	31 December 2020			
	Stage one	*Stage two*	*Stage three (Note (i))*	Total
Gross loans and advances to customers at amortised costs	3,874,406	101,971	78,403	4,054,780
Accrued interest	10,899	1,513	180	12,592
Less: Allowance for impairment losses	(43,196)	(29,523)	(52,984)	(125,703)
Carrying amount of loans and advances to customers measured at amortised cost	3,842,109	73,961	25,599	3,941,669
Carrying amount of loans and advances to customers at fair value through other comprehensive income	411,313	81	9	411,403
Total	4,253,422	74,042	25,608	4,353,072
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	(538)	(4)	(6)	(548)

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers (continued)

(b) Analysed by assessment method of allowance for impairment losses (continued)

Notes:

(i) Stage 3 loans are loans and advances to customers that have experienced credit impairment.

	31 December 2021	*31 December 2020*
Secured portion	51,803	50,165
Unsecured portion	23,305	28,247
Gross balance	75,108	78,412
Allowance for impairment losses	(48,805)	(52,990)

As at 31 December 2021, the maximum exposure covered by pledge and collateral held of secured portion is RMB 50,886 million (as at 31 December 2020: RMB 48,629 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 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

	31 December 2020				
	Overdue within three months	*Overdue between three months and one year*	*Overdue between one year and three years*	*Overdue over three years*	*Total*
Unsecured loans	16,475	9,231	453	449	26,608
Guaranteed loans	3,536	7,703	2,713	305	14,257
Loans with pledged assets					
- loans secured by collateral	9,276	17,006	11,050	1,007	38,339
- pledged loans	8,998	663	1,803	292	11,756
Total	38,285	34,603	16,019	2,053	90,960

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. These contracts usually run for an initial period 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 2021	*31 December 2020*
Within one year (including one year)	10,369	11,128
One year to two years (including two years)	12,606	10,207
Two years to three years (including three years)	8,153	7,933
Over three years	15,726	14,422
Gross balance	46,854	43,690
Less: Allowance for impairment losses		
- stage one	(859)	(738)
- stage two	(498)	(1,204)
- stage three	(728)	(1,180)
Net balance	44,769	40,568

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments

(a) Analysed by types

	Note	*31 December 2021*	*31 December 2020*
Financial assets at fair value through profit or loss			
Investment funds		397,407	286,800
Debt securities		58,584	55,394
Certificates of deposit		30,776	49,934
Equity instruments		7,432	9,105
Wealth management products and investments through structured entities		1,611	4,399
Net balance		495,810	405,632
Financial assets at amortised cost			
Debt securities		901,375	702,435
Investment management products managed by securities companies		50,413	70,038
Trust investment plans		234,770	190,517
Subtotal		1,186,558	962,990
Accrued interest		10,398	10,196
Less: Allowance for impairment losses	32	(26,727)	(13,770)
- principles		(26,624)	(13,737)
- accrued interests		(103)	(33)
Net balance		1,170,229	959,416
Financial assets at fair value through other comprehensive income (Note(i))			
Debt securities		642,570	678,886
Designated investment products managed by securities companies		24	34,298
Certificates of deposit		4,306	4,370
Subtotal		646,900	717,554
Accrued interest		4,957	6,570
Net balance		651,857	724,124
Allowances for impairment losses on financial investments at fair value through other comprehensive income	32	(2,387)	(2,651)
Financial assets designated at fair value through other comprehensive income (Note(i))		4,745	3,560
Total		2,322,641	2,092,732

(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 2021* Equity instruments	Debt security instruments	Total
Costs/Amortised cost		5,914	643,679	649,593
Accumulatd 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)

	Note	*31 December 2020* Equity instruments	Debt security instruments	Total
Costs/Amortised cost		4,798	716,980	721,778
Accumulatd fair value change in other comprehensive income		(1,238)	574	(664)
Fair value		3,560	717,554	721,114
Allowance for impairment losses	32		(2,651)	(2,651)

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments (continued)

(b) Analysed by location of counterparties

	Note	*31 December 2021*	*31 December 2020*
In Mainland China			
- governments		899,116	821,990
- policy banks		136,084	118,751
- banks and non-bank financial institutions		1,114,160	974,913
- policy entity		-	27
- corporates		87,190	89,309
Subtotal		2,236,550	2,004,990
Outside Mainland China			
- governments		32,712	18,432
- banks and non-bank financial institutions		32,643	36,682
- public entities		1,688	1,967
- corporates		30,420	27,665
Subtotal		97,463	84,746
Accrued interest		15,355	16,766
Total		2,349,368	2,106,502
Less: Impairment allowance for financial assets at amotised cost	32	(26,727)	(13,770)
Net balance		2,322,641	2,092,732
Listed in Hong Kong		50,012	49,355
Listed outside Hong Kong		1,947,182	1,702,808
Unlisted		325,447	340,569
Total		2,322,641	2,092,732

Bonds traded in China's inter-bank bond market are listed outside Hong Kong.

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments (continued)

(c) Analysed by assessment method of allowance for impairment losses

		31 December 2021			
	Notes	*Stage one*	*Stage two*	*Stage three*	*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)

		31 December 2020			
	Notes	*Stage one*	*Stage two*	*Stage three*	*Total*
Financial assets at amortised costs		930,932	4,120	27,938	962,990
Accrued interest		9,998	198	-	10,196
Less: Allowance for impairment losses	32	(3,378)	(500)	(9,892)	(13,770)
Net balance		937,552	3,818	18,046	959,416
Financial assets at fair value through other comprehensive income		716,969	131	454	717,554
Accrued interest		6,536	1	33	6,570
Net balance		723,505	132	487	724,124
Total carrying amount of financial assets affected by credit risk		1,661,057	3,950	18,533	1,683,540
Allowance for impairment losses of other debt instruments included in other comprehensive income		(1,503)	(1)	(1,147)	(2,651)

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures

	Note	*31 December 2021*	*31 December 2020*
Investments in joint ventures	(a)	5,220	5,044
Investments in associates	(b)	533	630
Total		5,753	5,674

(a) Investment in joint ventures

The details of the joint ventures as at 31 December 2021 were as follows:

Name of company	*Form of business structure*	*Place of incorporation*	*Effective percentage of shares*	*Principal activities*	*Nominal value of issued shares*
CITIC aiBank Corporation Limited ("CITIC aiBank")(Note(i))	Corporation	Mainland China	65.7%	Financial services	RMB 5.634 billion
JSC Altyn Bank Corporation Limited. ("JSC Altyn Bank ") (Note(ii))	Corporation	Kazakhstan	50.1%	Financial services	KZT 7.05 billion

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures (continued)

(a) Investment in joint ventures (continued)

Notes:

(i) According to the Articles of Association of CITIC aiBank, major events of CITIC aiBank shall be subject to the joint approval of the Bank and the other shareholder, Fujian Borui Network Technology Company Limited (hereinafter referred to as Fujian Borui).

(ii) According to the Articles of Association of JSC Altyn Bank, major events 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 2021				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net (loss)/ income*
CITIC aiBank	79,406	72,601	6,805	2,998	263
JSC Altyn Bank	9,420	8,331	1,089	440	250

	As at or for the year ended 2020				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net (loss)/ income*
CITIC aiBank	66,473	59,900	6,573	1,723	(388)
JSC Altyn Bank	9,250	8,134	1,116	460	266

(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 2021	*Year ended 31 2020*
Initial investment cost	5,256	5,256
As at 1 January	5,044	2,914
Additions	-	2,027
Other changes in equity	(14)	235
Dividends received	(100)	-
Share of net (loss)/gain of the joint ventures for the year	294	(131)
Exchange difference	(4)	(1)
As at 31 December	5,220	5,044

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 31 December 2021 was as follows:

Name of company	*Form of business structure*	*Place of incorporation*	*Effective percentage of shares and voting right held by the Group*	*Principal activities*	*Nominal value of issued shares*
CITIC International Assets Management Limited ("CIAM")	Corporation	Hong Kong	46%	Investment holding and assets management	HKD 2,218 million
Binhai (Tianjin) Financial Assets Exchange Company Limited ("BFAE")	Corporation	Mainland China	20%	Services and investment	RMB 500 million

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures (continued)

(b) Investment in associates (continued)

Financial statements of the associates are as follow:

	As at or for the year ended 2021				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net (loss)/ income*
CIAM	1,037	142	896	71	(179)
BFAE	637	183	454	335	39

	As at or for the year ended 2020				
Name of Enterprise	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net (loss)/ income*
CIAM	1,246	144	1,102	42	(78)
BFAE	479	63	416	275	15

Movement of the Group's interests in associates:

	Year ended 31 2021	*Year ended 31 2020*
Initial investment cost	1,168	1,168
As at 1 January	630	758
Share of net loss of associates for the year	(82)	(98)
Other changes in equity	1	4
Exchange difference	(16)	(34)
As at 31 December	533	630

(Amounts in millions of Renminbi unless otherwise stated)

25 Investment in subsidiaries

	Notes	*31 December 2021*	*31 December 2020*
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 2021 are as follows:

Name of entity	*Principal place of business*	*Place of incorporation*	*Particulars of the issued and paid up capital*	*Principal activities*	*% of ownership directly held by the Bank*	*% of ownership held by subsidiaries of the Bank*	*The Group's effective interest*
CIFH (Note (i))	Hong Kong	Hong Kong	HKD 7,503 million	Commercial banking and other financial services	100%	-	100%
CNCB Investment (Note (ii))	Hong Kong	Hong Kong	HKD 1,889 million	Investment and lending services	99.05%	0.71%	99.76%
Lin'an Rural Bank (Note (iii))	Mainland China	Mainland China	RMB 200 million	Commercial banking	51%	-	51%
CFLL (Note (iv))	Mainland China	Mainland China	RMB 4,000 million	Financial lease operations	100%	-	100%
CITIC Wealth (Note (v))	Mainland China	Mainland China	RMB 5,000 million	Wealth management	100%	-	100%

Notes:

(i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope through its subsidiaries covers commercial banking and other financial services. The Bank holds 100% shareholding in CIFH. CIFH holds 75% shareholding in CITIC Bank International Limited ("CBI").

25 Investment in subsidiaries (continued)

(ii) CNCB (Hong Kong) Investment Limited (CNCB Investment), founded in Hong Kong in 1984, formerly China Investment and Finance Limited, incorporated and operating in Hong Kong, holds a money lending licence issued by the Hong Kong Company Registry, and also the No.1, 4, 6 and 9 licenses from Hong Kong Securities Regulatory Commission through its wholly-owned subsidiary CNCB (Hong Kong) Capital Limited. The business scope of CNCB Investment includes investment banking, capital market investment, lending and other related services. The Bank holds 99.05% of the equity shares and voting rights in CNCB Investment, and CITIC International Financial Holding Limited (CIFH) holds the remaining 0.71% of the equity interests. Through indirect shareholding, the Bank effectively holds 99.76% of the equity shares in CNCB Investment.

(iii) Lin’an Rural Bank was founded in Zhejiang Province of Mainland China in 2011 with a registered capital of RMB 200 million. Its principal activities are commercial banking related businesses. The Bank holds 51% of Lin’an Rural Bank’s shares and voting rights.

(iv) The Bank established CFLL in 2015 with a registered capital of RMB 4 billion. Its principal business activities are financial leasing. The Bank holds 100% of its shares and voting rights.

(v) CITIC Wealth was established in 2020 with a registered capital of RMB 5 billion. Its principal business operation is wealth management. The Bank holds 100% of its shares and voting rights.

(Amounts in millions of Renminbi unless otherwise stated)

26 Investment properties

	31 December 2021	*31 December 2020*
Fair value as at 1 January	386	426
Change in fair value	23	(69)
Transfers in/(out)	153	52
Exchange difference	(15)	(23)
Fair value as at 31 December	547	386

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 2021.

All investment properties of the Group were revalued at 31 December 2021 by an independent firm of surveyors, Prudential Surveyors Hong Kong Limited, on an open market value basis. The fair value is in line with the definition of "*IFRS13 - Fair value measurement*". The revaluation surplus has been recognized in the profit or loss for the current year. Prudential Surveyors Hong Kong Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

The investment properties of the Group are categorised into Level 3.

(Amounts in millions of Renminbi unless otherwise stated)

27 Property, plant and equipment

	Buildings	*Construction in progress*	*Computer equipment and others*	*Total*
Cost or deemed cost:				
As at 1 January 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

(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 2020	22,599	1,616	11,768	35,983
Additions	11,098	562	1,979	13,639
Transfer out in current year	(55)	-	-	(55)
Disposals	(63)	-	(804)	(867)
Exchange differences	(32)	-	(53)	(85)
As at 31 December 2020	33,547	2,178	12,890	48,615
Accumulated depreciation:				
As at 1 January 2020	(5,524)	-	(8,087)	(13,611)
Depreciation charges	(845)	-	(1,141)	(1,986)
Transfer out in current year	3	-	-	3
Disposals	31	-	756	787
Exchange differences	17	-	43	60
As at 31 December 2020	(6,318)	-	(8,429)	(14,747)
Net carrying value:				
As at 1 January 2020	17,075	1,616	3,681	22,372
As at 31 December 2020 (Note (i))	27,229	2,178	4,461	33,868

Notes:

(i) As at 31 December 2021, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB 11,396 million (as at 31 December 2020: RMB 11,899 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*	*Equipments*	*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

(Amounts in millions of Renminbi unless otherwise stated)

28 Right-of-use assets (continued)

	Buildings	*Land use rights*	*Equipments*	*Vehicles and others*	*Total*
Cost or deemed cost:					
As at 1 January 2020	14,501	1,219	126	47	15,893
Additions	3,109	2	7	18	3,136
Disposals	(1,420)	-	(20)	(12)	(1,452)
Exchange differences	(44)	-	-	-	(44)
As at 31 December 2020	16,146	1,221	113	53	17,533
Accumulated depreciation:					
As at 1 January 2020	(3,186)	(267)	(39)	(11)	(3,503)
Depreciation	(3,287)	(31)	(35)	(11)	(3,364)
Disposals	847	-	17	6	870
Exchange differences	20	-	-	-	20
As at 31 December 2020	(5,606)	(298)	(57)	(16)	(5,977)
Net carrying value:					
As at 1 January 2020	11,315	952	87	36	12,390
As at 31 December 2020	10,540	923	56	37	11,556

(i) As at 31 December 2021, the balance of the Group's lease liabilities amounted to RMB 9,816 million (as at 31 December 2020: RMB 10,504 million), including RMB 5,153 million (as at 31 December 2020: RMB 3,245 million) of lease liabilities that will mature within a year.

(ii) As at 31 December 2021, lease payments relating to lease contracts signed but yet to be executed amounted to RMB 167 million (as at 31 December 2020: RMB 157 million).

(iii) For the year ended 31 December 2021, the lease expense of short-term leases with a lease term of no more than 12 months and leases of assets with low values when new amounted to RMB 189 million (as at 31 December 2020: RMB 460 million).

(Amounts in millions of Renminbi unless otherwise stated)

29 Goodwill

	31 December 2021	*31 December 2020*
As at 1 January	860	912
Exchange difference	(27)	(52)
As at 31 December	833	860

Based on the result of impairment test, no impairment losses on goodwill were recognized as at 31 December 2021 (as at 31 December 2020: Nil).

30 Deferred tax assets/(liabilities)

	31 December 2021	*31 December 2020*
Deferred tax assets	46,905	41,913
Deferred tax liabilities	(8)	(11)
Net	46,897	41,902

(a) Analysed by nature and jurisdiction

	31 December 2021		*31 December 2020*	
	Deductible/ (taxable) temporary differences	*Deferred tax assets/ (liabilities)*	*Deductible/ (taxable) temporary differences*	*Deferred tax assets/ (liabilities)*
Deferred tax assets				
- allowance for impairment losses	180,860	45,076	159,950	39,870
- fair value adjustments	(7,505)	(1,882)	(4,555)	(1,103)
- employee retirement benefits and salaries payable	10,206	2,552	10,316	2,579
- others	4,497	1,159	2,347	567
Subtotal	188,058	46,905	168,058	41,913
Deferred tax liabilities				
- fair value adjustments	(48)	(8)	(63)	(11)
Net	188,010	46,897	167,995	41,902

(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 2021, the deferred tax assets/liabilities offset by the Group were RMB 2,260 million (31 December 2020: RMB 1,483 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 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
As at 1 January 2020	32,209	(63)	2,551	200	32,085
Recognized in profit or loss	7,679	(63)	28	356	8,000
Recognized in other comprehensive income	-	1,821	-	8	1,829
Exchange differences	(18)	3	-	3	(12)
As at 31 December 2020	39,870	(1,114)	2,579	567	41,902

(Amounts in millions of Renminbi unless otherwise stated)

31 Other assets

	Notes	*31 December 2,021*	*31 December 2,020*
Advanced payments and settlement accounts		24,169	21,123
Assets with continuing involvement		10,878	7,124
Fee and commission receivables		7,454	5,591
Interest receivables	(i)	5,167	6,408
Precious metal leasing		3,114	6,687
Repossessed assets	(ii)	1,330	1,367
Prepayments for properties and equipment		988	971
Leasehold improvements		767	638
Prepaid rent		7	14
Assets transfer receivables		-	3,151
Others	(iii)	5,548	13,969
Total		59,422	67,043

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 3,628 million (as at 31 December 2020: RMB 3,373 million).

(Amounts in millions of Renminbi unless otherwise stated)

31 Other assets(continued)

Notes:

(ii) Repossessed assets

	Notes	*31 December 2021*	*31 December 2020*
Premises		2,611	2,688
Others		5	2
Gross balance		2,616	2,690
Less: Allowance for impairment losses	32	(1,286)	(1,323)
Net balance		1,330	1,367

As at 31 December 2021, 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 2020: None).

(iii) Others

Others include prepaid legal costs for lawyers, other prepayments, other receivables, etc.

(Amounts in millions of Renminbi unless otherwise stated)

32 Movements of allowance for impairment losses

		Year ended 31 December 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
Subtotal		154,476	77,005	(75,237)	11,081	167,325
Allowance for impairment losses on other assets						
Other assets - repossessed assets		1,323	43	(92)	12	1,286
Subtotal		1,323	43	(92)	12	1,286

(Amounts in millions of Renminbi unless otherwise stated)

32 Movements of allowance for impairment losses (continued)

		Year ended 31 December 2020				
	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	142	(10)	-	(2)	130
Placements with and loans to banks and non-bank financial institutions	19	81	19	-	(3)	97
Financial assets held under resale agreements	21	47	9	-	-	56
Loans and advances to customers	22	115,870	69,285	(67,236)	8,181	126,100
Financial investments	23					
-at amortised cost		6,758	7,436	(453)	(4)	13,737
-at fair value through other comprehensive income		1,631	1,057	-	(37)	2,651
Other financial assets and accrued interest		4,048	3,575	(3,450)	807	4,980
Off balance sheet credit assets	40	5,646	1,106	-	(27)	6,725
Subtotal		134,223	82,477	(71,139)	8,915	154,476
Allowance for impairment losses on other assets						
Other assets - repossessed assets		1,168	512	(361)	4	1,323
Subtotal		1,168	512	(361)	4	1,323

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 2021	*31 December 2020*
In Mainland China		
- banks	279,849	306,923
- non-bank financial institutions	885,347	852,671
Subtotal	1,165,196	1,159,594
Outside Mainland China		
- banks	4,610	520
- non-bank financial institutions	19	19
Subtotal	4,629	539
Accrued interest	4,938	3,508
Total	1,174,763	1,163,641

34 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2021	*31 December 2020*
In Mainland China		
- banks	44,375	44,848
- non-bank financial institutions	8,360	1,291
Subtotal	52,735	46,139
Outside Mainland China		
- banks	25,316	11,408
- non-bank financial institutions	40	-
Subtotal	25,356	11,408
Accrued interest	240	209
Total	78,331	57,756

(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 2021	*31 December 2020*
In Mainland China		
- PBOC	67,372	39,213
- banks	30,243	36,058
Subtotal	97,615	75,271
Outside Mainland China		
- banks	719	-
Subtotal	719	-
Accrued interest	5	-
Total	98,339	75,271

(b) Analysed by type of collateral

	31 December 2021	*31 December 2020*
Discounted bills	54,191	68,295
Debt securities	44,143	6,976
Accrued interest	5	-
Total	98,339	75,271

The Group did not derecognize financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 31 December 2021, none of the legal title of the collateral pledged disclosed in Note 52 has been transferred to counterparties.

(Amounts in millions of Renminbi unless otherwise stated)

36 Deposits from customers

Analysed by nature:

	31 December 2021	*31 December 2020*
Demand deposits		
- corporate customers	1,963,640	1,906,208
- personal customers	310,054	327,110
Subtotal	2,273,694	2,233,318
Time and call deposits		
- corporate customers	1,789,956	1,674,846
- personal customers	662,255	611,177
Subtotal	2,452,211	2,286,023
Outward remittance and remittance payables	10,679	9,058
Accrued interest	53,385	43,887
Total	4,789,969	4,572,286

Guarantee deposits included in above deposits:

	31 December 2021	*31 December 2020*
Bank acceptances	247,946	223,387
Guarantees	14,063	11,277
Letters of credit	19,615	11,036
Others	81,308	104,839
Total	362,932	350,539

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs

		Year ended 31 December 2021			
	Notes	*As at 1 January*	*Additions during the year*	*Payments during the year*	*As at 31 December*
Short-term employee benefits	(a)	20,215	31,081	(32,162)	19,134
Post-employment benefits					
- defined contribution plans	(b)	43	3,171	(3,195)	19
Post-employment benefits					
- defined benefit plans	(c)	18	1	(1)	18
Other long-term benefits		57	150	(125)	82
Total		20,333	34,403	(35,483)	19,253

		Year ended 31 December 2020			
	Notes	*As at 1 January*	*Additions during the year*	*Payments during the year*	*As at 31 December*
Short-term employee benefits	(a)	20,512	27,157	(27,454)	20,215
Post-employment benefits					
- defined contribution plans	(b)	318	2,414	(2,689)	43
Post-employment benefits					
- defined benefit plans	(c)	19	1	(2)	18
Other long-term benefits		75	107	(125)	57
Total		20,924	29,679	(30,270)	20,333

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs (continued)

(a) Short-term employee benefits

		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	(i)	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
Others		97	218	(253)	62
Total		20,215	31,081	(32,162)	19,134

		Year ended 31 December 2020			
	Notes	*As at 1 January*	*Additions during the year*	*Payments during the year*	*As at 31 December*
Salaries and bonuses	(i)	19,731	22,165	(22,460)	19,436
Social insurance		65	1,544	(1,561)	48
Welfare expenses		1	1,266	(1,263)	4
Housing fund		9	1,396	(1,397)	8
Labor union expenses and employee education expenses		579	475	(486)	568
Housing allowance		54	4	(4)	54
Others		73	307	(283)	97
Total		20,512	27,157	(27,454)	20,215

Note:

(i) As at 31 December 2021, the deferred salaries and bonuses in relation to services provided to the Group and to be paid as planned amounted to RMB 7,885 million (31 December 2020: RMB 7,901 million).

37 Accrued staff costs (continued)

(b) Post-employment benefits - defined contribution plans

Post-employment benefits defined contribution plans include contributions to statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowance of the employees to the statutory retirement plan under the administration of the government.

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group and managed by the CITIC Group. For the year ended 31 December 2021, the Bank has made annuity contributions at 7% (31 December 2020: 7%) of its employee's gross wages. For the year ended 31 December 2021, the Bank made annuity contribution amounting to RMB 1,395 million (year ended 31 December 2020: RMB 1,369 million).

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss when the contribution fall due.

(c) Post-employment benefits - defined benefit plans

The Group offers supplementary retirement benefits for certain of its qualified employees in Mainland China. Retired employees are eligible to join this supplementary retirement benefit plan. The amount that is recognized as at reporting date presents the discounted value of benefit obligation in the future.

The Group's obligations in respect of the supplementary retirement benefit plan as at the reporting date are based on the projected unit credit actuarial cost method and computed by a qualified professional actuary firm (a member of Society of Actuaries in the United States of America).

Save for the disclosed above, the Group has no other material obligation for payment of retirement benefits.

(Amounts in millions of Renminbi unless otherwise stated)

38 Taxes payable

	31 December 2021	*31 December 2020*
Income tax	5,830	4,186
VAT and surcharges	4,913	4,216
Others	10	9
Total	10,753	8,411

39 Debt securities issued

	Notes	*31 December 2021*	*31 December 2020*
Long-term debt securities issued	(a)	61,125	35,218
Subordinated bonds issued:			
- by the Bank	(b)	109,974	109,970
- by CBI	(c)	3,174	3,253
Certificates of deposit issued	(d)	1,211	-
Certificates of interbank deposit issued	(e)	739,857	543,008
Convertible corporate bonds	(f)	39,497	38,730
Accrued interest		3,365	2,779
Total		958,203	732,958

(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 2021 Nominal Value*	*31 December 2020 Nominal Value*
				RMB	*RMB*
Floating rate bond	14 December 2017	15 December 2022	Three-month Libor +1%	3,504	3,597
Fixed rate bond	14 December 2017	15 December 2022	3.125%	1,593	1,635
Fixed rate bond	18 March 2020	18 March 2023	2.750%	30,000	30,000
Fixed rate bond	10 June 2021	10 June 2024	3.190%	20,000	-
Fixed rate bond	02 February 2021	02 February 2024	0.875%	1,274	-
Fixed rate bond	02 February 2021	02 February 2026	1.250%	2,230	-
Fixed rate bond	17 November 2021	17 November 2024	1.750%	3,185	-
Total nominal value				61,786	35,232
Less: Unamortised issuance cost				(24)	(14)
Less: offset				(637)	-
Carrying value				61,125	35,218

(b) The carrying value of the Bank's subordinated bonds issued as at 31 December:

	Notes	*31 December 2021*	*31 December 2020*
Subordinated fixed rate bonds maturing:			
- in June 2027	(i)	19,989	19,987
- in September 2028	(ii)	29,995	29,995
- in October 2028	(iii)	19,997	19,996
- in August 2030	(iv)	39,993	39,992
Total		109,974	109,970

39 Debt securities issued (continued)

(b) The carrying value of the Bank's subordinated bonds issued as at 31 December: (continued)

Notes:

(i) The Bank issued a fixed-rate subordinated bond on 21 June 2012 with a coupon rate of 5.15% per annum. The Bank has the option to redeem the bond on 21 June 2022. If the Bank does not exercise this option, the coupon rate will remain 5.15% per annum for the next five years.

(ii) The Bank issued a fixed-rate subordinated bond on 13 September 2018 with a coupon rate of 4.96% per annum. The Bank has the option to redeem the bond on 13 September 2023. If the Bank does not exercise this option, the coupon rate will remain 4.96% per annum for the next five years.

(iii) The Bank issued a fixed-rate subordinated bond on 22 October 2018 with a coupon rate of 4.80% per annum. The Bank has the option to redeem the bond on 22 October 2023. If the Bank does not exercise this option, the coupon rate will remain 4.80% per annum for the next five years.

(iv) The Bank issued a fixed-rate subordinated bond on 14 August 2020 with a coupon rate of 3.87% per annum. The Bank has the option to redeem the bond on 14 August 2025. If the Bank does not exercise this option, the coupon rate will remain 3.87% per annum for the next five years.

(Amounts in millions of Renminbi unless otherwise stated)

39 Debt securities issued (continued)

(c) The carrying value of CBI's subordinated bonds issued as at 31 December:

	Notes	*31 December 2021*	*31 December 2020*
Subordinated fixed rate notes maturing:			
- in Feb 2029	(i)	3,174	3,253
Total		3,174	3,253

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 28 February 2024. If CBI does not exercise the redemption option, the coupon rate per annum will be the 5-year US treasury bond rate on 28 February 2024, plus 2.25%. The notes are listed on the Hong Kong Stock Exchange.

(d) These certificates of deposit were issued by CBI with interest rate ranging 3.25% per annum.

(e) As at 31 December 2021, the Bank had issued certain certificates of interbank deposits, totaling RMB 739,857 million (as at 31 December 2020: RMB 543,009 million), with yield ranging from 2.60% to 3.18% (as at 31 December 2020: 1.50% to 3.36%) per annum. The original expiry terms are between one months to one year.

(Amounts in millions of Renminbi unless otherwise stated)

39 Debt securities issued (continued)

(f) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB 40 billion A-share convertible corporate bonds on 4 March 2019. The convertible corporate bonds have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible corporate bonds begins on the first trading day (11 September 2019) after six months upon the completion date of the offering (8 March 2019), until the maturity date (3 March 2025).

In accordance with formulas set out in the prospectus of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is RMB 7.45 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances. As the cash dividend was paid on 29 July 2021, the conversion price of the convertible corporate bonds has been adjusted to RMB 6.73 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 2021, convertible corporate bonds of RMB 327,000 was converted to 45,896 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	2,712	-	2,712
Amount of bonds converted	-	-	-
Ending balance	39,497	3,135	42,632

(Amounts in millions of Renminbi unless otherwise stated)

40 Provisions

	31 December 2021	*31 December 2020*
Allowance for impairment losses on off-balance sheet items	11,428	6,725
Litigation provisions	499	483
Total	11,927	7,208

The movement of off-balance sheet allowance for impairment losses is included in the Note 32.

Movement of provisions:

	31 December 2021	*31 December 2020*
As at 1 January	483	470
Accruals	16	21
Reversal in the current year	-	(1)
Payments	-	(7)
As at 31 December	499	483

41 Other liabilities

	31 December 2021	*31 December 2020*
Continuing involvement liability	10,878	7,124
Settlement and clearing accounts	5,342	6,930
Advances and deferred expenses	5,087	4,694
Payment and collection accounts	4,349	2,434
Leasing deposits	880	1,189
Accrued expenses	688	384
Others	8,403	7,135
Total	35,627	29,890

(Amounts in millions of Renminbi unless otherwise stated)

42 Share capital

	31 December 2021 and 31 December 2020	
	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 2021*	*31 December 2020*
As at 1 January		48,935	48,935
Convertible bond settlement	(i)	-	-
As at 31 December		48,935	48,935

Note:

(i) In 2021, convertible corporate bonds of RMB 27,000 was converted to 3,900 A-shares. (In 2020, convertible corporate bonds of RMB 195,000 was converted to 27,463 A-shares.)

43 Other equity instruments

	31 December 2021	*31 December 2020*
Preference shares (Note (i))	34,955	34,955
Perpetual bonds (Note (ii))	79,986	39,993
Equity of convertible corporate bonds (Note 39(f))	3,135	3,135
Total	118,076	78,083

(Amounts in millions of Renminbi unless otherwise stated)

43 Other equity instruments (continued)

(i) Preference shares

Financial instruments in issue	Dividend rate	Issued price (RMB)	Issued number of shares (RMB millions)	Issued nominal value (RMB millions)	Maturity Date	Conversions
Preference shares	3.80% for the first five years, will be re-priced every five years thereafter	100	350	35,000	No maturity date	No conversion during the year

35,000 million preference shares of RMB 100 each were issued in October 2016, with a dividend rate of 3.80% per annum for the first five years from issuance, to no more than 200 qualified investors, pursuant to the approval by its ordinary shareholders' meeting and relevant regulatory authorities.

The carrying amount of preference shares, net of direct issuance expenses, was RMB 34,955 million. All the proceeds received is used to replenish Other Tier-One capital in order to increase the Bank's Tier-One capital adequacy ratio (Note 56). Dividends are non-cumulative and where payable are paid annually. Dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

As authorised by the ordinary shareholders' Annual General Meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents of preference shares are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No.56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB 7.07 per share, partially or entirely. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalisation of reserves and new issuances of ordinary shares 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) Perpetual bonds

The Bank issued RMB 40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 11 December 2019, and issued RMB 40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 26 April 2021. 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 the Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilize the proceeds from the cancelled distribution to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

These perpetual bonds are classified as equity instruments, and presented as equity in the consolidated statement of financial position; and are qualified as Additional Tier-One Capital Instruments in accordance with the CBIRC requirements.

(Amounts in millions of Renminbi unless otherwise stated)

43 Other equity instruments (continued)

(ii) Perpetual bonds (continued)

Interests attributable to equity instruments' holder：

	31 December 2021	*31 December 2020*
Total equity attributable to equity holders of the parent company	626,303	544,573
Equity attributable to ordinary equity holders of the parent company	508,227	466,490
Equity attributable to other equity instruments holders of the parent company	118,076	78,083
-Profit for the period/distribution for the period	3,010	3,010
Total equity attributable to non-controlling interests	16,323	15,465
Equity attributable to non-controlling interests of ordinary shares	9,121	8,798
Equity attributable to non-controlling interests of other equity instruments	7,202	6,667

For the year ended 31 December 2021, the Bank paid dividend of RMB 1,330 million to the preference shareholders (for the year ended 31 December 2020: RMB 1,330 million), and paid interest of RMB 1,680 million to the holders of perpetual bonds (for the year ended 31 December 2020: RMB 1,680 million).

44 Capital reserves

	31 December 2021	*31 December 2020*
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 plan (Note 37) and fair value changes on financial investments designated at fair value through other comprehensive income, and items that may be reclassified subsequently to profit or loss, such as fair value changes on financial assets at fair value through other comprehensive income, credit impairment allowance on financial assets at fair value through other comprehensive income and exchange differences on translation.

(Amounts in millions of Renminbi unless otherwise stated)

46 Surplus reserve

	Year ended 31 December 2021	*Year ended 31 December 2020*
As at 1 January	43,786	39,009
Appropriations	5,151	4,777
As at 31 December	48,937	43,786

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 2021	*Year ended 31 December 2020*
As at 1 January	90,819	81,535
Appropriations	4,671	9,284
As at 31 December	95,490	90,819

Pursuant to relevant MOF notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. The Bank and the Group make its appropriation on an annual basis.

(Amounts in millions of Renminbi unless otherwise stated)

48 Profit appropriations and retained earnings

(a) Profit appropriations and distributions other than dividends declared during the year

	Notes	*Year ended 31 December 2021*	*Year ended 31 December 2020*
Appropriations to			
- surplus reserve	46	5,151	4,777
- general reserve	47	4,671	9,284
As at 31 December		9,822	14,061

The Bank appropriated RMB 5,151 million to statutory surplus reserve fund for the year of 2021, and appropriatied RMB 4,574 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 24 June 2021, a total amount of approximately RMB 12,429 million (RMB 2.54 per 10 shares) were distributed in the form of cash dividend to the ordinary shareholders on 29 July 2021.

(c) In accordance with the resolution approved in the Annual General Meeting of the Bank on 25 August 2021, a total amount of approximately RMB 1,330 million (calculated by the bank using the agreed dividend rate of 3.80% with RMB 3.8 per share) were distributed in the form of cash dividend to the preference shareholders on 26 Octobor 2021.

(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 11 December 2021.

(e) On 24 March 2022, the Board of Directors proposed a cash dividend of RMB 3.02 per 10 shares in respect of the year 2021. Subject to the approval of the ordinary shareholders at the Annual General Meeting, approximately RMB 14,778 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 2021.

(f) As at 31 December 2021, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB 563 million (as at 31 December 2020: RMB 350 million), of which RMB 212 million (as at 31 December 2020: RMB 91 million) was the appropriation made by the subsidiaries for the year ended 31 December 2021. Such statutory surplus reserves in the retained earnings cannot be distributed.

(Amounts in millions of Renminbi unless otherwise stated)

49 Non-controlling interests

Non-controlling interests included ordinary shareholders held by non-controlling interest in subsidaries and other equity instrument holders' interests. As at 31 December 2021, other equity instrument holders' interest amounted to RMB 7,202 million (31 December 2020: 6,667 million) representing other equity instruments issued by CBI on 6 November 2018 and 29 July 2021, 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 4.15% 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

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 367 million was paid to the holders of the Capital Securities during the year ended 31 December 2021 (the year ended 31 December 2020: RMB 382 million).

(Amounts in millions of Renminbi unless otherwise stated)

50 Notes to consolidated statement of cash flows

Cash and cash equivalents

	31 December 2021	*31 December 2020*
Cash	5,694	5,951
Cash equivalents		
- Surplus deposit reserve funds	65,571	57,211
- Deposits with banks and non-bank financial institutions due within three months when acquired	58,293	88,118
- Placements with and loans to banks and non-bank financial institutions due within three months when acquired	48,098	93,218
- Investment securities due within three months when acquired	75,162	75,068
Subtotal	247,124	313,615
Total	252,818	319,566

51 Commitments and contingent liabilities

(a) Credit commitments

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

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

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be 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 2021	*31 December 2020*
Contractual amount		
Loan commitments		
- with an original maturity within one year	13,725	14,138
- with an original maturity of one year or above	39,748	35,494
Subtotal	53,473	49,632
Bank acceptances	669,736	559,073
Credit card commitments	708,741	623,478
Letters of guarantee issued	128,866	119,741
Letters of credit issued	214,958	125,197
Total	1,775,774	1,477,121

(b) Credit commitments analysed by credit risk weighted amount

	31 December 2021	*31 December 2020*
Credit risk weighted amount of credit commitments	471,734	437,831

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 2021	*31 December 2020*
For the purchase of property and equipment		
Contracted for	1,541	1,547

(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 2021, the Group was involved in certain potential and pending litigation as defendant with gross claims of RMB 1,026million (as at 31 December 2020: RMB 923 million). Based on the opinion of internal and external legal counsels, the Group had made litigation provisions of RMB 16 million for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB 21 million) against these litigation (Note 40). Such contingencies, including litigation and disputes, will not have material impact on financial position and operations of the Bank.

(e) Bonds redemption obligations

As an underwriting agent of PRC treasury bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	31 December 2021	*31 December 2020*
Redemption commitment for PRC treasury bonds	3,249	3,181

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 2021, the Group did not have unfulfilled commitment in respect of securities underwriting business. (as at 31December 2020: 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 2021	*31 December 2020*
Debt securities	341,978	331,319
Discounted bills	54,401	68,505
Others	178	78
Total	396,557	399,902

As at 31 December 2021 and 31 December 2020, 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 2021, the Group pledged debt securities and deposits with banks and other financial institutions with carrying amount totalling RMB 527 million (as at 31 December 2020: RMB 493 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 2021, there was no collateral that can be resold or re-pledged by the Group (as at 31 December 2020: Nil). During the year ended 31 December 2021, the Group did not resell or re-pledge any of these collateral (year ended 31 December 2020: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

53 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals, as well as entrusted provident housing fund mortgage business services. All entrusted loans are made under the instruction or at the direction of these corporations, individuals or provident housing fund centre and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group does not expose to credit risk in relation to these transactions, but acts as an agent to hold and manage these assets and liabilities at the instruction of the entrusting parties and receives fee income for the services provided.

Trust assets are not assets of the Group and are not 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 2021	*31 December 2020*
Entrusted loans	306,515	365,921
Entrusted funds	306,516	365,922

(b) Wealth management services

The Group's wealth management services to customers mainly represent sale of wealth management products, and non-principal or interest guaranteed wealth management products (Note 59(b)), to corporate and personal banking customers.

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is 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 2021, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 59(b).

54 Segment reporting

Measurement of segment assets and liabilities, and segment income and expenses are based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire assets (including both tangible assets and intangible assets) whose estimated useful lives are over one year.

54 Segment reporting (continued)

(a) Business segments

The Group has the following main business segments for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions, as well as conducts investment banking businesses and international businesses. The products and services include corporate loans, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise loans, deposit services, securities agency services, remittance and settlement services and guarantee services.

Treasury business

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

Others and unallocated

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(a) Business segments (continued)

	Year ended 31 December 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 expenditure	1,261	1,064	1,087	578	3,990

	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

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(a) Business segments (continued)

	Year ended 31 December 2020				
	Corporate Banking	*Personal Banking*	*Treasury Operations*	*Others and Unallocated*	*Total*
External net interest income/(expense)	47,291	98,666	28,886	(24,328)	150,515
Internal net interest income/(expense)	28,481	(40,977)	(19,778)	32,274	-
Net interest income	75,772	57,689	9,108	7,946	150,515
Net fee and commission income/(expense)	11,828	21,284	878	(5,154)	28,836
Other net income (Note (i))	1,873	671	12,727	777	16,048
Operating income	89,473	79,644	22,713	3,569	195,399
Operating expenses					
- depreciation and amortisation	(2,008)	(1,579)	(1,530)	(1,239)	(6,356)
- others	(17,957)	(25,807)	(1,879)	(2,256)	(47,899)
Credit impairment losses	(48,303)	(32,836)	(1,299)	(39)	(82,477)
Impairment (losses)/gains on other assets	(516)	-	-	4	(512)
Revaluation losses on investment properties	-	-	-	(69)	(69)
Share of loss of associates and joint ventures	-	-	(3)	(226)	(229)
Profit before tax	20,689	19,422	18,002	(256)	57,857
Income tax					(8,325)
Profit for the year					49,532
Capital expenditure	6,442	5,233	4,973	2,616	19,264

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(a) Business segments (continued)

	Year ended 31 December 2020				
	Corporate Banking	*Personal Banking*	*Treasury Operations*	*Others and Unallocated*	*Total*
Segment assets	2,580,730	1,966,280	2,058,054	858,510	7,463,574
Interest in associates and joint ventures	-	-	109	5,565	5,674
Deferred tax assets					41,913
Total asset					7,511,161
Segment liabilities	3,671,630	990,280	1,024,395	1,264,807	6,951,112
Deferred tax liabilities					11
Total liabilities					6,951,123
Off-balance sheet credit commitments	853,643	623,478	-	-	1,477,121

Note:

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

54 Segment reporting (continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities. The Bank's principal subsidiaries, CNCB Investment and CIFH are registered and operating in Hong Kong. The other subsidiaries, Lin'an Rural Bank and CFLL are registered in Mainland China.

In presenting information by geographical segments, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments, as defined for management reporting purposes, are as follows:

- "Yangtze River Delta" refers to the following areas where Tier-One branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank and CITIC Wealth Co., Ltd.;

- "Pearl River Delta and West Strait" refers to the following areas where Tier-One branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;

- "Bohai Rim" refers to the following areas where Tier-One branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;

- "Central" region refers to the following areas where Tier-One branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

- "Western" region refers to the following areas where Tier-One branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

- "Northeastern" region refers to the following areas where Tier-One branches of the Group is located: Shenyang, Changchun and Harbin;

- "Head Office" refers to the 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 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

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

	Year ended 31 December 2020									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
External net interest income	34,924	19,503	2,770	22,173	19,903	2,907	43,620	4,715	-	150,515
Internal net interest (expense)/income	(7,214)	(3,604)	16,837	(6,484)	(7,998)	(794)	9,363	(106)	-	-
Net interest income	27,710	15,899	19,607	15,689	11,905	2,113	52,983	4,609	-	150,515
Net fee and commission income	3,843	2,352	4,192	1,661	1,412	319	13,930	1,127	-	28,836
Other net income (Note (i))	1,044	197	402	140	141	21	12,599	1,504	-	16,048
Operating income	32,597	18,448	24,201	17,490	13,458	2,453	79,512	7,240	-	195,399
Operating expense										
- depreciation and amortisation	(949)	(751)	(900)	(672)	(803)	(208)	(1,521)	(552)	-	(6,356)
- others	(8,447)	(5,681)	(7,287)	(5,065)	(4,595)	(1,118)	(12,917)	(2,789)	-	(47,899)
Credit impairment losses	(10,438)	(7,454)	(11,231)	(6,232)	(12,813)	(810)	(31,433)	(2,066)	-	(82,477)
Impairment (losses)/gains on other assets	(153)	(24)	(6)	(307)	(26)	-	-	4	-	(512)
Revaluation losses on investment properties	-	-	-	-	-	-	-	(69)	-	(69)
Share of loss of associates and joint ventures	-	-	-	-	-	-	(134)	(95)	-	(229)
Profit before tax	12,610	4,538	4,777	5,214	(4,779)	317	33,507	1,673	-	57,857
Income tax										(8,325)
Profit for the year										49,532
Capital expenditure	308	217	321	193	286	77	17,522	340	-	19,264

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

	31 December 2020									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
Segment assets	1,599,863	886,996	1,756,340	715,464	621,509	131,475	3,137,279	353,870	(1,739,222)	7,463,574
Interest in associates and joint ventures	-	-	-	-	-	-	5,154	520	-	5,674
Deferred tax assets										41,913
Total assets										7,511,161
Segment liabilities	1,266,058	719,506	1,541,035	629,772	537,319	108,995	3,565,035	295,314	(1,711,922)	6,951,112
Deferred tax liabilities										11
Total liabilities										6,951,123
Off-balance sheet credit commitments	230,352	157,359	147,496	186,161	100,423	17,223	616,546	21,561	-	1,477,121

Note:

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

55 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

- **Credit risk** Credit risk represents the potential loss that may arise from the failure of a customer or counterparty to meet its contractual obligations or commitments to the Group.

- **Market risk** Market risk arises from 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 strategy risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

55 Financial risk management (continued)

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loan and advance to customers, treasury businesses and off-balance sheet items.

The Group has standardised management on the entire credit business process including loan application and its investigation, approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

The Group writes off the recoverable financial asset when it cannot reasonably expect to recover all or part of the asset. Signs indicating that the recoverable amount cannot be reasonably expected include: (1) the enforcement has been terminated, and (2) the Group's recovery method is to confiscate and dispose of the collateral, but the expected value of the collateral cannot cover the entire principal and interest.

In addition to the credit risk to the Group caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee businesses to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer’s default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses

The Group adopts the "expected credit loss model" on its debt instruments which are classified as financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and at fair value through other comprehensive income in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses, the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The "three-stage" impairment model is used to measure their allowances for impairment losses respectively to recognize expected credit losses and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since initial recognition will be classified as "stage 1" and the Group continuously monitors their credit risk. The loss allowances of financial instruments in stage 1 is measured based on the expected credit losses in the next 12 months, which represents the proportion of the expected credit losses in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk from initial recognition, the Group transfers the related financial instruments to stage 2, but it will not be considered as credit-impaired instruments. The expected credit losses of financial instruments in stage 2 is measured based on the lifetime expected credit losses.

Stage 3: If there is a significant impairment in financial instruments, it will be moved to stage 3. The expected credit losses of financial instruments in stage 3 is measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

The Group measures the ECL for financial assets through testing models, which includes risk parameters model and discounted cash flows model. The risk parameters model method is applicable to the financial assets in stage 1 and 2. Both the risk parameter model and discounted cash flows model are applicable to the stage 3 financial assets.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

The Group has established models including different key economic indicators is established with the new actual default rate of regression model, and use the prediction results and historic default information adjustment coefficient calculation, then realize the provisions for forward-looking adjustment.

The discounted cash flow model is used to calculate the impairment allowance for an asset based on the regular forecasts of the future cash flows of the asset. At each measurement date, the Group makes forecasts of the future cash inflows of the asset in different periods and in different scenarios, applies probability weightings to obtain the weighted averages of the future cash flows, applies appropriate discount rates to the weighted averages and adds these discounted weighted average to obtain the present value of the future cash inflows.

The Group estimate the ECL in accordance with the IFRS 9, the key judgments and assumptions adopted by the Group are as follows:

(1) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) credit risk of borrowers declining to Grade 15 or below since initial recognition; (2) adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

(1) Significant increase in credit risk (continued)

After the outbreak of COVID-19, China has adopted various measures to continuously control and prevent the disease across the country. In accordance with the policies of the central government and regulatory policies and in light of its credit management needs, the Group has developed detailed assessment criteria and as well as relevant relief measures for its clients affected by the disease. For clients applying for loan extensions, the Group made prudential assessment of their repayment ability; for those meeting the criteria of the relief policies, the Bank provided relief to them in the form of deferred interest payment and by making favorable adjustments to their repayment schedules. In addition, the Group performed individual and collective assessments of these clients to assess whether there had been a significant increase in their credit risk.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

(2) Definition of credit-impaired assets

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that significant adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower is in significant financial difficulties
- The borrower is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc.
- The creditor gives the debtor no concession under any other circumstances, for economic or contractual reasons relating to the debtor's financial difficulties
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The Group's default definition has been consistently applied to the modeling of default probability, default risk exposure and default loss rate in the Group's ECL calculation process.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

(3) Inputs for measurement of expected credit losses

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

- The probability of default ("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 owed at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of ECL, including the PD and the change in the value of collateral over time.

The Group separates exposures with similar risk characteristics into groups and collectively estimates their risk parameters, including PDs, LGDs, and EADs. In 2021, based on data accumulation, the Group optimized and updated relevant models and parameters. The Group has obtained sufficient information to ensure its statistical reliability. The Group makes allowances for its expected credit losses based on on-going assessment of and follow-up on changes in its customers and their financial assets on an individual basis.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

(4) Forward-looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each asset portfolio.

These economic variables and their associated impact on the probability of default vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on an annually basis, and the impact of these economic variables on the probability of default and the exposure at default was determined by statistical regression analysis.

In addition to the neutral economic scenario, the Group determine the possible scenarios and their weightings by a combination of statistical analysis and expert judgment. The Group measures expected credit losses as either a probability weighted 12 months expected credit losses (stage 1) or a probability weight lifetime expected credit losses (stage 2 and stage 3). These probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit losses model and multiplying it by the appropriate scenario weighting.

Macroeconomic scenario and weighting information

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. The Group considers internal and external data, experts prediction, and the best estimation of future, to determine the weightings in positive, neutral and negative scenarios. Neutral is defined as the most likely to happen in the future, as compared to other scenarios. Positive scenario and negative scenario represents the possible scenario that is better off or worse off scenario compared to neutral scenario respectively.

Due to COVID-19’s impact on the macro economy, management reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data. The economic indicators currently applied in the neutral scenario, including consumer price index, narrow money supply and total retail sales of consumer goods, are basically consistent with the forecast of research institutions.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses(continued)

(4) Forward-looking information (continued)

In 2021, the Group has considered different macroeconomic scenarios, and the key macroeconomic scenario assumptions in estimating ECL are set out below:

Variables	Range
Consumer Price Index	0.30%~2.60%
Narrow Money Supply (M1)	0.00%~6.00%
Total Retail Sales of Consumer Goods	-2.00%~6.00%

Currently, the weighting of neutral scenario is equal to the sum of the weightings of positive and negative scenarios. Following this assessment, the Group measures ECL as a weighted average probability of ECL in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

Considering the portfolios that cannot be modeled by regression, such as those with extremely low default rate or without appropriate internal rating data, the group mainly adopts the expected loss ratio of similar portfolios with established regression models, in order to expand the coverage of the existing ECL model.

(5) Sensitivity information and management overlay

The change of the inputs for measurement of ECL and forward-looking information impact the assessment of significant increase in credit risk and measurement of credit loss.

As at 31 December 2021, assuming a 10% increase in the weighting of the positive scenario and a 10% decrease in the weighting of the neutral scenario, the group's credit impairment losses will be reduced by no more than 5% of the current credit impairment losses; assuming a 10% increase in the weighting of the negative scenario and a 10% decrease in the weighting of the neutral scenario, the group's credit impairment losses will increase by no more than 5% of the current credit impairment losses.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses (continued)

(5) Sensitivity information and management overlay (continued)

As at 31 December 2021, an assumption of 5% increase in all macroeconomic factors would result in a decrease of no more than 10% of the current impairment loss allowances of the Group and the Bank, and an assumption of a 5% decrease in all macroeconomic factors would result in an increase of no more than 10% of the current impairment loss allowances of the Group and the Bank.

For new changes in the external macro-economic situation and national strategies not captured by the model, the Group has also considered and increased the allowances for expected credit losses to further improve its risk mitigation capacity, the impairment loss allowances increased in this way shall not exceed 5% of the current impairment loss allowances.

Allowance for impairment losses of performing loans and advances to customers consists of ECL from Stage 1 and Stage 2 which is measured based on 12 months ECL and lifetime ECL respectively. Loans and advances to customers in Stage 1 transfer to Stage 2 when there is a significant increase in credit risk. The following table presents the estimated impact as if the ECL of all performing loans and advances to customers are measured based on 12 months ECL, holding all other risk profile constant.

	31 December 2021	31 December 2020
Performing loans and advances to customers		
Allowance of impairment losses assuming loans in stage 2 transfer to stage 1	69,220	70,009
Impact of stage transfers	3,446	3,101
Current allowance for impairment losses	72,666	73,110

(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 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	143,918	-	-	-	143,918
Derivative financial assets	-	-	-	22,721	22,721
Financial assets held under resale agreements	91,437	-	-	-	91,437
Loans and advances to customers (Notes(i))	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	7,214,961	80,687	60,926	523,276	7,879,850
Credit commitments	1,774,949	587	238	-	1,775,774
Maximum credit risk exposure	8,989,910	81,274	61,164	523,276	9,655,624

(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 2020				
	Stage 1	*Stage 2*	*Stage 3*	*Not applicable*	*Total*
Balances with central banks	429,218	-	-	-	429,218
Deposits with bank and non-bank financial institutions	133,392	-	-	-	133,392
Placements with and loans to banks and non-bank financial institutions	168,380	-	-	-	168,380
Derivative financial assets	-	-	-	40,064	40,064
Financial assets held under resale agreements	111,110	-	-	-	111,110
Loans and advances to customers (Notes(i))	4,253,422	74,042	25,608	7,124	4,360,196
Financial investments					
- at fair value through profit or loss	-	-	-	405,632	405,632
- at amortised cost	937,552	3,818	18,046	-	959,416
- at fair value through other comprehensive income	723,505	132	487	-	724,124
- designated at fair value through other comprehensive income	-	-	-	3,560	3,560
Other financial assets	19,002	3,450	733	-	23,185
Subtotal	6,775,581	81,442	44,874	456,380	7,358,277
Credit commitments	1,476,141	888	92	-	1,477,121
Maximum credit risk exposure	8,251,722	82,330	44,966	456,380	8,835,398

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 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

(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 2020						
	Risk level 1	*Risk level 2*	*Risk level 3*	*Default*	*Subtotal*	*Allowance for impairment losses*	*Net balance*
Loans and advances to customers (Note(i))							
Stage 1	3,447,373	782,522	66,723	-	4,296,618	(43,196)	4,253,422
Stage 2	821	23,518	79,226	-	103,565	(29,523)	74,042
Stage 3	-	-	-	78,592	78,592	(52,984)	25,608
Financial investments at amortised cost							
Stage 1	711,830	229,100	-	-	940,930	(3,378)	937,552
Stage 2	-	1,596	2,722	-	4,318	(500)	3,818
Stage 3 (Note(ii))	-	-	-	27,938	27,938	(9,892)	18,046
Financial investments at fair value through comprehensive income							
Stage 1	480,351	243,154	-	-	723,505	(1,503)	723,505
Stage 2	132	-	-	-	132	(1)	132
Stage 3	-	-	-	487	487	(1,147)	487
Maximum credit risk exposure	4,640,507	1,279,890	148,671	107,017	6,176,085	(142,124)	6,036,612

Note:

(i) Loans and advances to customers includes loans and advances to customers measured at fair value through other comprehensive income, and its corresponding impairment does not include in the "Allowance for impairment losses" as shown in the table.

(ii) Claims in Stage 3 mainly represent investment management products and trust investment plans(Note 55(a)(viii)).

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Measurement of expected credit losses

The following table shows the movement in carrying value of loans and advances to customers in current reporting period:

	31 December 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 in to Stage 2	-	862	-
Net transfers in to 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

	31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	3,834,362	97,218	69,596
Movements			
Net transfers out from Stage 1	(122,850)	-	-
Net transfers in to Stage 2	-	21,769	-
Net transfers in to Stage 3	-	-	101,081
Net transactions during the year (Note(i))	595,704	(14,205)	(22,769)
Write-off	-	-	(67,236)
Others (Note(ii))	(10,598)	(1,217)	(2,080)
As at 31 December 2020	4,296,618	103,565	78,592

(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 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 in to Stage 2	-	13,928	-
Net transfers in to 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

	31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	1,539,977	10,915	8,898
Movements			
Net transfers out from Stage 1	(3,337)	-	-
Net transfers out from Stage 2	-	(1,540)	-
Net transfers in to Stage 3	-	-	4,877
Net transactions during the year (Note(i))	131,136	(5,041)	15,073
Write-off	-	-	(453)
Others (Note(ii))	(3,341)	116	30
As at 31 December 2020	1,664,435	4,450	28,425

Notes:

(i) Net transactions during the year mainly include changes in carrying amounts due to purchase, origination or de-recognition (excluding write-offs).

(ii) Others include changes in interest receivables, and effect of exchange differences during the year.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in allowance for impairment of loans and advances to customers in current reporting period:

	31 December 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 in to 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

	31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	36,015	26,088	53,853
Movements (Note(i))			
Net transfers out from Stage 1	(3,367)	-	-
Net transfers in to Stage 2	-	879	-
Net transfers in to Stage 3	-	-	45,021
Net transactions during the year (Note(ii))	10,575	(4,962)	(3,043)
Changes in parameters for the year (Note(iii))	165	7,668	16,349
Write-off	-	-	(67,236)
Others (Note (iv))	346	(146)	8,046
As at 31 December 2020	43,734	29,527	52,990

(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 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 in to Stage 2	-	3,669	-
Net transfers in to 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

	31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	4,945	337	3,125
Movements (Note(i))			
Net transfers out from Stage 1	(55)	-	-
Net transfers out from Stage 2	-	(27)	-
Net transfers in to Stage 3	-	-	1,408
Net transactions during the year (Note(ii))	96	(152)	3,931
Changes in parameters for the year (Note(iii))	(85)	343	3,034
Write-off	-	-	(453)
Others (Note (iv))	(20)	-	(6)
As at 31 December 2020	4,881	501	11,039

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 includes changes in allowance for impairment due to financial assets purchased, originated or de-recognized (excluding write-offs).

(iii) Changes in parameters mainly include changes in risk exposures and the impacts on ECLs due to changes in PDs and LGDs following regular updates on modelling parameters rather than stages movements,.

(iv) Others include recovery of loans written off, changes of impairment losses of interest receivables, and effect of exchange differences.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(iii) Loans and advances to customers analysed by industry sector:

	31 December 2021			*31 December 2020*		
	Gross balance	*%*	*Loans and advances secured by collateral*	*Gross balance*	*%*	*Loans and advances secured by collateral*
Corporate loans						
- rental and business services	456,182	9.4	190,503	413,523	9.2	199,937
- water, environment and public utility management	381,182	7.8	139,983	339,006	7.6	135,038
- manufacturing	356,129	7.3	157,536	326,803	7.3	153,858
- real estate	284,801	5.7	250,846	287,608	6.4	245,771
- wholesale and retail	163,489	3.4	96,194	156,957	3.5	103,455
- transportation, storage and postal services	144,053	3.0	82,216	134,379	3.0	73,948
- construction	105,633	2.2	61,730	99,894	2.2	55,028
- production and supply of electric power, gas and water	84,351	1.7	44,461	86,006	1.9	42,704
- public management and social organisations	7,898	0.2	3,284	10,701	0.2	770
- others	352,461	7.2	118,173	315,523	7.0	119,119
Subtotal	2,336,179	47.9	1,144,926	2,170,400	48.3	1,129,628
Personal loans	2,053,824	42.2	1,366,920	1,891,900	42.2	1,301,553
Discounted bills	465,966	9.6	-	411,007	9.2	-
Accrued interest	13,064	0.3	-	12,592	0.3	-
Gross loans and advances to customers	4,869,033	100.0	2,511,846	4,485,899	100.0	2,431,181

(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 2021			*31 December 2020*		
	Gross balance	*%*	*Loans and advances secured by collateral*	*Gross balance*	*%*	*Loans and advances secured by collateral*
Bohai Rim (including Head Office)	1,325,105	27.2	437,932	1,269,385	28.3	426,551
Yangtze River Delta	1,256,155	25.8	701,187	1,089,758	24.3	661,154
Pearl River Delta and West Strait	733,840	15.1	527,719	681,024	15.2	516,328
Central	672,083	13.8	370,042	612,438	13.7	355,493
Western	573,221	11.8	325,598	544,949	12.1	326,333
Northeastern	92,254	1.9	61,529	89,167	2.0	60,338
Outside Mainland China	203,311	4.1	87,839	186,586	4.1	84,984
Accrued interest	13,064	0.3	-	12,592	0.3	-
Total	4,869,033	100.0	2,511,846	4,485,899	100.0	2,431,181

(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 2021	*31 December 2020*
Unsecured loans	1,292,209	1,118,670
Guaranteed loans	585,948	512,449
Secured loans	2,511,846	2,431,181
- loans secured by collateral	1,963,710	1,979,989
- pledged loans	548,136	451,192
Subtotal	4,390,003	4,062,300
Discounted bills	465,966	411,007
Accrued interest	13,064	12,592
Gross loans and advances to customers	4,869,033	4,485,899

(vi) Rescheduled loans and advances to customers

	31 December 2021		*31 December 2020*	
	Gross balance	*% of total loans and advances*	*Gross balance*	*% of total loans and advances*
Rescheduled loans and advances:	16,182	0.33%	22,030	0.49%
- rescheduled loans and advances overdue more than 3 months	5,795	0.12%	14,174	0.32%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated after their credit condition declined. And for the purpose of management, the Group reorganizes the loans that have been classified as bad under the premise of satisfying credit enhancement, aiming at the deterioration of the borrower's financial position before the loan matures. As at 31 December 2021, with borrowers’ financial difficulty, the concession the Group considered resulted from economic or legal reasons is not significant.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(vii) Debt securities analysed by credit rating

The Group adopts a credit rating approach to manage credit risk of its debt instruments portfolio. The ratings are obtained from major rating agencies where the debt instruments are issued. The carrying amounts of debt instruments investments analysed by rating as at the end of the reporting period are as follows:

	31 December 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

	31 December 2020					
	Unrated (Note (i))	*AAA*	*AA*	*A*	*Below A*	*Total*
Debt securities issued by:						
- governments	593,075	225,197	13,536	5,350	10	837,168
- policy banks	114,669	-	-	5,860	-	120,529
- public entities	8	-	1,965	5	23	2,001
- banks and non-bank financial institutions	58,546	346,741	4,675	24,808	7,335	442,105
- corporates	44,691	27,445	7,728	12,201	10,596	102,661
Investment management products managed by securities companies	102,318	-	-	-	-	102,318
Trust investment plans	182,086	-	-	-	-	182,086
Total	1,095,393	599,383	27,904	48,224	17,964	1,788,868

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 2021	*31 December 2020*
Investment management products managed by securities companies and trust investment plans		
- credit assets	285,183	260,555
- rediscounted bills	24	34,298
Total	285,207	294,853

The Group divides investment management products managed by securities companies and trust investment plans into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets includes guarantee, security by collateral, and pledge.

55 Financial risk management (continued)

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance sheet and off-balance sheet businesses for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has established a market risk management system that formulates procedures to identify, measure, supervise and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Risk and Internal Control Committee of the Group is responsible for approving market risk management policies, establishing appropriate organizational structure and information systems to effectively identify, measure, monitor and control market risks, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorization limits, providing independent report of market risk to identify, measure and monitor the Group's market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated with the relevant operations, so as to ensure the dynamic balance between business development and risk undertaking.

The Group uses sensitivity analysis, foreign exchange exposure and interest rate re-pricing gap analysis as the primary instruments to monitor market risk.

Interest rate risk and currency risk are the major market risks that the Group is exposed to.

Interest rate risk

The Group's interest rate exposures mainly arise from the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjust the ratio of floating and fixed rate exposures, the loan re-pricing cycle, as well as optimization of the term structure of its deposits accordingly.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure, manage and report the interest rate risk on a regular basis.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The following tables summarise the average interest rates, and the next re-pricing dates or contractual maturity date whichever is earlier for the assets and liabilities as at the end of each reporting date.

		31 December 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*
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)

	Average interest rate (Note (i))	*31 December 2020* *Total*	*Non-interest bearing*	*Less than three months*	*Between three months and one year*	*Between one and five years*	*More than five years*
Assets							
Cash and balances with central banks	1.51%	435,169	19,013	416,156	-	-	-
Deposits with banks and non-bank financial institutions	2.19%	133,392	437	99,947	33,008	-	-
Placements with and loans to banks and non-bank financial institutions	1.90%	168,380	1,358	104,955	55,867	6,200	-
Financial assets held under resale agreements	1.62%	111,110	12	111,098	-	-	-
Loans and advances to customers (Note (ii))	5.31%	4,360,196	12,441	2,762,743	1,360,509	212,950	11,553
Financial investments							
- at fair value through profit or loss		405,632	288,749	55,957	37,944	14,036	8,946
- at amortised cost	4.00%	959,416	10,357	55,805	129,048	483,533	280,673
- at fair value through other comprehensive income	3.22%	724,124	6,554	88,146	134,983	398,216	96,225
- designated at fair value through other comprehensive income		3,560	3,560	-	-	-	-
Others		210,182	210,182	-	-	-	-
Total assets		7,511,161	552,663	3,694,807	1,751,359	1,114,935	397,397

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Average interest rate (Note (i))	31 December 2020 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Borrowing from central banks	3.25%	224,391	-	9,279	215,112	-	-
Deposits from banks and non-bank financial institutions	2.36%	1,163,641	3,508	868,561	291,572	-	-
Placements from banks and non-bank financial institutions	2.39%	57,756	201	19,560	32,187	5,808	-
Financial liabilities at fair value through profit or loss		8,654	8,409	-	-	94	151
Financial assets sold under repurchase agreements	2.03%	75,271	-	62,078	13,193	-	-
Deposits from customers	2.10%	4,572,286	65,645	3,230,793	551,612	724,210	26
Debt securities issued	3.13%	732,958	2,773	194,831	348,184	77,200	109,970
Lease liabilities	4.55%	10,504	770	784	2,075	5,688	1,187
Others		105,662	105,662	-	-	-	-
Total liabilities		6,951,123	186,968	4,385,886	1,453,935	813,000	111,334
Interest rate gap		560,038	365,695	(691,079)	297,424	301,935	286,063

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

Notes:

(i) Average interest rate represented the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category included overdue amounts (net of allowance for impairment losses) of RMB 40,153 million as at 31 December 2021 (as at 31 December 2020: RMB 36,526 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 2021 and 31 December 2020.

	31 December 2021		*31 December 2020*	
	Net interest income	*Other comprehensive income*	*Net interest income*	*Other comprehensive income*
+100 basis points	(5,556)	(5,765)	(4,680)	(4,708)
- 100 basis points	5,556	5,765	4,680	4,708

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain assumptions as discussed below. The analysis measures only the impact of changes in interest rates within one year, showing how annualized interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within the three months bracket, and the after three months but within one year bracket 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 resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance sheet and off-balance sheet business of the Group. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial instruments, mainly foreign exchange swaps, to manage its exposure.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

The exposures at the reporting date were as follows:

	31 December 2021				
	RMB	*USD*	*HKD*	*Others*	*Total*
		(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	
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)

	31 December 2020				
	RMB	*USD*	*HKD*	*Others*	*Total*
		(RMB equivalent)	*(RMB equivalent)*	*(RMB equivalent)*	
Assets					
Cash and balances with central banks	421,605	12,678	648	238	435,169
Deposits with banks and non-bank financial institutions	74,840	42,776	7,461	8,315	133,392
Placements with and loans to banks and non-bank financial institutions	89,233	64,482	13,194	1,471	168,380
Financial assets held under resale agreements	110,964	146	-	-	111,110
Loans and advances to customers	4,096,592	134,953	103,010	25,641	4,360,196
Financial investments					
- at fair value through profit or loss	391,754	13,167	711	-	405,632
- at amortised cost	954,051	943	-	4,422	959,416
- at fair value through other comprehensive income	635,191	64,566	17,353	7,014	724,124
- designated at fair value through other comprehensive income	3,021	447	92	-	3,560
Others	202,101	2,894	4,372	815	210,182
Total assets	6,979,352	337,052	146,841	47,916	7,511,161
Liabilities					
Borrowings from central banks	224,391	-	-	-	224,391
Deposits from banks and non-bank financial institutions	1,155,765	6,698	1,035	143	1,163,641
Placements from banks and non-bank financial institutions	45,224	10,949	904	679	57,756
Financial liabilities at fair value through profit or loss	8,407	246	1	-	8,654
Financial assets sold under repurchase agreements	75,271	-	-	-	75,271
Deposits from customers	4,140,522	256,705	153,292	21,767	4,572,286
Debt securities issued	723,118	9,840	-	-	732,958
Lease liabilities	9,828	20	478	178	10,504
Others	100,756	2,188	2,452	266	105,662
Total liabilities	6,483,282	286,646	158,162	23,033	6,951,123
Net on-balance sheet position	496,070	50,406	(11,321)	24,883	560,038
Credit commitments	1,393,096	71,704	3,599	8,722	1,477,121
Derivatives (Note (i))	21,081	(39,417)	40,847	(18,375)	4,136

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

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 2021 and 31 December 2020, the results of the Group's foreign exchange rate sensitivity analysis.

	31 December 2021		*31 December 2020*	
	Profit before tax	*Other comprehensive income*	*Profit before tax*	*Other comprehensive income*
5% appreciation	3,390	4	2,326	25
5% depreciation	(3,390)	(4)	(2,326)	(25)

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 recognized as a result of 500 basis point fluctuation in the foreign currency exchange rates against RMB at the reporting date, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously and does not take into account the correlation effect of changes in different foreign currencies, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, foreign exchange derivative instruments, and; all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's profit and other comprehensive income resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis. Precious metal is included in foreign currency for the purpose of this sensitivity analysis.

55 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities and customers may concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the entire Group's liquidity risk policies, strategies, and implements centralized management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The tools that the Group uses to measure and monitor liquidity risk mainly include:

- Liquidity gap analysis;
- Liquidity indicators (including but not limited to regulated and internal managed indicators, such as liquidity coverage ratio, net stable funding ratio, loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring;
- Scenario analysis;
- Stress testing.

On this basis, the Group establishes regular reporting mechanisms for liquidity risk to report the latest situation of liquidity risk to the senior management on a timely basis.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities:

	31 December 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 (Note (i))*	*Total*
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)

Analysis of the remaining contractual maturity of assets and liabilities: (continued)

	31 December 2020						
	Repayable on demand	*Within 3 months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated*	*Total*
						(Note(i))	
Assets							
Cash and balances with central banks	63,328	800	2,400	-	-	368,641	435,169
Deposits with banks and non-bank financial institutions	75,188	24,712	33,244	-	-	248	133,392
Placements with and loans to banks and non-bank financial institutions	-	105,477	56,703	6,200	-	-	168,380
Financial assets held under resale agreements	-	111,110	-	-	-	-	111,110
Loans and advances to customers (Note (ii))	18,656	804,134	1,143,277	993,925	1,341,365	58,839	4,360,196
Financial investments							
- at fair value through profit or loss	-	55,773	38,050	14,227	16,291	281,291	405,632
- at amortised cost	-	50,108	130,307	482,226	280,614	16,161	959,416
- at fair value through other comprehensive income	-	77,111	140,707	409,237	96,828	241	724,124
- designated at fair value through other comprehensive income	-	-	-	-	-	3,560	3,560
Others	57,267	20,407	13,288	47,002	12	72,206	210,182
Total assets	214,439	1,249,632	1,557,976	1,952,817	1,735,110	801,187	7,511,161

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities: (continued)

	31 December 2020						
	Repayable on demand	*Within 3 months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated*	*Total*
						(Note (i))	
Liabilities							
Borrowings from central banks	-	9,279	215,112	-	-	-	224,391
Deposits from banks and non-bank financial institutions	649,009	222,181	292,451	-	-	-	1,163,641
Placements from banks and non-bank financial institutions	-	19,535	32,383	5,838	-	-	57,756
Financial liabilities at fair value through profit or loss	8,407	-	-	95	152	-	8,654
Financial assets sold under repurchase agreements	-	62,078	13,193	-	-	-	75,271
Deposits from customers	2,336,210	959,918	551,760	723,780	618	-	4,572,286
Debt securities issued	-	194,832	348,184	78,176	111,766	-	732,958
Lease liabilities	152	840	2,254	6,057	1,201	-	10,504
Others	53,334	11,947	15,980	13,030	595	10,776	105,662
Total liabilities	3,047,112	1,480,610	1,471,317	826,976	114,332	10,776	6,951,123
(Short)/long position	(2,832,673)	(230,978)	86,659	1,125,841	1,620,778	790,411	560,038

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

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 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)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow (continued).

	31 December 2020						
	Repayable on demand	*Within 3 months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated (Note(i))*	*Total*
Non-derivative cash flow							
Assets							
Cash and balances with central banks	63,328	2,130	6,725	-	-	368,641	440,824
Deposits with banks and non-bank financial institutions	75,188	24,810	33,952	-	-	247	134,197
Placements with and loans to banks and non-bank financial institutions	-	105,477	57,359	6,671	-	-	169,507
Financial assets held under resale agreements	-	111,189	-	-	-	-	111,189
Loans and advances to customers (Notes(ii))	18,656	841,335	1,231,659	1,311,192	1,902,131	64,825	5,369,798
Financial investments							
- at fair value through profit or loss	-	56,338	39,118	15,832	26,747	288,439	426,474
- at amortised cost	-	58,178	157,147	568,997	345,119	16,986	1,146,427
- at fair value through other comprehensive income	-	81,277	157,226	453,336	114,489	243	806,571
- designated at fair value through other comprehensive income	-	-	-	-	-	3,560	3,560
Others	57,267	20,407	13,288	47,002	12	72,206	210,182
Total assets	214,439	1,301,141	1,696,474	2,403,030	2,388,498	815,147	8,818,729

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities.The amounts disclosed in the table are the contractual undiscounted cash flow (continued):

	31 December 2020						
	Repayable on demand	*Within three months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated*	*Total*
Liabilities							
Borrowings from central banks	-	9,279	215,112	-	-	-	224,391
Deposits from banks and non-bank financial institutions	649,009	227,113	306,660	-	-	-	1,182,782
Placements from banks and non-bank financial institutions	-	19,534	32,450	5,838	-	-	57,822
Financial liabilities at fair value through profit or loss	8,407	-	-	95	152	-	8,654
Financial assets sold under repurchase agreements	-	62,768	13,284	-	-	-	76,052
Deposits from customers	2,336,210	976,063	585,805	807,178	622	-	4,705,878
Debt securities issued	-	199,534	362,483	101,272	128,910	-	792,199
Lease liabilities	152	843	2,315	6,779	1,638	-	11,727
Others	53,334	11,947	15,980	13,030	595	10,776	105,662
Total liabilities	3,047,112	1,507,081	1,534,089	934,192	131,917	10,776	7,165,167
(Short)/long position	(2,832,673)	(205,940)	162,385	1,468,838	2,256,581	804,371	1,653,562
Derivative cash flow							
Derivative financial instrument settled on a net basis	-	(107)	113	434	(30)	-	410
Derivative financial instruments settled on a gross basis	-	285,096	4,486	120	(20)	-	289,682
- cash inflow	-	939,873	784,841	86,237	1,201	-	1,812,152
- cash outflow	-	(654,777)	(780,355)	(86,117)	(1,221)	-	(1,522,470)

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Credit Commitments include bank acceptances, credit card commitments, guarantees, loan commitment and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	31 December 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
Letter of credit	213,911	1,047	-	214,958
Total	1,670,295	73,130	32,349	1,775,774

	31 December 2020			
	Less than 1 year	*1-5 years*	*Over 5 years*	*Total*
Bank acceptances	559,073	-	-	559,073
Credit card commitments	617,329	6,118	31	623,478
Guarantees	72,565	46,311	865	119,741
Loan commitments	4,743	13,306	31,583	49,632
Letter of credit	125,026	171	-	125,197
Total	1,378,736	65,906	32,479	1,477,121

Notes:

(i) For cash and balances with central banks, the undated period amount represented statutory deposit reserve funds and fiscal deposits maintained with the PBOC. For placements with and loans to banks and non-bank financial institutions, loans and advances to customers and investments, the undated period amount represented the balances being impaired or overdue for more than one month. Equity investments were also reported under undated period.

(ii) The balances of loans and advances to customers which were overdue within one month but not impaired are included in repayable on demand.

55 Financial risk management (continued)

(d) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, IT systems, or external events, including legal risk, but excluding strategy risk and reputational risk.

The Group manages operational risk through a control-based environment by establishing a sound mechanism of operational risk management in order to identify, assess, monitor, control, mitigate and report operational risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. Key controls include:

- by establishing a matrix authorisation management system of the whole group, carrying out the annual unified authorisation work, and strictly restricting the institutions and personnel at all levels to carry out business activities within the scope of authority granted, the management requirements of prohibiting the overstepping of authority to engage in business activities were further clarified at the institutional level;

- through consistent legal responsibility framework, taking strict disciplinary actions against non-compliance in order to ensure accountability;

- promoting operational risk management culture throughout the organisation; building a team of operational risk management professionals. Through formal training and performance appraisal system in raising risk management awareness;

- strengthening cash and account management in accordance with the relevant policies and procedures, intensifying the monitoring of suspicious transactions. Ensure the staff are well-equipped with the necessary knowledge and basic skills on anti-money laundering through continuous training;

- backup systems and disaster recovery plans covering all the major activities, especially backoffice operations in order to minimize any unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain disruptive events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operational risk. The Group’s management information system has the functionalities of recording and capturing lost data and events of operational risk to further support operational risk control and self-assessment, as well as monitoring of key risk indicators.

56 Capital Adequacy Ratio

Capital adequacy ratio reflects the Group's operational and risk management capability and it is the core of capital management. The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio. The Group's capital management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

From 1 January 2013, the Group commenced the computation of its capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations promulgated by the CBIRC in the year of 2012. According to the requirements, for credit risk, the capital requirement was measured using the weighting method. The market risk was measured by adopting the standardised approach and the operational risk was measured by using the basic indicator approach. From 1 January 2019 on, the Group calculates the default risk assets of the counterparties of derivatives in accordance with the Regulations on Measuring the Risk Assets of the Counterparties of Derivative Instruments promulgated by the CBIRC in 2018. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions. The Group's management monitors the Group's and the Bank's capital adequacy regularly based on regulations issued by the CBIRC. The required information is filed with the CBIRC by the Group and the Bank quarterly.

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 2021	*31 December 2020*
Core Tier-One capital adequacy ratio	8.85%	8.74%
Tier-One capital adequacy ratio	10.88%	10.18%
Capital adequacy ratio	13.53%	13.01%
Components of capital base		
Core Tier-One capital:		
Share capital	48,935	48,935
Capital reserve	59,177	59,216
Other comprehensive income and qualified portion of other equity instruments	4,639	3,244
Surplus reserve	43,783	43,786
General reserve	90,889	90,819
Retained earnings	263,936	223,625
Qualified portion of non-controlling interests	6,588	5,030
Total core Tier-One capital	517,947	474,655
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	(833)	(860)
Other intangible assets other than land use right (net of related deferred tax liability)	(3,036)	(2,544)
Core Tier-One Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope	-	-
Net core Tier-One capital	514,078	471,251
Other Tier-One capital (Note (i))	117,961	77,710
Tier-One capital	632,039	548,961
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	94,372	98,757
Surplus allowance for loan impairment	58,107	52,647
Qualified portion of non-controlling interests	1,292	1,364
Net capital base	785,811	701,729
Total risk-weighted assets	5,809,523	5,393,248

Note:

(i) As at 31 December 2021 and 31 December 2020, the Group's other Tier-One capital included preference shares are RMB 34,955 million (2020:RMB 34,955 million), perpetual bonds issued by the Bank (Note 43) are RMB 79,986 million (2020:RMB 39,993 million) and non-controlling interests (Note 49) are RMB 3,020 million (2020:RMB 2,762 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, 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 and forfeiting use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the Open market such as Bloomberg and Reuters.

Level 3: inputs for assets or liabilities are based on unobservable parameters. This level includes equity investments and debt instruments with one or more than one significant unobservable parameters. Management determine the fair value through inquiring from counterparties or using the valuation techniques. The model incorporate unobservable parameters such as discount rate and market price volatilities.

57 Fair value (continued)

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

- If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Market Department, the Financial Institution Department, and the Investment Bank Department are responsible for the fair valuation of financial assets and financial liabilities. The Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items according to the result generated from the valuation process and accounting policies. The Finance and Accounting Department prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the year ended 31 December 2021, 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 2021	*31 December 2020*	*31 December 2021*	*31 December 2020*
Financial assets:				
Financial investment				
- at amortised cost	1,170,229	959,416	1,126,904	948,789
Financial liabilities:				
Debt securities issued				
- certificates of deposit (not for trading purpose) issued	1,212	-	1,212	-
- debt securities issued	62,163	35,876	60,184	31,069
- subordinated bonds issued	114,974	115,077	117,956	116,129
- certificates of interbank deposit issued	739,857	543,009	729,923	536,947
- convertible corporate bonds	39,997	38,996	43,158	41,145

(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 2021			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets:				
Financial investment				
- at amortised cost	6,468	850,452	269,984	1,126,904
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

	31 December 2020			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets:				
Financial investment				
- at amortised cost	5,521	690,984	252,284	948,789
Financial liabilities:				
Debt securities issued				
- debt securities issued	-	31,069	-	31,069
- subordinated bonds issued	3,525	112,604	-	116,129
- certificates of interbank deposit issued	-	536,947	-	536,947
- convertible corporate bonds	-	-	41,145	41,145

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1 (Note (i))	*Level 2 (Note (i))*	*Level 3 (Note (ii))*	*Total*
As at 31 December 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
Loans and advances to customers at fair value through profit or loss				
- personal loans	-	-	-	-
Financial investments at fair value through profit or loss				
- investment funds	133,754	256,473	7,180	397,407
- debt securities	7,313	46,298	4,973	58,584
- certificates of deposit	-	30,776	-	30,776
- wealth management products	1,611	-	-	1,611
- equity instruments	4,042	-	3,390	7,432
Financial investments at fair value through other comprehensive income				
- debt securities	92,740	549,417	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	410	-	4,335	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	240,561	1,409,366	20,291	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

(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 *(Note (i))*	*Level 2* *(Note (i))*	*Level 3* *(Note (ii))*	*Total*
As at 31 December 2020				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
- loans	-	2,696	-	2,696
- discounted bills	-	408,707	-	408,707
Loans and advances to customers at fair value through profit or loss				
- personal loans	-	-	7,124	7,124
Financial investments at fair value through profit or loss				
- investment funds	251	275,119	11,430	286,800
- debt securities	2,387	38,860	14,147	55,394
- certificates of deposit	-	49,934	-	49,934
- wealth management products	-	4,076	323	4,399
- equity instruments	1,946	-	7,159	9,105
Financial investments at fair value through other comprehensive income				
- debt securities	87,608	586,856	4,422	678,886
- certificates of deposit	402	3,968	-	4,370
- investments management products managed by securities companies	-	34,298	-	34,298
Financial investments designated at fair value through other comprehensive income				
- equity instruments	288	-	3,272	3,560
Derivative financial assets				
- interest rate derivatives	1	9,394	-	9,395
- currency derivatives	-	30,363	-	30,363
- precious metals derivatives	-	306	-	306
Total financial assets measured at fair value	92,883	1,444,577	47,877	1,585,337
Liabilities				
Financial liabilities at fair value through profit or loss				
- short position in debt securities	246	4,048	-	4,294
- structured products	-	-	4,360	4,360
Derivative financial liabilities				
- interest rate derivatives	1	9,137	-	9,138
- currency derivatives	161	30,427	-	30,588
- precious metals derivatives	-	83	-	83
Total financial liabilities measured at fair value	408	43,695	4,360	48,463

Notes:

(i) During the current year, there were no significant transfers amongst Level 1, Level 2 and Level 3 of the fair value hierarchy.

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

Notes (continued):

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy:

	Assets					*Liabilities*		
	Financial assets at fair value through profit or loss	*Financial assets at fair value through other comprehensive income*	*Financial assets designated at fair value through other comprehensive income*	*Derivative financial assets*	*Total*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2021	33,059	4,422	3,272	-	40,753	(4,360)	-	(4,360)
Total gains or losses								
- in profit or loss	(1,022)	(415)	1,070	-	(367)	-	-	-
- in comprehensive income	-	(22)	(67)	-	(89)	-	-	-
Purchases	10,051	157	419	-	10,627	-	-	-
Settlements	(26,545)	(3,748)	(359)	-	(30,652)	4,335	-	4,335
Transfer in/out	-	19	-	-	19	-	-	-
Exchange effect	-	-	-	-	-	-	-	-
As at 31 December 2021	15,543	413	4,335	-	20,291	(25)	-	(25)

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

Notes (continued):

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy (continued):

	Assets					*Liabilities*		
	Financial assets at fair value through profit or loss	*Financial assets at fair value through other comprehensive income*	*Financial assets designated at fair value through other comprehensive income*	*Derivative financial assets*	*Total*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2020	30,730	13,248	2,708	-	46,686	(715)	-	(715)
Total gains or losses								
- in profit or loss	(519)	(60)	-	-	(579)	-	-	-
- in comprehensive income	-	1,638	(19)	-	1,619	-	-	-
Purchases	8,551	129	827	-	9,507	(3,645)	-	(3,645)
Settlements	(5,700)	(10,567)	(244)	-	(16,511)	-	-	-
Transfer in/out	-	34	-	-	34	-	-	-
Exchange effect	(3)	-	-	-	(3)	-	-	-
As at 31 December 2020	33,059	4,422	3,272	-	40,753	(4,360)	-	(4,360)

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. have a non-executive director on the Board of Directors of the Bank, which can exert significant influence on the Bank and constitute a related party of the Bank.

In its general shareholders meeting on 25 May 2018, China Poly Group Corporation (Poly Group) elected and designated a shareholder representative supervisor to the Bank, and the Poly Group became a related party to the Bank due to its significant influence on the Bank through the supervisor. Following the official resignation of the supervisor on 1 December 2020, Poly Group no longer has significant influence on the Bank, and according to the CBIRC's Administrative Measures for the Related Party Transactions between Commercial Banks and Their Management and Staff Members and Shareholders as well as the Interim Measures for the Management of Equity Interests in Commercial Banks, Poly Group and its related parties are no longer related parties of the Bank.

(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (continued)

(b) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of public placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

The major related party transaction between the Group and related parties are submitted in turn to the board of directors for deliberation, and the relevant announcements have been posted on the website of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the CITIC Bank.

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Year ended 31 December 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)

	Year ended 31 December 2020		
	Ultimate holding company and affiliates	*Other major equity holders*	*Associates and joint ventures*
		Note(i)	
Profit and loss			
Interest income	642	1,641	1,153
Fee and commission income and other operating income	408	240	2
Interest expense	(1,326)	(2,694)	(29)
Net trading loss	151	31	-
Other service fees	(2,501)	(17)	-

(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	-

(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (continued)

(b) Related party transactions (continued)

	31 December 2020		
	Ultimate holding company and affiliates	*Other major equity holders Note(i)*	*Associates and joint ventures*
Assets			
Gross loans and advances to customers	11,687	16,582	-
Less: allowance for impairment losses on loans and advances	(609)	(506)	-
Loans and advances to customers (net)	11,078	16,076	-
Deposits with banks and non-bank financial institutions	-	-	20,410
Placements with and loans to banks and non-bank financial institutions	2,611	-	-
Derivative financial assets	762	2	-
Investment in financial assets			
- at fair value through profit or loss	24,960	-	-
- at amortised cost	1,422	822	-
- at fair value through other comprehensive income	-	383	-
- designated at fair value through other comprehensive income	-	-	-
Investments in associates and joint ventures	-	-	5,674
Other assets	3,698	7	-
Liabilities			
Deposits from banks and non-bank financial institutions	49,512	7,803	2,603
Placements from banks and non-bank financial institutions	2,667	-	-
Derivative financial liabilities	462	-	-
Deposits from customers	43,462	101,865	-
Employee benefits payable	9	-	-
Lease liability	173	5	-
Other liabilities	484	3,898	-
Off-balance sheet items			
Guarantees and letters of credit	252	607	-
Acceptances	2,084	927	-
Nominal amount of derivatives	91,309	200	-

58 Related parties (continued)

(b) Related party transactions (continued)

Note:

(i) Other major equity holders include CNTC and Xinhu Zhongbao Co., Ltd.

The amounts disclosed represented those transactions or balances when they were considered as related parties of the Group during the relevant periods. The transactions between the subsidiaries of CNTC and the Group are not significant in 2021.

(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 2021 to directors, supervisors and executive officers amounted to RMB 0.99 million (as at 31 December 2020: RMB 1.19 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank as at 31 December 2021 amounted to RMB 25.65 million (as at 31 December 2020: RMB 27.30 million).

(d) Supplementary defined contribution plan

The Group has established a supplementary defined contribution plan for its qualified employees which is administered by CITIC Group (Note 37(b)).

58 Related parties (continued)

(e) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "state-owned entities").

Transactions with state-owned entities, including CNTC's indirect subsidiaries, 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 2021 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 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

(Amounts in millions of Renminbi unless otherwise stated)

59 Structured entities (continued)

(a) Unconsolidated structured entities held by the Group (continued)

	31 December 2020				
	Carrying amount				Maximum loss exposure
	Financial investments at fair value through profit or loss	Financial investments at amortised cost	Financial investments at fair value through other Comprehensive income	Total	
Wealth management product of other banks	144	-	-	144	144
Investment management products managed by securities companies	-	70,038	34,298	104,336	104,336
Trust management plans	-	190,517	-	190,517	190,517
Asset-backed securities	33	87,312	194,452	281,797	281,797
Investment funds	286,800	-	-	286,800	286,800
Total	286,977	347,867	228,750	863,594	863,594

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 2021, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB 1,456,405 million (31 December 2020: RMB 1,287,095 million).

During the year ended 31 December 2021, the Group's interest in these wealth management products included fee and commission income of RMB 7,485 million (2020: RMB 2,130 million); interest income of RMB 917 million (2020: RMB 1,230 million) and interest expense of RMB 568 million (2020: RMB 711 million).

As at 31 December 2021, the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group amounted to 20,000million (31 December 2020: RMB 18,500 million). During the year ended 31 December 2021, the amount of maximum exposure of the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group was RMB 59,450 million (during the year ended 31 December 2020: RMB 57,753 million). These transactions were conducted under normal business terms and conditions.

In order to achieve a smooth transition and steady development of the wealth management business, in 2021, in accordance with the requirements of the "Guiding Opinions on Regulating the Asset Management Business of Financial Institutions", the Group continue to promote net-value-based reporting of its asset management products and dispose of existing portfolios, and part of the wealth management investment assets from non-consolidated wealth management products to the balance sheet are included in financial investments at amortised cost.

On December 31, 2021, the assets under the above mentioned financial management services included RMB 190,428 million (31 December 2020: RMB 113,014 million) managed by subsidiaries and associated enterprises of the CITIC Group.

60 Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

These transactions were entered into in the normal course of business by which recognized financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial de-recognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 35. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the year ended 31 December 2021 totally RMB 54,188 million (year ended 31 December 2020: RMB 55,218 million) are set forth below.

Securitisation transactions and structured transfers on assets usufruct

The Group enters into securitisation transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to 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.

During the year ended 31 December 2021, the Group entered into securitisation transactions and structured transfers on assets usufruct backed by financial assets transferred with book value before impairment of RMB 47,607 million (year ended 31 December 2020: RMB 32,060 million). RMB 37,807 million of this balance (year ended 31 December 2020: RMB 12,560 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. The Group also recognized other assets and other liabilities of RMB 3,470 million (year ended 31 December 2020: Nil) arising from such continuing involvement. The remaining balance of the loans transferred were qualified for de-recognition (year ended 31 December 2020: RMB 12,560 million).

60 Transfers of financial assets (continued)

Loan transfers

During the year ended 31 December 2021, the Group also transferred loans of book value before impairment of RMB 6,581 million through other types of transactions (during the year of 2020: RMB 23,158 million). All of the RMB 6,581 million are non-performing loans (year ended 31 December 2020: RMB 1,763 million are normal loans and RMB 21,395 million are non-performing loans). The Group carried out assessment based on the criteria as detailed in Note 4(c) and Note 5(iv) and concluded that these transferred assets qualified for full de-recognition.

61 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the 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 2021, 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 2021	*31 December 2020*
Assets		
Cash and balances with central banks	430,496	433,429
Deposits with banks and non-bank financial institutions	80,828	104,015
Precious metals	9,645	6,274
Placements with and loans to banks and non-bank financial	136,693	150,807
Derivative financial assets	15,826	28,137
Financial assets held under resale agreements	89,469	110,649
Loans and advances to customers	4,492,419	4,126,163
Financial investments	2,230,652	2,010,301
- at fair value through profit or loss	489,457	393,736
- at amortised cost	1,171,414	959,324
- at fair value through other comprehensive income	565,879	654,085
- designated at fair value through other comprehensive income	3,902	3,156
Investments in subsidiaries and joint ventures	32,469	32,293
Property, plant and equipment	33,660	33,420
Right-of-use assets	10,077	10,890
Intangible assets	2,398	1,985
Deferred tax assets	45,600	40,941
Other assets	55,895	51,662
Total assets	7,666,127	7,140,966
Liabilities		
Borrowings from central banks	189,042	224,259
Deposits from banks and non-bank financial institutions	1,174,317	1,165,650
Placements from banks and non-bank financial institutions	31,811	12,016
Financial liabilities at fair value through profit or loss	506	4,047
Derivative financial liabilities	16,237	27,392
Financial assets sold under repurchase agreements	97,620	75,271
Deposits from customers	4,521,331	4,309,548
Accrued staff costs	18,069	19,122
Taxes payable	9,546	7,773
Debt securities issued	951,213	729,647
Lease liability	9,228	9,821
Provisions	11,805	7,094
Other liabilities	29,016	21,955
Total liabilities	7,059,741	6,613,595

(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 2021	*31 December 2020*
Equity		
Share capital	48,935	48,935
Preference shares	118,076	78,083
Capital reserve	61,598	61,598
Other comprehensive income	4,524	1,577
Surplus reserve	48,937	43,786
General reserve	94,430	89,856
Retained earnings	229,886	203,536
Total equity	606,386	527,371
Total liabilities and equity	7,666,127	7,140,966

(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 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)

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 2020	48,935	78,083	61,359	6,332	39,009	80,648	184,459	498,825
(i) Net profit	-	-	-	-	-	-	47,767	47,767
(ii) Other comprehensive income	-	-	-	(4,755)	-	-	-	(4,755)
Total comprehensive income	-	-	-	(4,755)	-	-	47,767	43,012
(iii) Investor capital								
-Additional investments in joint ventures	-	-	239	-	-	-	-	239
(iv) Profit appropriations								
- Appropriations to surplus reserve	-	-	-	-	4,777	-	(4,777)	-
- Appropriations to general reserve	-	-	-	-	-	9,208	(9,208)	-
- Dividend distribution to ordinary shareholders of the bank	-	-	-	-	-	-	(11,695)	(11,695)
- Dividend distribution to preference shareholders	-	-	-	-	-	-	(1,330)	(1,330)
- Interest paid to holders of perpetual bonds	-	-	-	-	-	-	(1,680)	(1,680)
As at 31 December 2020	48,935	78,083	61,598	1,577	43,786	89,856	203,536	527,371

(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors

(a) Directors and supervisors' emoluments

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 Note (ii)	-	-	-	-	-	-	-	-	-
Wan Liming Note (iii)	-	-	-	-	-	-	-	-	-
Yin Liji Note (iv)	282	-	-	-	-	-	-	-	282
Liu Cheng Note (v)	-	1,680	-	-	40	172	-	-	1,892
Jia Xiangsen Note (vi)	125	-	-	-	-	-	-	-	125
Zheng Wei Note (vii)	125	-	-	-	-	-	-	-	125

(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

For the year ended 31 December 2020

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	*Fees*	*Salary*	*Discretionary bonuses*	*Housing allowance*	*Allowances and benefits in kind*	*Employer's contribution to retirement benefit scheme*	*Remunerations paid or receivable in respect of accepting office as director and supervisor*	*Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors									
Li Qingping Note (ii)	-	-	-	-	-	-	-	-	-
Fang Heying Note (i)	-	700	1,457	-	40	186	-	-	2,383
Guo Danghuai	-	525	840	-	40	194	-	-	1,599
Non-executive directors									
Cao Guoqiang Note (i)	-	-	-	-	-	-	-	-	-
Huang Fang Note (i)	-	-	-	-	-	-	-	-	-
Wan Liming Note (iii)	-	-	-	-	-	-	-	-	-
Independent non-executive directors									
He Cao	282	-	-	-	-	-	-	-	282
Chen Lihua	282	-	-	-	-	-	-	-	282
Qian Jun	306	-	-	-	-	-	-	-	306
Yin Liji Note (iv)	300	-	-	-	-	-	-	-	300

(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

For the year ended 31 December 2020 (continued)

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	*Fees*	*Salary*	*Discretionary bonuses*	*Housing allowance*	*Allowances and benefits in kind*	*Employer's contribution to retirement benefit scheme*	*Remunerations paid or receivable in respect of accepting office as director and supervisor*	*Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors									
Liu Cheng Note (v)	-	630	860	-	40	196	-	-	1,726
Jia Xiangsen Note (vi)	276	-	-	-	-	-	-	-	276
Zheng Wei Note (vii)	275	-	-	-	-	-	-	-	275
Chen Panwu	-	450	1,222	-	43	194	-	-	1,909
Zeng Yufang	-	340	620	-	44	172	-	-	1,176
Li Gang	-	400	806	-	43	194	-	-	1,443
Wei Guobin	159	-	-	-	-	-	-	-	159
Former Directors and Supervisors resigned in 2020									
Deng Changqing	-	-	-	-	-	-	-	-	-
Wang Xiuhong	116	-	-	-	-	-	-	-	116

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, Mrs. Huang Fang, and Mr.Wang Yankang did not receive any emoluments in 2021. Three of the five directors are appointed by CITIC Limited and CITIC Group ("Parent Companies"). Their emoluments were paid by the Parent Companies in 2021. The other two directors are appointed respectively by Xinhu Zhongbao Co., Ltd, and CNTC and provide service to both the Parent Companies and the Bank. Their emolument allocations are not disclosed due to the difficulty to differentiate the services provided by the five directors. Mr. Fang Heying received his remuneration from January to November 2020 at the Bank. According to the relevant national regulations, Mr. Fang Heying has been receiving remuneration from CITIC Limited since December 2020.

(ii) Mrs.Li Qingping resigned in March, 2021.

(iii) Mr.Wan Liming resigned in April, 2021.

(iv) Mr.Yin Liji resigned in December, 2021.

(v) Mr.Liu Cheng resigned in November, 2021.

(vi) Mr.Jia Xiangsen resigned in June, 2021.

(vii) Mr.Zheng Wei resigned in June, 2021.

(b) Other benefits and interests

No direct or indirect retirement benefits and termination benefits were paid to directors as at 31 December 2021 (as at December 2020: Nil).

For the year ended 31 December 2021 and 31 December 2020, 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 2021 (2020: Nil).

64 Events after the reporting period

For the year ended 31 December 2021, there is no event after the reporting period.

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 2021

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 2021, 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 2021 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 2021 or total equity as at 31 December 2021 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 2021	*31 December 2020*
Liquidity coverage ratio	146.59%	135.14%

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 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

	31 December 2020			
	US Dollars	*HK Dollars*	*Others*	*Total*
Spot assets	337,052	146,841	47,916	531,809
Spot liabilities	286,646	158,162	23,033	467,841
Forward purchases	896,323	142,145	16,902	1,055,370
Forward sales	(925,094)	(101,278)	(38,349)	(1,064,721)
Options	(10,618)	(21)	3,043	(7,596)
Net long position	584,309	345,849	52,545	982,703

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 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

	31 December 2020			
	Banks	*Official sector*	*Non-bank private sector*	*Total*
Asia Pacific excluding Mainland China	41,284	489	52,950	94,723
- of which attributable to Hong Kong	21,235	473	45,784	67,492
Europe	7,440	2	20,692	28,134
North and South America	42,684	44,136	69,167	155,987
Africa	355	-	-	355
Total	91,763	44,627	142,809	279,199

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 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

	31 December 2020		
	Gross loans and advances	*Loans and advances overdue over 3 months*	*Credit impaired loans*
Bohai Rim (including Head Office)	1,269,385	25,602	34,988
Yangtze River Delta	1,089,758	3,980	10,409
Pearl River Delta and West Strait	681,024	5,734	7,962
Central	612,438	6,717	9,587
Western	544,949	6,215	9,926
Northeastern	89,167	1,524	2,556
Outside Mainland China	186,586	2,903	2,984
Accrued interest	12,592	-	-
Total	4,485,899	52,675	78,412

Unaudited Supplementary Financial Information (continued)

(Amounts in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(a) Gross overdue amounts due from banks and other financial institutions

	31 December 2021	*31 December 2020*
Gross amounts due from banks and other financial institutions which have been overdue	-	-
As a percentage of total gross amounts due from banks and other financial institutions	-	-

(b) Gross amounts of overdue loans and advances to customers

	31 December 2021	*31 December 2020*
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	8,849	12,693
- between 6 and 12 months	19,011	21,997
- over 12 months	19,351	17,985
Total	47,211	52,675
As a percentage of total gross loans and advances to customers:		
- between 3 and 6 months	0.18%	0.28%
- between 6 and 12 months	0.39%	0.49%
- over 12 months	0.40%	0.40%
Total	0.97%	1.17%

- 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 2021, the loans and advances to customers of RMB 47,211 million of the above overdue loans and advances were credit-impaired. (As at 31 December 2020, the loans and advances to customers of RMB 52,675 million of the above overdue loans and advances were credit-impaired).

Loans and advances to customers overdue for more than 3 months:

	31 December 2021	*31 December 2020*
Secured portion	31,492	31,821
Unsecured portion	15,719	20,854
Total	47,211	52,675
Allowance for impairment losses	(45,052)	(38,224)
Net balance	2,159	14,451
Maximum exposure covered by pledge and collateral held	39,477	32,103

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 2021, 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.