中信银行
CHINA CITIC BANK

1987-2022

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

Stock Code: 0998

Strive to Be
the Provider of the Best Comprehensive Financial Services

2022
Interim Report

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 2022 Interim 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 2022 Interim Report on 25 August 2022. Eleven of the eleven eligible directors attended the meeting, with director Liu Cheng entrusting director Guo Danghuai to attend and vote on his behalf as proxy due to conflicting business schedule. The supervisors and senior management members of the Bank attended the meeting as non-voting delegates.

In the first half of 2022, the Bank neither distributed any profit nor converted capital reserve to share capital.

The 2022 interim financial reports that the Bank compiled in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were reviewed respectively by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the review standards of the Chinese mainland and Hong Kong SAR respectively.

Mr. Zhu Hexin as the Chairman and non-executive director of the Bank, Mr. Fang Heying, as the Vice Chairman, executive director and President of the Bank, Mr. Wang Kang as the 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 2022 Interim Report.

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 cautiously read the 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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Performance Overview

Operating performance:

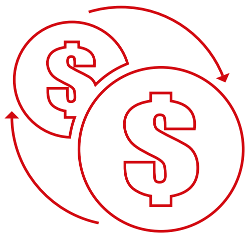
Operating income
108.218
billion RMB

Net profit
32.524
billion RMB

Non-interest income
34.370
billion RMB

Net profit growth
12.03%

Profitability:



ROAA
0.81%

Cost-to-income ratio
24.33%

ROAE
11.99%

Net interest margin
1.99%

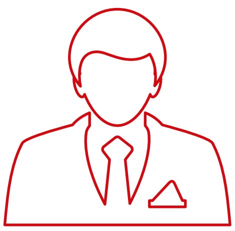
Asset quality:

NPL ratio
1.31%

Allowance coverage ratio
197.15%

The ratio of allowance for impairment of loans to total loans
2.58%

Customer base:



Online monthly active users
30.1484 million

Corporate customers
984,500

Retail banking customers
123 million

Note: Indicators under operating performance, profitability and asset quality are date of the Group and indicators under customer base are date of the Bank.

Definitions

the reporting period	From 1 January 2022 to 30 June 2022
the Bank/the Company/China CITIC Bank/ CITIC Bank/CNCB	China CITIC Bank Corporation Limited
the Group	China CITIC Bank Corporation Limited and its subsidiaries
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank Limited
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 Financial Leasing	CITIC Financial Leasing Co., Ltd.
CITIC Group	CITIC Group Corporation Limited (formerly known as CITIC Group Corporation prior to renaming in December 2011)
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)

Chapter 1 Corporate Introduction

1.1 Corporate Information

Registered Name in Chinese	中信銀行股份有限公司 (abbreviated as "中信銀行")
Registered Name in English	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative	Zhu Hexin
Authorized Representative	Fang Heying, Zhang Qing
Secretary to the Board of Directors	Zhang Qing
Joint Company Secretaries	Zhang Qing, Kam Mei Ha Wendy (FCG, HKFCG)
Securities Representative of the Company	Wang Junwei
Registered and Office Address[1]	6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Postal Code of the Registered and Office Address	100020
Official Website	www.citicbank.com
Telephone Number/Fax Number for Investors	+86-10-66638188/+86-10-65559255
Customer Service and Complaint Telephone Number	95558
Email Address for Investors	ir@citicbank.com
Principal Place of Business in Hong Kong	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Media for Information Disclosure	*China Securities Journal* (www.cs.com.cn) *Shanghai Securities News* (www.cnstock.com) *Securities Times* (www.stcn.com)
Websites for Information Disclosure	Website of Shanghai Stock Exchange (abbreviated as "SSE") to publish A-share interim report: www.sse.com.cn Website designated by The Stock Exchange of Hong Kong Limited (abbreviated as "SEHK") to publish H-share interim report: www.hkexnews.hk
Place Where Interim Reports are Kept	Office of the Board of Directors of CITIC Bank, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Legal Adviser as to PRC Laws	East & Concord Partners
Legal Adviser as to Hong Kong Laws	Clifford Chance LLP
Domestic Auditor	PricewaterhouseCoopers Zhong Tian LLP 42/F Qiantan Center, 588 Dongyu Road, Pudong New Area, Shanghai, China (Postal code: 200126) Domestic Signing CPAs: Linda Yip and Li Yan
Overseas Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong Overseas Signing CPA: Linda Yip
Sponsor 1 for Continuous Supervision and Guidance	CITIC Securities Co., Ltd.
Office Address	23/F, CITIC Securities Mansion, No. 48 Liangmaqiao Road, Chaoyang District, Beijing +86-10-60838888
Signing Sponsor Representatives	Ma Xiaolong and Cheng Yue
Duration of Continuous Supervision and Guidance	Since the convertible bonds of the Bank are not fully converted to shares, the duration of continuous supervisions and guidance shall be extended to the time of full conversion of the convertible bonds

[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.

Sponsor 2 for Continuous Supervision and Guidance	China International Capital Corporation Limited
Office Address	27-28/F, China World Office 2, No. 1 Jianguomen Waidajie, Beijing +86-10-65051166
Signing Sponsor Representatives	Xu Jia and Ai Yu[2]
Duration of Continuous Supervision and Guidance	Since the convertible bonds of the Bank are not fully converted to shares, the duration of continuous supervisions and guidance shall be extended to the time of full conversion of the convertible bonds
A-share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch 188 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone
H-share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F, 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

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

[2] For details on the change of signing sponsor representative, please refer to the Announcement on the Change of Continuous Supervision and Guidance Sponser Representative of China CITIC Bank published on the website of SSE (www.sse.com.cn), HKEX news (www.hkexnews.hk) and the Bank (www.citicbank.com) on 2 June 2022 by the Bank.

1.3 Financial Highlights

1.3.1 Operating Performance

Unit: RMB million

Item	Six months ended 30 June 2022	Six months ended 30 June 2021	Growth rate (%)	Six months ended 30 June 2020
Operating income	**108,218**	105,656	2.42	102,200
Profit before tax	**38,711**	34,923	10.85	30,746
Net profit attributable to the equity holders of the Bank	**32,524**	29,031	12.03	25,541
Net cash flow from/(used in) operating activities	**36,219**	(188,288)	Negative in the same period of last year	66,853
Per share				
Basic earnings per share (RMB)	**0.63**	0.59	6.78	0.52
Diluted earnings per share (RMB)	**0.57**	0.54	5.56	0.48
Net cash flows from/(used in) operating activities per share (RMB)	**0.74**	(3.85)	Negative in the same period of last year	1.37

1.3.2 Profitability Indicators

Item	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/(decrease) in percentage point	Six months ended 30 June 2020
Return on average assets (ROAA)(1)	**0.81%**	0.78%	0.03	0.76%
Return on average equity (ROAE, excluding non-controlling interest)(2)	**11.99%**	12.26%	(0.27)	11.44%
Cost-to-income ratio(excluding tax and surcharges)(3)	**24.33%**	23.02%	1.31	22.18%
Credit cost(4)	**1.28%**	1.40%	(0.12)	1.87%
Net interest spread(5)	**1.94%**	2.03%	(0.09)	2.19%
Net interest margin(6)	**1.99%**	2.09%	(0.10)	2.27%

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 ordinary shareholders of the Bank/the average of total beginning and ending equity attributable to the ordinary shareholders of the Bank.

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

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

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

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

1.3.3 Scale Indicators

Unit: RMB million

Item	**30 June 2022**	31 December 2021	Growth rate (%)	31 December 2020
Total assets	**8,278,016**	8,042,884	2.92	7,511,161
Total loans and advances to customers[1]	**5,011,244**	4,855,969	3.20	4,473,307
– Corporate loans	**2,462,777**	2,336,179	5.42	2,170,400
– Discounted bills	**454,271**	465,966	(2.51)	411,007
– Personal loans	**2,094,196**	2,053,824	1.97	1,891,900
Total liabilities	**7,616,727**	7,400,258	2.93	6,951,123
Total deposits from customers[1]	**5,100,351**	4,736,584	7.68	4,528,399
– Corporate demand deposits[2]	**2,088,591**	1,974,319	5.79	1,915,266
– Corporate time and call deposits	**1,903,885**	1,789,956	6.36	1,674,846
– Personal demand deposits	**347,038**	310,054	11.93	327,110
– Personal time and call deposits	**760,837**	662,255	14.89	611,177
Deposits from banks and non-bank financial institutions	**1,018,993**	1,174,763	(13.26)	1,163,641
Placements from banks and non-bank financial institutions	**66,604**	78,331	(14.97)	57,756
Total equity attributable to the equity holders of the Bank	**641,020**	626,303	2.35	544,573
Total equity attributable to the ordinary shareholders of the Bank	**526,079**	511,362	2.88	469,625
Net asset per share attributable to the ordinary shareholders of the Bank (RMB)	**10.75**	10.45	2.87	9.60

Notes: (1) As per the *Notice on Amending and Issuing the Formats of Financial Statements for Financial Enterprises for 2018* (Finance and Accounting [2018] No.36) issued by the Ministry of Finance, 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.

1.3.4 Asset Quality Indicators

Item	**30 June 2022**	31 December 2021	Increase/ (decrease) in percentage point	31 December 2020
NPL ratio[1]	**1.31%**	1.39%	(0.08)	1.64%
Allowance coverage ratio[2]	**197.15%**	180.07%	17.08	171.68%
Allowance for loan impairment losses to total loans[3]	**2.58%**	2.50%	0.08	2.82%

Notes: (1) NPL ratio = balance of non-performing loans/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.

1.3.5 Other Main Regulatory Indicators

Item(Note)	Regulatory value	30 June 2022	31 December 2021	Increase/(decrease) in percentage point	31 December 2020
Capital adequacy profile					
Core tier-one capital adequacy ratio	≥7.50%	**8.56%**	8.85%	(0.29)	8.74%
Tier-one capital adequacy ratio	≥8.50%	**10.49%**	10.88%	(0.39)	10.18%
Capital adequacy ratio	≥10.50%	**13.05%**	13.53%	(0.48)	13.01%
Leverage profile					
Leverage ratio	≥4%	**6.52%**	6.78%	(0.26)	6.40%
Liquidity risk profile					
Liquidity coverage ratio	≥100%	**130.21%**	146.59%	(16.38)	135.14%
Liquidity ratio					
Including: Local and foreign currencies	≥25%	**56.43%**	59.09%	(2.66)	58.09%
Renminbi	≥25%	**56.86%**	59.99%	(3.13)	58.21%
Foreign currencies	≥25%	**61.02%**	58.98%	2.04	67.11%

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

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

1.3.6 Differences between IFRS and PRC Accounting Standards

There is no difference between the Group's net assets attributable to the equity holders of the Bank on 30 June 2022 and the net profit attributable to the equity holders of the Bank for the reporting period calculated according to the PRC Accounting Standards and those calculated as per the International Financial Reporting Standards (IFRS).

1.4 Explanation on Material Changes in Major Assets of the Bank

The major assets of the Group include loans and advances to customers, deposits and placements with, and loans to banks and non-bank financial institutions, financial assets held under resale agreements, financial investments and deposits with central banks. As at the end of the reporting period, the aforesaid assets accounted for 97.1% of the Group's total assets, down by 0.5 percentage point from the end of last year. For relevant information of changes in the Group's major assets, please refer to Chapter 2 "Management Discussion and Analysis – Analysis of the Financial Statements" of this report.

Chapter 2 Management Discussion and Analysis

2.1 Industry Overview of the Company

In 2022, China's banking industry put serving the real economy in a more prominent position, helped market entities to return to normal operation and life, and fully tapped new driving forces and growth potentials. Meanwhile, it properly dealt with the relationship between economic recovery and risk prevention and maintained a good momentum of stable operation. The financial institutions in the banking industry continuously stepped up corporate governance efforts and further enhanced equity management. They further optimized credit structure and allocated new credit resources to micro and small enterprises, private enterprises, manufacturing, technological innovation and green development. They continued to promote the quality improvement and upgrading of intermediary business. Wealth management business developed vibrantly. They further improved the capabilities for endogenous risk prevention and control. The quality of assets was stable and improved.

From the macroeconomic point of view, due to the impacts from unanticipated factors in China such as complex evolution of the international environment and Covid-19, the downward pressure on the economy has mounted since the second quarter of 2022. The departments in various regions efficiently coordinated the pandemic prevention & control and economic & social development, and effectively implemented a package of policies and measures to stabilize the economy. The rebound of the pandemic was effectively controlled, and the national economy gathered upward momentum. The market prices were basically stable, and the high-quality development trend continued. In the first half of 2022, GDP grew by 2.5% year on year, and three industries witnessed a year-on-year growth of 5%, 3.2% and 1.8% respectively. The basic characteristics of strong resilience, great potential and long-term growth of domestic economy remained unchanged, and there were many conditions favorable for the ongoing economic revival.

From the perspective of industry development, the total assets of the banking industry increased steadily, while the quality of assets was basically stable and the ability to resist risks was strong. As at the end of June 2022, total assets of China's financial institutions in the banking industry were RMB360.43 trillion[3], a rise of 4.55% from the beginning of the year. The balance of NPLs stood at RMB2.95 trillion up by RMB106.9 billion compared with the beginning of this year and NPL ratio was 1.67%, down by 0.06 percentage point from the beginning of this year. The allowance coverage ratio stood at 203.8% and capital adequacy ratio was 14.87%[4].

Regarding policies and measures, regulators focused on maintaining the continuity and stability of policies and measures, and increased support to the real economy by increasing financial supply and improving financial demands. They strengthened financial support for the development of micro and small enterprises and rural revitalization, provided financial services for the industries and enterprises in difficulties due to the pandemic, boosted the high-quality development of financial services to manufacturing industry and fully supported the smooth logistics of goods. They increased financial services for "new citizens", adjusted differentiated housing credit policies and issued guiding opinions on supporting the development of affordable rental housing. At the same time, they further improved the regulatory framework of laws and regulations, improved the long-effect risk prevention and control mechanism, preliminarily established the basic framework of the financial stability guarantee fund, constantly stepped up the corporate governance of banks, and carried out special rectification of equity and related party transactions. Commercial banks continued to return to their original aspirations, and pursued high-quality and sustainable development.

2.2 Main Business of the Company

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

3 Data source: CBIRC official website.

4 Data source: CBIRC press conference.

2.3 Core Competitiveness Analysis

Standardized and efficient corporate governance. The Bank made great headway in 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 featuring clear division of responsibilities, coordinated operation and effective checks and balances, and continued to integrate Party leadership into its corporate governance. According to the principle of separating the front, middle and back offices, the Bank established a matrix management model with the Head Office departments as the lines and the branches and sub-branches as the arrays. The general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management of the Bank functioned according to rules and performed duties effectively.

Significant edges in synergy. Following the development principle of "One CITIC, One Customer", the Bank upheld the synergy philosophy of "altruism and win-win cooperation", and followed the requirement of "prioritizing implementation and valuing results". It fortified the main platform of collaboration across the Group, and established three service systems centering on government, enterprises and individuals by adhering to the customer-centric principle. Focusing on development, the Bank delved into the five major areas of cooperation, namely, finance and finance cooperation, industry and finance cooperation, parent company and subsidiary cooperation, cross-border cooperation and regional cooperation. In a result-oriented manner, the Bank provided support in terms of mechanism, think tank, talent, system and brand, and deeply built the "two-ecosystems and one community" of CITIC Synergy, namely expanding the ecosystem of friends in collaboration, building a collaborative ecosystem and forming a collaborative development community. In this way, the Bank improved the synergy multiplier effect, and provided customers with the best comprehensive services featuring "more than banking, more than finance, finance + industry".

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 areas 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 the quality and efficiency of risk management. It strengthened comprehensive risk management, effectively transmitted sound risk appetite, and enhanced the risk control capacity of all institutions, all products, all customers and all processes. It pushed forward the a combination of five policies[5] in depth, invested resources in key areas and high-quality customers supported by national industrial policies and with promising markets, and further consolidated asset quality while effectively promoting credit extension. The Bank accelerated the building of the smart risk control system, comprehensively enhanced the risk control capacity of the online business, developed intelligent early warning with big data and AI as the core, and made risk prevention and control more forward-looking and targeted.

All-around empowerment by financial technology. Adhering to enabling advancement through technology and driving development with innovation, the Bank comprehensively empowered the development of its core capabilities 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 was 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 gradually and in-depth applied in wider and wider business fields to drive the development of the Bank.

[5] The "five policies" refer to industry research, credit policies, approval standards, marketing guidelines, and resource and evaluation policies

Distinctive brand and corporate culture. In recent years, the Bank carried out brand communication by taking advantages of major events and nodes, and effectively accumulated brand assets. In 2022, the Bank ranked 21st on the list of the "Top 500 Banking Brands" rated by *The Banker* magazine of the United Kingdom with a brand value of USD12.8 billion. By refining 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.

Professional and brilliant talent team. Strategy-oriented, employee-centric and value creation-based, the Bank deepened the human resource reform, established a modern market-oriented human resources management system, and stuck to implementation of the strategy of strengthening through talents. 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 various types of talents. By doing so, strong and solid human resources support was delivered to bolster the Bank's high-quality and sustainable development.

2.4 Overview of the Operating Results

During the reporting period, in the face of the complex and severe situations, the Group earnestly implemented the decisions and plans of the CPC Central Committee and the State Council as well as regulatory requirements. It actively fulfilled its mission as a state-owned financial enterprise, adhered to the general keynote of "making progress while maintaining stability", and made progress in the "342 Action Plan for Developing Core Business Capabilities" in all fronts. The operating results improved stably.

Operating income increased steadily and income structure further improved. During the reporting period, the Group realized RMB108.218 billion operating income, a year-on-year increase of 2.42%. Specifically, net interest income stood at RMB73.848 billion, a year-on-year drop of 0.32%; net non-interest income posted RMB34.370 billion, a year-on-year increase of 8.86%. The proportion of non-interest income increased to 31.76%, a rise of 1.88 percentage points year on year. The Group realized RMB32.524 billion of net profit attributable to the shareholders of the Bank, up by 12.03% year-on-year.

Business scale increased steadily, and the support for the real economy kept robust. As at the end of the reporting period, the Group recorded total assets of RMB8,278.016 billion, an increase 2.92% over the end of last year. The scale of both deposits and loans surpassed RMB5 trillion. The Group's total loans and advances (excluding accrued interest) stood at RMB5,011.244 billion, a growth of 3.20% over the end of the previous year; and its total deposits from customers (excluding accrued interest) recorded RMB5,100.351 billion, marking a 7.68% increase from the end of last year. During the reporting period, the Group continued to increase credit support to key regions and industries, expand quality assets and serve manufacturing, high-tech, green finance and other key areas, and improved its business structure while improving the quality and efficiency of serving the real economy.

Asset quality kept improving with both the balance and ratio of non-performing loans (NPLs) decreased. As at the end of the reporting period, the Group's NPL balance recorded RMB65.520 billion, a decrease of RMB1.939 billion or 2.87% over the end of the previous year, corresponding to an NPL ratio of 1.31%, down by 0.08 percentage point 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 197.15% and 2.58%, a rise of 17.08 percentage points and 0.08 percentage point over the end of the previous year, respectively, indicating further improved risk resistance.

2.5 Analysis of the Financial Statements

2.5.1 Income Statement Analysis

During the reporting period, the Group realized RMB32.524 billion net profit attributable to the equity holders of the Bank, up by 12.03% year on 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	**Six months ended 30 June 2022**	Six months ended 30 June 2021	Increase/ (decrease)	Growth rate (%)
Operating income	**108,218**	105,656	2,562	2.42
– Net interest income	**73,848**	74,082	(234)	(0.32)
– Net non-interest income	**34,370**	31,574	2,796	8.86
Operating expenses	**(27,387)**	(25,413)	(1,974)	7.77
Credit and other asset impairment losses	**(42,419)**	(45,370)	2,951	(6.50)
Profit before tax	**38,711**	34,923	3,788	10.85
Income tax	**(5,776)**	(5,443)	(333)	6.12
Profit for the year	**32,935**	29,480	3,455	11.72
Including: Net profit attributable to the equity holders of the Bank	**32,524**	29,031	3,493	12.03

2.5.1.1 Operating Income

During the reporting period, the Group realized operating income of RMB108.218 billion, up by 2.42% year on year, of which net interest income accounted for 68.2%, down by 1.9 percentage points year on year; net non-interest income accounted for 31.8%, up by 1.9 percentage points year-on-year.

Unit: %

Item	**Six months ended 30 June 2022**	Six months ended 30 June 2021
Net interest income	**68.2**	70.1
Net non-interest income	**31.8**	29.9
Total	**100.0**	100.0

2.5.1.2 Net Interest Income

During the reporting period, the Group realized RMB73.848 billion of net interest income, a decrease of RMB234 million or 0.32% year on 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

	Six months ended 30 June 2022			Six months ended 30 June 2021		
Item	**Average balance**	**Interest**	**Average yield/ cost rate (%)**	Average balance	Interest	Average yield/ cost rate (%)
Interest-earning assets						
Loans and advances to customers	**4,908,004**	**118,831**	**4.88**	4,617,203	115,707	5.05
Financial investments[1]	**1,765,483**	**28,588**	**3.27**	1,729,170	29,753	3.47
Deposits with central banks	**402,616**	**2,885**	**1.45**	413,509	3,083	1.50
Deposits and placements with, and loans to banks and non-bank financial institutions	**334,970**	**3,529**	**2.12**	351,940	3,357	1.92
Financial assets held under resale agreements	**77,153**	**609**	**1.59**	49,347	467	1.91
Subtotal	**7,488,226**	**154,442**	**4.16**	7,161,169	152,367	4.29
Interest-bearing liabilities						
Deposits from customers	**4,865,342**	**49,231**	**2.04**	4,605,657	45,366	1.99
Deposits and placements from banks and non-bank financial institutions	**1,232,299**	**13,684**	**2.24**	1,245,407	15,521	2.51
Debt securities issued	**938,933**	**13,788**	**2.96**	819,011	12,850	3.16
Borrowings from central banks	**190,967**	**2,821**	**2.98**	229,785	3,426	3.01
Financial assets sold under repurchase agreements	**84,727**	**845**	**2.01**	81,422	896	2.22
Others	**10,523**	**225**	**4.31**	10,980	226	4.15
Subtotal	**7,322,791**	**80,594**	**2.22**	6,992,262	78,285	2.26
Net interest income		**73,848**			74,082	
Net interest spread[2]			**1.94**			2.03
Net interest margin[3]			**1.99**			2.09

Notes: (1) Financial investments includes 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

	Comparison between the six months ended 30 June 2022 and that of 30 June 2021		
Item	**Scale factor**	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	7,282	(4,158)	3,124
Financial investments	625	(1,790)	(1,165)
Deposits with central banks	(81)	(117)	(198)
Deposits and placements with, and loans to banks and non-bank financial institutions	(162)	334	172
Financial assets held under resale agreements	263	(121)	142
Changes in interest income	7,927	(5,852)	2,075
Liabilities			
Deposits from customers	2,563	1,302	3,865
Deposits and placements from banks and non-bank financial institutions	(163)	(1,674)	(1,837)
Debt certificates issued	1,879	(941)	938
Borrowings from central banks	(579)	(26)	(605)
Financial assets sold under repurchase agreements	36	(87)	(51)
Others	(9)	8	(1)
Changes in interest expense	3,727	(1,418)	2,309
Changes in net interest income	4,200	(4,434)	(234)

Net Interest Margin and Net Interest Spread

In the first half of 2022, affected by the repeated pandemic outbreaks, lowered LPR and other factors, the loan interest rate declined significantly since the beginning of the year. As the liability cost was relatively rigid, the interest margin of banks was under pressure on the whole. Facing such pressure, the Group persisted to implement the policy of profit concessions to the real economy, and promoted the orderly development of its business in accordance with the principle of "balance between quantity and price". In terms of assets, the Bank stepped up the marketing and acquisition of quality assets. In terms of liabilities, it vigorously expanded low-cost settlement deposits, adjusted the asset-liability structure, and strived to stabilize the interest margin. During the reporting period, the Group's net interest margin and net interest spread registered 1.99% and 1.94% respectively, representing a year-on-year decrease of 0.10 percentage point and 0.09 percentage point. The Group's yield of interest-earning assets was 4.16%, down by 0.13 percentage point year on year; the cost rate of interest-bearing liabilities was 2.22%, down by 0.04 percentage point year on year.

2.5.1.3 Interest Income

During the reporting period, the Group realized an interest income of RMB154.442 billion, an increase of RMB2.075 billion or 1.36% year on year, mainly due to the growth in the size of interest-earning assets. Interest income from loans and advances to customers was the main component of interest income.

Interest Income from Loans and Advances to Customers

During the reporting period, the Group recorded RMB118.831 billion interest income from loans and advances to customers, a growth of RMB3.124 billion or 2.70% year on year, primarily because the average balance of loans and advances to customers increased by RMB290.801 billion or 6.30%. Specifically, the average balance of personal loans with higher income increased by RMB128.502 billion.

Classification by Maturity Structure

Unit: RMB million

Item	Six months ended 30 June 2022 Average balance	Six months ended 30 June 2022 Interest income	Six months ended 30 June 2022 Average yield (%)	Six months ended 30 June 2021 Average balance	Six months ended 30 June 2021 Interest income	Six months ended 30 June 2021 Average yield (%)
Short-term loans	**1,625,871**	**40,620**	**5.04**	1,540,979	40,655	5.32
Medium to long-term loans	**3,282,133**	**78,211**	**4.81**	3,076,224	75,052	4.92
Total	**4,908,004**	**118,831**	**4.88**	4,617,203	115,707	5.05

Classification by Business

Unit: RMB million

Item	Six months ended 30 June 2022 Average balance	Six months ended 30 June 2022 Interest income	Six months ended 30 June 2022 Average yield (%)	Six months ended 30 June 2021 Average balance	Six months ended 30 June 2021 Interest income	Six months ended 30 June 2021 Average yield (%)
Corporate loans	**2,397,414**	**53,243**	**4.48**	2,302,874	52,769	4.62
Discounted loans	**445,144**	**5,503**	**2.49**	377,385	5,515	2.95
Personal loans	**2,065,446**	**60,085**	**5.87**	1,936,944	57,423	5.98
Total	**4,908,004**	**118,831**	**4.88**	4,617,203	115,707	5.05

Interest Income from Financial Investments

During the reporting period, the Group's interest income from financial investments amounted to RMB28.588 billion, a decrease of RMB1.165 billion or 3.92% year on year, mainly attributable to a fall of 0.20 percentage point in the average yield of financial investments which offset an increase of RMB36.313 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 RMB2.885 billion, a decrease of RMB198 million or 6.42% year on year, mainly due to a decrease of RMB10.893 billion in average scale and a drop of 0.05 percentage point in the average yield of deposits with central banks.

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

During the reporting period, the Group's interest income from deposits and placements with, and loans to banks and non-bank financial institutions was RMB3.529 billion, an increase of RMB172 million or 5.12% year on year, mainly due to an increase of 0.20 percentage point in the average yield of deposits and placements with, and loans to banks and non-bank financial institutions which offset the effect of a decrease of RMB16.970 billion in the average balance.

Interest Income from Financial Assets Held under Resale Agreements

During the reporting period, the Group recorded RMB609 million interest income from financial assets held under resale agreements, an increase of RMB142 million or 30.41% year on year, mainly attributable to an increase of RMB27.806 billion in the average balance of financial assets held under resale agreements which offset the impact of a decrease of 0.32 percentage point in the average yield.

2.5.1.4 Interest expense

During the reporting period, the Group's interest expense was RMB80.594 billion, an increase of RMB2.309 billion or 2.95% year on year, mainly attributable to the growth in the size of interest-bearing liabilities which offset the impact of a drop of 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 RMB49.231 billion, an increase of RMB3.865 billion or 8.52% year on year, mainly because with deposits from customers increasing stably in the first half of 2022, the average balance rose by RMB259.685 billion, and the cost rate of deposits increased by 0.05 percentage point.

Unit: RMB million

	Six months ended 30 June 2022			Six months ended 30 June 2021		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time and call deposits	**1,893,012**	**25,637**	**2.73**	1,778,890	23,634	2.68
Demand deposits	**1,959,086**	**12,747**	**1.31**	1,910,778	12,089	1.28
Subtotal	**3,852,098**	**38,384**	**2.01**	3,689,668	35,723	1.95
Personal deposits						
Time and call deposits	**720,212**	**10,454**	**2.93**	624,742	9,260	2.99
Demand deposits	**293,032**	**393**	**0.27**	291,247	383	0.27
Subtotal	**1,013,244**	**10,847**	**2.16**	915,989	9,643	2.12
Total	**4,865,342**	**49,231**	**2.04**	4,605,657	45,366	1.99

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 RMB13.684 billion, a decrease of RMB1.837 billion or 11.84% year on year, mainly due to a drop of 0.27 percentage point in the average cost rate of deposits and placements from banks and non-bank financial institutions and the decrease of RMB13.108 billion in the average balance.

Interest Expense on Debt Certificates Issued

During the reporting period, the Group's interest expense on debt certificates issued stood at RMB13.788 billion, an increase of RMB938 million or 7.30% year on year, primarily due to an increase of RMB119.922 billion in the average balance of debt certificates issued (including a growth of RMB85.262 billion in the average balance of interbank certificates of deposit) which offset the impact of a fall of 0.20 percentage point in the average cost rate.

Interest Expense on Borrowings from Central Banks

During the reporting period, the Group's interest expense on borrowings from central banks reached RMB2.821 billion, a decrease of RMB605 million or 17.66% year on year, mainly due to a drop of 0.03 percentage point in the average cost rate of borrowings from central banks and a decrease of RMB38.818 billion in the average balance.

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 RMB845 million, a decrease of RMB51 million or 5.69% year on year, primarily due to a drop of 0.21 percentage point in the average cost rate of financial assets sold under repurchase agreements which offset the impact of the increase of RMB3.305 billion in the average balance.

Other Interest Expense

During the reporting period, the Group's other interest expense stood at RMB225 million, a decrease of RMB1 million year on year, primarily due to a decrease in the average balance of lease liabilities.

2.5.1.5 Net Non-interest Income

During the reporting period, the Group realized RMB34.370 billion of net non-interest income, an increase of RMB2.796 billion or 8.86% year on year.

Unit: RMB million

Item	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/ (decrease)	Growth rate (%)
Net fee and commission income	**18,835**	19,349	(514)	(2.66)
Net trading gain	**3,139**	3,776	(637)	(16.87)
Net gain from investment securities	**12,140**	8,011	4,129	51.54
Other net operating income	**256**	438	(182)	(41.55)
Total	**34,370**	31,574	2,796	8.86

2.5.1.6 Net Fee and Commission Income

During the reporting period, net fee and commission income of the Group reached RMB18.835 billion, a decrease of RMB514 million or 2.66% year on year. Among these, guarantee and consulting fees went up by RMB389 million or 15.04% year on year; bank card fees increased by RMB247 million or 3.17% year on year; settlement and clearing fees increased by RMB188 million or 19.26% year on year; agency fees and commissions decreased by RMB696 million or 18.38% year on year; commissions for custodian and other fiduciary business went down by RMB922 million or 14.67% year on year.

Unit: RMB million

Item	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/ (decrease)	Growth rate (%)
Bank card fees	**8,040**	7,793	247	3.17
Agency fees and commissions	**3,091**	3,787	(696)	(18.38)
Commissions for custodian and other fiduciary business	**5,364**	6,286	(922)	(14.67)
Guarantee and consulting fees	**2,975**	2,586	389	15.04
Settlement and clearing fees	**1,164**	976	188	19.26
Other fees and commissions	**46**	61	(15)	(24.59)
Subtotal of fees and commissions	**20,680**	21,489	(809)	(3.76)
Fee and commission expense	**(1,845)**	(2,140)	295	(13.79)
Net fee and commission income	**18,835**	19,349	(514)	(2.66)

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 RMB15.279 billion in total, a year-on-year increase of RMB3.492 billion, mainly because of the increased gain from investment in funds.

2.5.1.8 Operating Expenses

During the reporting period, the Group incurred RMB27.387 billion operating expenses, an increase of RMB1.974 billion or 7.77% year on year. During the reporting period, the Group's cost-to-income ratio (excluding tax and surcharges) stood at 24.33%, up by 1.31 percentage points year on year.

Unit: RMB million

Item	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/ (decrease)	Growth rate (%)
Staff costs	**15,799**	14,606	1,193	8.17
Property and equipment expenses and amortization	**4,424**	4,284	140	3.27
Other general and administrative expense	**6,106**	5,432	674	12.41
Subtotal	**26,329**	24,322	2,007	8.25
Taxes and surcharges	**1,058**	1,091	(33)	(3.02)
Total	**27,387**	25,413	1,974	7.77
Cost-to-income ratio	**25.31%**	24.05%	Up 1.26 percentage points	
Cost-to-income ratio (excluding tax and surcharges)	**24.33%**	23.02%	Up 1.31 percentage points	

2.5.1.9 Credit and Other Asset Impairment Losses

During the reporting period, the Group's asset quality kept improving and the risk costs declined. Its credit impairment losses and other asset impairment losses totaled RMB42.419 billion, a decrease of RMB2.951 billion or 6.50% year on year. Specifically, allowance for impairment losses on loans and advances to customers was RMB31.143 billion, representing a decrease of RMB950 million or 2.96% year on year. Impairment losses for financial investments was RMB3.973 billion, down by RMB6.904 billion or 63.74% year on year. Please refer to "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	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/ (decrease)	Growth rate (%)
Loans and advances to customers	**31,143**	32,093	(950)	(2.96)
Financial investments	**3,973**	10,877	(6,904)	(63.47)
Interest receivables	**2,673**	1,956	717	36.66
Interbank business (Note)	**90**	(26)	116	Negative in the same period of last year
Other receivables	**(239)**	244	(483)	(197.95)
Off-balance-sheet items	**4,747**	185	4,562	2,465.95
Repossessed assets	**32**	41	(9)	(21.95)
Total	**42,419**	45,370	(2,951)	(6.50)

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

2.5.1.10 Income Tax Expense

During the reporting period, the Group's income tax expense was RMB5.776 billion, representing an increase of RMB333 million or 6.12% year on year. Effective tax rate of the Group during the reporting period stood at 14.92%, down by 0.67 percentage point year on year.

Unit: RMB million

Item	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/ (decrease)	Growth rate (%)
Profit before tax	**38,711**	34,923	3,788	10.85
Income tax expense	**5,776**	5,443	333	6.12
Effective tax rate	**14.92%**	15.59%	Down 0.67 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 RMB8,278.016 billion, an increase of 2.92% from the end of the previous year, mainly because the Group increased its loans and advances to customers and financial investments.

Unit: RMB million

	30 June 2022		31 December 2021	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**5,011,244**	**60.6**	4,855,969	60.4
Accrued interest of loans and advances to customers	**14,392**	**0.2**	13,064	0.2
Less: Allowance for impairment losses on loans and advances to customers[1]	**(128,862)**	**(1.6)**	(120,957)	(1.5)
Net loans and advances to customers	**4,896,774**	**59.2**	4,748,076	59.1
Total financial investments	**2,382,051**	**28.8**	2,334,013	29.0
Accrued interest of financial investments	**16,018**	**0.2**	15,355	0.2
Less: Allowance for impairment losses on financial investments[2]	**(30,541)**	**(0.4)**	(26,727)	(0.3)
Net financial investments	**2,367,528**	**28.6**	2,322,641	28.9
Investment in associates and joint ventures	**6,015**	**0.1**	5,753	0.1
Cash and deposits with central banks	**395,872**	**4.8**	435,383	5.4
Deposits and placements with, and loans to banks and non-bank financial institutions	**332,710**	**4.0**	251,774	3.1
Financial assets held under resale agreements	**44,936**	**0.5**	91,437	1.1
Others[3]	**234,181**	**2.8**	187,820	2.3
Total	**8,278,016**	**100.0**	8,042,884	100.0

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

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

(3) Including precious metals, derivative financial assets, investment properties, 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 RMB5,011.244 billion total loans and advances to customers (excluding accrued interest), up by 3.20% over the end of the previous year. Net loans and advances to customers accounted for 59.2% of total assets, up by 0.1 percentage point over the end of the previous year. The Group's balance of loans and advances to customer measured at amortized cost took up 90.0% of total loans and advances to customers. The table below sets out the classification of the Group's loans and advances to customers by measurement attribute.

Unit: RMB million

	30 June 2022		31 December 2021	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customers measured at amortized cost	**4,512,112**	**90.0**	4,355,927	89.7
Loans and advances to customers measured at fair value through other comprehensive income	**499,132**	**10.0**	500,042	10.3
Total loans and advances to customers	**5,011,244**	**100.0**	4,855,969	100.0

Please refer to "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 RMB2,382.051 billion total financial investments (excluding accrued interest), up by RMB48.038 billion or 2.06% over the end of the previous year, mainly because of the increase in the Group's investments in funds.

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

Unit: RMB million

	30 June 2022		31 December 2021	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Investments in debt securities	**1,601,883**	**67.2**	1,602,529	68.7
Investment funds	**438,046**	**18.4**	397,407	17.0
Trust management plans	**241,545**	**10.1**	234,770	10.1
Directional asset management plan	**44,104**	**1.9**	50,437	2.1
Certificates of deposit and interbank certificates of deposit	**40,169**	**1.7**	35,082	1.5
Investment in equity instruments	**12,307**	**0.5**	12,177	0.5
Investment in wealth management products and through structured entities	**3,997**	**0.2**	1,611	0.1
Total financial investments	**2,382,051**	**100.0**	2,334,013	100.0

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

Unit: RMB million

	30 June 2022		31 December 2021	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Financial investments measured at fair value through profit or loss	**558,284**	**23.4**	495,810	21.2
Financial investments measured at amortized cost	**1,118,479**	**47.0**	1,186,558	50.9
Financial investments measured at fair value through other comprehensive income	**700,119**	**29.4**	646,900	27.7
Financial investments designated to be measured at fair value through other comprehensive income	**5,169**	**0.2**	4,745	0.2
Total financial investments	**2,382,051**	**100.0**	2,334,013	100.0

Investment in Debt Securities

As at the end of the reporting period, the Group registered RMB1,601.883 billion investments in debt securities, a decrease of RMB646 million or 0.04% over the end of the previous year.

Classification of Debt Securities Investment by Issuers

Unit: RMB million

	30 June 2022		31 December 2021	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Banks and non-bank financial institutions	**421,833**	**26.3**	436,237	27.2
Government	**989,842**	**61.8**	931,822	58.2
Policy banks	**79,616**	**5.0**	135,127	8.4
Business entities	**108,470**	**6.8**	97,654	6.1
Public entities	**2,122**	**0.1**	1,689	0.1
Total	**1,601,883**	**100.0**	1,602,529	100.0

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of major investments in financial debt securities held by the Group as at 30 June 2022.

Unit: RMB million

Name of debt securities	Book value	Maturity date (DD/MM/YY)	Coupon rate (%)	Impairment allowance
2020 Policy Bank Debt Securities	5,222	7/8/2023	3.00%	–
2019 Policy Bank Debt Securities	4,609	17/7/2022	3.12%	–
2022 Policy Bank Debt Securities	4,438	22/4/2032	2.98%	–
2020 Policy Bank Debt Securities	3,995	22/12/2023	0.65%	–
2021 Policy Bank Debt Securities	3,804	21/7/2024	2.78%	–
2019 Policy Bank Debt Securities	3,596	2/7/2024	3.42%	–
2019 Policy Bank Debt Securities	3,557	14/8/2024	3.24%	–
2020 Policy Bank Debt Securities	3,289	5/8/2023	3.06%	–
2020 Policy Bank Debt Securities	3,124	9/4/2023	1.86%	–
2020 Policy Bank Debt Securities	3,112	10/1/2025	3.23%	–
Total	38,746			–

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

Investments in Associates and Joint Ventures

As at the end of the reporting period, the Group recorded RMB6.015 billion investments in associates and joint ventures, an increase of 4.55% over the end of the previous year. As at the end of the reporting period, the Group's balance of investments in associates and joint ventures was zero. For relevant details, please refer to Note 21 "Investments in Associates and Joint Ventures" to the financial report.

Unit: RMB million

Item	30 June 2022	31 December 2021
Investments in joint ventures	**5,493**	5,220
Investments in associates	**522**	533
Allowance for impairment losses	**–**	–
Net investments in associates and joint ventures	**6,015**	5,753

Derivatives

The table below sets out major categories and amounts of derivatives held by the Group as at the end of the reporting period. For relevant details, please refer to Note 17 "Derivative Financial Assets/Liabilities" to the financial report.

Unit: RMB million

	30 June 2022			31 December 2021		
	Nominal	Fair value		Nominal	Fair value	
Item	principal	Assets	Liabilities	principal	Assets	Liabilities
Interest rate derivatives	**2,868,741**	**12,433**	**12,330**	2,630,541	8,643	8,539
Currency derivatives	**2,166,676**	**20,453**	**19,408**	1,936,863	13,930	14,217
Other derivatives	**48,000**	**376**	**604**	17,043	148	151
Total	**5,083,417**	**33,262**	**32,342**	4,584,447	22,721	22,907

Repossessed Assets

As at the end of the reporting period, the Group recorded repossessed assets of RMB2.521 billion, and charged RMB1.248 billion allowances for impairment losses on repossessed assets. The book value stood at RMB1.273 billion.

Unit: RMB million

Item	30 June 2022	31 December 2021
Original value of repossessed assets	**2,521**	2,616
– Land, premises and buildings	**2,516**	2,611
– Others	**5**	5
Allowances for impairment losses on repossessed assets	**(1,248)**	(1,286)
– Land, premises and buildings	**(1,248)**	(1,286)
Total book value of repossessed assets	**1,273**	1,330

Changes in Impairment Allowances

Unit: RMB million

Item	31 December 2021	Accruals/ reversals during the current period	Write-offs/ transfer out during the current period	Others[1]	30 June 2022
Loans and advances to customers[2]	121,471	31,143	(30,136)	6,694	**129,172**
Financial investments[3]	29,011	3,973	(45)	47	**32,986**
Interbank business[4]	281	90	–	–	**371**
Other assets[5]	5,134	2,434	(2,289)	447	**5,726**
Off-balance-sheet items	11,428	4,747	–	30	**16,205**
Subtotal of allowances for credit impairment	**167,325**	**42,387**	**(32,470)**	**7,218**	**184,460**
Repossessed assets	1,286	32	(103)	33	**1,248**
Subtotal of allowances for other asset impairments	**1,286**	**32**	**(103)**	**33**	**1,248**
Total	**168,611**	**42,419**	**(32,573)**	**7,251**	**185,708**

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 RMB7,616.727 billion, up by 2.93% from the end of the previous year, primarily due to the increase in deposits from customers.

Unit: RMB million

	30 June 2022		31 December 2021	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Borrowings from central banks	**189,713**	**2.5**	189,198	2.6
Deposits from customers	**5,154,699**	**67.7**	4,789,969	64.7
Deposits and placements from banks and non-bank financial institutions	**1,085,597**	**14.2**	1,253,094	16.9
Financial assets sold under repurchase agreements	**119,015**	**1.6**	98,339	1.3
Debt certificates issued	**921,018**	**12.1**	958,203	13.0
Others(Note)	**146,685**	**1.9**	111,455	1.5
Total	**7,616,727**	**100.0**	7,400,258	100.0

Note: Including financial liabilities measured at fair value through profit or loss, derivative financial liabilities, staff remunerations payable, taxes and fees payables, estimated liabilities, lease liabilities, deferred income tax liabilities and other liabilities.

Deposits from Customers

As at the end of the reporting period, the Group's total deposits from customers (excluding accrued interest) were RMB5,100.351 billion, representing an increase of RMB363.767 billion or 7.68% over the end of the previous year; and deposits from customers accounted for 67.7% of total liabilities, an increase of 3 percentage points from the end of the previous year. The Group's balance of corporate deposits was RMB3,992.476 billion, representing an increase of RMB228.201 billion or 6.06% over the end of the previous year; and balance of personal deposits stood at RMB1,107.875 billion, representing an increase of RMB135.566 billion or 13.94% over the end of the previous year.

Unit: RMB million

	30 June 2022		31 December 2021	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**2,088,591**	**40.5**	1,974,319	41.2
Time and call deposits	**1,903,885**	**36.9**	1,789,956	37.4
Subtotal	**3,992,476**	**77.4**	3,764,275	78.6
Personal deposits				
Demand deposits	**347,038**	**6.7**	310,054	6.5
Time and call deposits	**760,837**	**14.8**	662,255	13.8
Subtotal	**1,107,875**	**21.5**	972,309	20.3
Total deposits from customers	**5,100,351**	**98.9**	4,736,584	98.9
Accrued interest	**54,348**	**1.1**	53,385	1.1
Total	**5,154,699**	**100.0**	4,789,969	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	30 June 2022		31 December 2021	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Renminbi	**4,692,756**	**91.0**	4,383,814	91.5
Foreign currencies	**461,943**	**9.0**	406,155	8.5
Total	**5,154,699**	**100.0**	4,789,969	100.0

Breakdown of Deposits by Geographical Region

Unit: RMB million

	30 June 2022		31 December 2021	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Head Office	**2,879**	**0.1**	2,941	0.1
Bohai Rim	**1,316,200**	**25.5**	1,222,932	25.5
Yangtze River Delta	**1,474,736**	**28.6**	1,337,865	27.9
Pearl River Delta and West Strait	**822,094**	**15.9**	759,667	15.8
Central China	**668,873**	**13.0**	636,401	13.3
Western China	**488,250**	**9.5**	467,708	9.8
Northeastern China	**95,389**	**1.8**	95,197	2.0
Overseas	**286,278**	**5.6**	267,258	5.6
Total	**5,154,699**	**100.0**	4,789,969	100.0

2.5.3 Shareholders' Equity

As at the end of the reporting period, the Group's shareholders' equity was RMB661.289 billion, an increase of 2.90% over the end of the previous year. The table below sets out the changes in shareholders' equity in the Group during the reporting period.

Unit: RMB million

	Six months ended 30 June 2022							
Item	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve and general reserve	Retained earnings	Non-controlling interest	Total
31 December 2021	48,935	118,076	59,216	1,644	144,427	254,005	16,323	642,626
i. Profit for the period	–	–	–	–	–	32,524	411	32,935
ii. Other comprehensive income	–	–	–	(1,349)	–	–	(200)	(1,549)
iii. Capital contributed or reduced by shareholders	–	–	–	–	–	–	3,915	3,915
iv. Profit allocation	–	–	–	–	292	(16,750)	(180)	(16,638)
30 June 2022	48,935	118,076	59,216	295	144,719	269,779	20,269	661,289

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 stayed sound. As at the end of the reporting period, the Group registered RMB5,011.244 billion total loans, up by RMB155.275 billion over the end of the previous year; an NPL ratio of 1.31%, down by 0.08 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 RMB2,462.777 billion, an increase of RMB126.598 billion or 5.42% over the end of the previous year; and its balance of personal loans reached RMB2,094.196 billion, an increase of RMB40.372 billion or 1.97% over the end of the previous year. The balance of discounted bills decreased by RMB11.695 billion or 2.51% over the end of last year to RMB454.271 billion. The Group's balance of corporate non-performing loans (excluding discounted bills) decreased by RMB3.022 billion over the end of the previous year, corresponding to a 0.23 percentage point decline in the NPL ratio over the end of the previous year. The Group's balance of personal non-performing loans increased by RMB1.233 billion over the end of the previous year, corresponding to a 0.04 percentage point increase in the NPL ratio over the end of the previous year.

Unit: RMB million

	30 June 2022				31 December 2021			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Corporate loans	**2,462,777**	**49.14**	**44,806**	**1.82**	2,336,179	48.11	47,828	2.05
Personal loans	**2,094,196**	**41.79**	**20,714**	**0.99**	2,053,824	42.29	19,481	0.95
Discounted bills	**454,271**	**9.07**	**–**	**–**	465,966	9.60	150	0.03
Total loans	**5,011,244**	**100.00**	**65,520**	**1.31**	4,855,969	100.00	67,459	1.39

Breakdown of Loans by Type of Guarantee

During the reporting period, the Group's loan guarantee structure remained stable. As at the end of the reporting period, the balance of the Group's unsecured and guaranteed loans was RMB1,997.267 billion, an increase of RMB119.110 billion over the end of the previous year, accounting for 39.85% of the Group's total loans, up by 1.18 percentage points from the end of the previous year; the balance of loans secured by collateral and pledge loans was RMB2,559.706 billion, an increase of RMB47.860 billion over the end of the previous year, accounting for 51.08% of the Group's total loans, down by 0.65 percentage point from the end of the previous year.

Unit: RMB million

	30 June 2022		31 December 2021	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**1,330,704**	**26.55**	1,292,209	26.61
Guaranteed loans	**666,563**	**13.30**	585,948	12.06
Loans secured by collateral	**2,024,838**	**40.41**	1,963,710	40.44
Pledge loans	**534,868**	**10.67**	548,136	11.29
Subtotal	**4,556,973**	**90.93**	4,390,003	90.40
Discounted bills	**454,271**	**9.07**	465,966	9.60
Total loans	**5,011,244**	**100.00**	4,855,969	100.00

Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group's total loans stood at RMB5,011.244 billion, an increase of RMB155.275 billion or 3.20% over the prior year-end. Specifically, the balances of loans to the Yangtze River Delta, the Bohai Rim and the Pearl River Delta and West Strait ranked the top three, recording RMB1,343.626 billion, RMB1,327.331 billion and RMB754.447 billion, and accounting for 26.81%, 26.48% and 15.06% of the Group's total, respectively. In terms of growth rate, the Yangtze River Delta, overseas and the Central region recorded the highest growth, reaching 6.96%, 6.85% and 3.86%, respectively. The Group's NPLs were mainly concentrated in the Bohai Rim, the Pearl River Delta and West Strait and the Yangtze River Delta, with the combined NPL balance reaching RMB48.801 billion, accounting for 74.48% of the total. In terms of incremental NPLs, the Pearl River Delta and West Strait registered the largest amount of RMB4.769 billion and its NPL ratio rose by 0.59 percentage point; followed by the Yangtze River Delta, which recorded RMB683 million incremental NPLs and a 0.01 percentage point rise in its NPL ratio.

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

Unit: RMB million

	30 June 2022				31 December 2021			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Yangtze River Delta	**1,343,626**	**26.81**	**9,394**	**0.70**	1,256,155	25.87	8,711	0.69
Bohai Rim	**1,327,331**	**26.48**	**25,196**	**1.90**	1,325,105	27.29	30,122	2.27
Pearl River Delta and West Strait	**754,447**	**15.06**	**14,211**	**1.88**	733,840	15.11	9,442	1.29
Central China	**698,019**	**13.93**	**7,133**	**1.02**	672,083	13.84	6,922	1.03
Western China	**583,291**	**11.64**	**6,260**	**1.07**	573,221	11.80	8,933	1.56
Overseas	**217,239**	**4.34**	**2,031**	**0.93**	203,311	4.19	1,825	0.90
Northeastern China	**87,291**	**1.74**	**1,295**	**1.48**	92,254	1.90	1,504	1.63
Total loans	**5,011,244**	**100.00**	**65,520**	**1.31**	4,855,969	100.00	67,459	1.39

Note: Bohai Rim includes the Head Office.

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 RMB477.776 billion and RMB405.784 billion, respectively, altogether accounting for 35.88% of the Group's total corporate loans, up by 0.03 percentage point from the end of the previous year. The balance of loans granted to the manufacturing industry stood at RMB377.884 billion, accounting for 15.34% of the total, up by 0.10 percentage point from the end of previous year. The balance of loans granted to the real estate sector posted RMB291.608 billion, accounting for 11.84% of the total, down by 0.35 percentage point from the end of the previous year. In terms of growth rate, loans to the four sectors, namely, wholesale and retail, production and supply of electric power, gas and water, water, environment and public utilities management and manufacturing grew relatively faster, up by 13.01%, 6.76%, 6.45% and 6.11% over the end of the previous year respectively, all higher than the average growth rate of corporate loans.

As at the end of the reporting period, the Group's NPLs were mainly concentrated in three sectors, i.e., rental and business service sector, manufacturing sector and real estate sector, with their NPL balances collectively taking up 62.65% of the total corporate NPLs, but the asset quality in the manufacturing and real estate sectors continued to improve. The balance of NPLs in these two sectors decreased by RMB1.858 billion and RMB1.902 billion over the end of the previous year, respectively, corresponding to a 0.67 percentage point decline and a 0.74 percentage point decline in their respective NPL ratios compared with the end of the previous year.

As at the end of the reporting period, the Group's balances of NPLs in the sectors of rental and business service, and production and supply of electric power, gas and water increased by RMB6.340 billion and RMB447 million over the previous year-end, and the NPL ratios went up by 1.28 percentage points and 0.40 percentage point respectively. The balance of NPLs in the sectors of construction, transportation, storage and postal service dropped by RMB3.991 billion and RMB1.786 billion respectively over the end of the previous year, and the NPL ratio declined by 3.80 percentage points and 1.21 percentage points. Main reason for the rise of NPL balance in the sector of rental and business service was the downgrade of some large customers in risk category to non-performing.

Unit: RMB million

	30 June 2022				31 December 2021			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Rental and business service	**477,776**	**19.40**	**10,606**	**2.22**	456,182	19.53	4,266	0.94
Water, environment and public utilities management	**405,784**	**16.48**	**119**	**0.03**	381,182	16.32	148	0.04
Manufacturing	**377,884**	**15.34**	**9,037**	**2.39**	356,129	15.24	10,895	3.06
Real estate	**291,608**	**11.84**	**8,429**	**2.89**	284,801	12.19	10,331	3.63
Wholesale and retail	**184,751**	**7.50**	**5,842**	**3.16**	163,489	7.00	6,548	4.01
Transportation, storage and postal service	**138,236**	**5.61**	**953**	**0.69**	144,053	6.17	2,739	1.90
Construction	**106,545**	**4.33**	**2,865**	**2.69**	105,633	4.52	6,856	6.49
Production and supply of electric power, gas and water	**90,053**	**3.66**	**1,817**	**2.02**	84,351	3.61	1,370	1.62
Public and social organizations	**7,963**	**0.32**	**282**	**3.54**	7,898	0.34	282	3.57
Others	**382,177**	**15.52**	**4,856**	**1.27**	352,461	15.08	4,393	1.25
Total corporate loans	**2,462,777**	**100.00**	**44,806**	**1.82**	2,336,179	100.00	47,828	2.05

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**	**30 June 2022**	31 December 2021	31 December 2020
Percentage of loans to the largest single customer (%)(1)	**≤10**	**1.20**	1.23	4.31
Percentage of loans to the top 10 customers (%)(2)	**≤50**	**9.98**	10.15	15.74

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

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

Unit: RMB million

	Industry	30 June 2022 Balance	Percentage in total loans (%)	Percentage in regulatory capital (%)
Borrower A	Transportation, storage and postal services	**9,668**	**0.19**	**1.20**
Borrower B	Water, environment and public utilities management	**9,368**	**0.19**	**1.16**
Borrower C	Real estate	**9,324**	**0.19**	**1.15**
Borrower D	Real estate	**8,119**	**0.16**	**1.01**
Borrower E	Rental and business services	**7,988**	**0.16**	**0.99**
Borrower F	Transportation, storage and postal services	**7,912**	**0.16**	**0.98**
Borrower G	Real estate	**7,582**	**0.15**	**0.94**
Borrower H	Manufacturing	**7,119**	**0.14**	**0.88**
Borrower I	Overseas institution	**6,766**	**0.14**	**0.84**
Borrower J	Rental and business services	**6,723**	**0.13**	**0.83**
Total loans		**80,569**	**1.61**	**9.98**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB80.569 billion, taking up 1.61% of its total loans and 9.98% 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.

Unit: RMB million

	30 June 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Performing loans	**4,945,724**	**98.69**	4,788,510	98.61
Pass	**4,850,913**	**96.80**	4,703,620	96.86
Special mention	**94,811**	**1.89**	84,890	1.75
Non-performing loans	**65,520**	**1.31**	67,459	1.39
Substandard	**31,477**	**0.63**	33,819	0.70
Doubtful	**27,681**	**0.55**	26,938	0.55
Loss	**6,362**	**0.13**	6,702	0.14
Total loans	**5,011,244**	**100.00**	4,855,969	100.00

As at the end of the reporting period, the Group's balance of pass loans increased by RMB147.293 billion over the end of the previous year, and accounted for 96.80% of the total loans, representing a decrease of 0.06 percentage point over the end of the previous year; and the balance of special mention loans increased by RMB9.921 billion, accounting for 1.89% of the total loans, up by 0.14 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 RMB65.520 billion, representing a drop of RMB1.939 billion over the end of the previous year; and the NPL ratio stood at 1.31%, down by 0.08 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 2022, the Group had already made sufficient anticipation and preparation in response to the changing trends of loan quality. Through its pertinent measures for risk prevention and resolution and intensified efforts in NPL disposal, the changes in NPLs were within the Group's expectation and under its control. As at the end of the reporting period, both of the NPL balance and NPL ratio declined over the beginning of the year.

Migration of Loans

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

	30 June 2022	31 December 2021	31 December 2020
Migration ratio of pass loans (%)	**1.55**	2.98	3.52
Migration ratio of special mention loans (%)	**17.12**	32.87	48.12
Migration ratio of substandard loans (%)	**56.15**	77.19	76.82
Migration ratio of doubtful loans (%)	**45.19**	58.93	70.34
Ratio of migration from performing loans to NPLs (%)	**0.88**	1.93	2.56

As at the end of the reporting period, the Bank's ratio of loan migration from performing loans to NPLs was 0.88%, a decrease of 1.05 percentage points over the end of the previous year. The reason behind this change is that the Bank maintained sound asset quality, and intensified its efforts in resolving overdue loans, achieving remarkable results.

Loans Overdue

Unit: RMB million

	30 June 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**4,929,431**	**98.37**	4,765,596	98.14
Loans overdue[1]				
1-90 days	**34,153**	**0.68**	43,162	0.89
91-180 days	**13,545**	**0.27**	11,944	0.24
181 days or more	**34,115**	**0.68**	35,267	0.73
Subtotal	**81,813**	**1.63**	90,373	1.86
Total loans	**5,011,244**	**100.00**	4,855,969	100.00
Loans overdue for 91 days or more	**47,660**	**0.95**	47,211	0.97
Restructured loans[2]	**15,391**	**0.31**	16,182	0.33

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

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

As at the end of the reporting period, the Group's balance of overdue loans recorded RMB81.813 billion, a drop of RMB8.560 billion over the end of the previous year, and the proportion of overdue loans in total loans went down by 0.23 percentage point over the end of the previous year. Of these overdue loans, 0.68% were short-term and/or temporary loans with a maturity of less than 90 days, a decrease of 0.21 percentage point from the end of last year. The proportion of loans overdue for 91 days and more was 0.95%, a decrease of 0.02 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 RMB15.391 billion loans, a decrease of RMB0.791 billion in amount and 0.02 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 accounting standards for enterprises 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 30 June 2022	As at 31 December 2021	As at 31 December 2020
Beginning balance	**121,471**	126,100	115,870
Accruals during the period[(1)]	**31,143**	50,228	69,285
Write-offs and transfer-out	**(30,136)**	(64,161)	(67,236)
Recovery of loans and advances written off in previous years	**5,519**	9,627	8,127
Others[(2)]	**1,175**	(323)	54
Ending balance	**129,172**	121,471	126,100

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

(2) Including foreign exchange rate changes and others.

As at the end of the reporting period, the Group's balance of allowance for loan impairment losses registered RMB129.172 billion, up by RMB7.701 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 197.15% and 2.58%, up by 17.08 percentage points and 0.08 percentage point over the end of the previous year, respectively.

2.5.5 Major Off-Balance Sheet Items

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

Unit: RMB million

Item	**30 June 2022**	31 December 2021
Credit commitments		
– Bank acceptance bills	**811,252**	669,736
– Letters of guarantee	**153,442**	128,866
– Letters of credit	**236,455**	214,958
– Irrevocable loan commitments	**55,688**	53,473
– Credit card commitments	**722,482**	708,741
Subtotal	**1,979,319**	1,775,774
Capital commitments	**2,474**	1,541
Pledged assets	**419,189**	396,557
Total	**2,400,982**	2,173,872

2.5.6 Cash Flow Statement Analysis

Net Cash Inflows Generated from Operating Activities

The Group's net cash inflows generated from operating activities registered RMB36.219 billion, and the net cash outflows for the same period of last year were RMB188.288 billion, primarily due to the sharp increase in deposits from customers.

Net Cash Inflows Generated from Investing Activities

The Group's net cash inflows generated from investing activities recorded RMB4.109 billion, and the net cash outflows for the same period of last year were RMB120.778 billion, mainly due to the decreased increment of net scale of financial investments.

Net Cash Outflows Used in Financing Activities

The Group's net cash outflows used in financing activities registered RMB51.335 billion, and the net cash inflows for the same period of last year were RMB194.225 billion, primarily due to the year-on-year drop in the net scale of interbank certificates of deposit.

Unit: RMB million

Item	Six months ended 30 June 2022	Year-on-year increase (%)	Main reason
Net Cash Inflows Generated from Operating Activities	**36,219**	Negative in the same period of last year	
Including: Cash inflows due to increase in deposits from customers	**351,799**	150.97	Decrease in deposits from customers
Net cash outflows due to decrease in interbank business [(Note)]	**(163,919)**	117.40	Decrease in interbank liabilities
Cash outflows due to increase in loans and advances to customers	**(179,437)**	(29.22)	Year-on-year decrease in the increment of loans
Net Cash Inflows Generated from Investing Activities	**4,109**	Negative in the same period of last year	
Including: Proceeds from redemption of investments	**1,336,535**	(18.80)	Decrease in sale and redemption of financial investments
Payments on acquisition of investments	**(1,331,906)**	(24.58)	Decrease in the scale of financial investments
Net Cash Outflows Used in Financing Activities	**(51,335)**	(126.43)	
Including: Proceeds from issuance of debt certificates	**362,177**	(28.09)	Decrease in issuance of interbank certificates of deposit
Proceeds of issuance of other equity instruments	**3,915**	(90.21)	Decrease in the issuance of undated bonds
Principal repayment for issued debt certificates	**(400,708)**	19.32	Increase in repayment of matured interbank deposit certificates

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

2.5.7 Capital Adequacy Ratio Analysis

The Group has established a comprehensive capital management system covering capital planning, capital allocation, capital evaluation, 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 "evaluation of economic capital", the Bank reformed 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 13.05%, a decrease of 0.48 percentage point from the end of the previous year; a 10.49% tier-one capital adequacy ratio, 0.39 percentage point lower than the end of the previous year; and a 8.56% core tier-one capital adequacy ratio, down by 0.29 percentage point from the end of the previous year, all meeting regulatory requirements. The Group will continue to carry out comprehensive capital management with the focus on capital under the guidance of "light development" and "value creation", and realize the balanced development of business growth, value return and capital consumption by strengthening capital management measures, so as to improve capital application efficiency at all fronts.

Capital adequacy ratios

Unit: RMB million

Item	30 June 2022	31 December 2021	Increase (%)/ Change	31 December 2020
Net core tier-one capital	**530,026**	514,078	3.10	471,251
Net additional tier-one capital	**119,509**	117,961	1.31	77,710
Net tier-one capital	**649,535**	632,039	2.77	548,961
Net tier-two capital	**157,915**	153,772	2.69	152,768
Net capital	**807,450**	785,811	2.75	701,729
Risk-weighted assets	**6,189,303**	5,809,523	6.54	5,393,248
Core tier-one capital adequacy ratio	**8.56%**	8.85%	Down 0.29 percentage point	8.74%
Tier-one capital adequacy ratio	**10.49%**	10.88%	Down 0.39 percentage point	10.18%
Capital adequacy ratio	**13.05%**	13.53%	Down 0.48 percentage point	13.01%

Leverage ratio

Unit: RMB million

Item	30 June 2022	31 December 2021	Increase (%)/ Change	31 December 2020
Leverage ratio	**6.52%**	6.78%	Down 0.26 percentage point	6.40%
Net tier-one capital	**649,535**	632,039	2.77	548,961
Adjusted balance of on-and off-balance sheet assets	**9,955,854**	9,322,716	6.79	8,582,636

Note: The Group calculated its leverage ratio in accordance with the provisions of the *Rules on Leverage Ratio of Commercial Banks (Revision)* (CBRC Decree [2015] No.1). For detailed information about leverage ratios, please refer to the column on investor relations at http://www.citicbank.com/about/investor/financialaffairs/gglzb/2022_/.

2.5.8 Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the *International Financial Reporting Standards* (IFRS) required the Group to make certain accounting estimates and assumptions when applying its accounting policies to determine the amounts of assets, liabilities as well as profits and losses for the reporting period. The accounting estimates and assumptions made by the Group were based on its historical experience and other factors such as reasonable expectations of future events. The key assumptions involved in such estimates and the judgment on uncertainties were reviewed on an on-going basis. Such accounting estimates and assumptions made by the Group were all appropriately recognized during the current period of the concerned changes and will be recognized as such during the subsequent periods of any impacts resulting from such changes.

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

2.5.9 Major Financial Statement Items with More than 30% Changes

Unit: RMB million

Item	30 June 2022/ six months ended 30 June 2022	Increase/Decrease over previous year-end/ year-on-year (%)	Main reason
Placements with banks and other financial institutions	**232,026**	61.2	Increase in placements with banks and other financial institutions
Derivative financial assets	**33,262**	46.4	Increase in the transaction amount and revaluation of derivative financial instruments
Financial assets held under resale agreements	**44,936**	(50.9)	Decrease in financial assets held under resale agreements
Other assets	**94,890**	59.7	Increase in funds to be cleared
Financial liabilities measured at fair value through profit or loss	**5,472**	370.1	Increase in short selling of bonds and structured products
Derivative financial liabilities	**32,342**	41.2	Increase in the transaction amount and revaluation of derivative financial instruments
Taxes and fees payable	**5,604**	(47.9)	Decrease in income tax payable
Estimated liabilities	**16,705**	40.1	Increase in provision for off-balance-sheet business impairment
Other liabilities	**59,167**	66.1	Increase in dividends payable and amounts to be cleared
Other comprehensive income	**295**	(82.1)	Decrease in fair value of financial investments
Net gain from investment securities	**12,140**	51.5	Increase in gain from investment securities measured at fair value through profit or loss, and increase in gain from transfer of financial assets

2.5.10 Segment Report

2.5.10.1 Business Segments

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

Unit: RMB million

Business Segment	Six months ended 30 June 2022 Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)	Six months ended 30 June 2021 Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)
Corporate banking	**47,725**	**44.1**	**17,371**	**44.9**	50,113	47.4	13,234	37.9
Retail banking	**42,025**	**38.8**	**7,799**	**20.1**	39,549	37.5	10,117	29.0
Financial markets business	**17,441**	**16.1**	**13,244**	**34.2**	13,982	13.2	12,082	34.6
Others and unallocated	**1,027**	**1.0**	**297**	**0.8**	2,012	1.9	(510)	(1.5)
Total	**108,218**	**100.0**	**38,711**	**100.0**	105,656	100.0	34,923	100.0

Unit: RMB million

Business Segment	30 June 2022 Segment assets	Proportion (%)	31 December 2021 Segment assets	Proportion (%)
Corporate banking	**2,630,265**	**32.0**	2,725,565	34.1
Retail banking	**2,087,959**	**25.4**	2,124,792	26.6
Financial markets business	**2,903,409**	**35.3**	2,357,445	29.5
Others and unallocated	**605,137**	**7.3**	788,177	9.8
Total	**8,226,770**	**100.0**	7,995,979	100.0

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

2.5.10.2 Geographical Segments

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

Unit: RMB million

Geographical Segment	30 June 2022 Segment total assets Balance	Proportion (%)	Six months ended 30 June 2022 Segment profit before tax Balance	Proportion (%)	31 December 2021 Segment total assets Balance	Proportion (%)	Six months ended 30 June 2021 Segment profit before tax Balance	Proportion (%)
Head Office	**3,260,638**	**39.6**	**18,854**	**48.7**	3,311,831	41.4	10,624	30.4
Yangtze River Delta	**1,911,535**	**23.2**	**5,298**	**13.7**	1,786,736	22.3	7,251	20.8
Pearl River Delta and West Strait	**977,198**	**11.9**	**604**	**1.6**	936,397	11.7	4,472	12.8
Bohai Rim	**1,806,676**	**22.0**	**6,543**	**16.9**	1,827,646	22.8	5,019	14.4
Central China	**809,534**	**9.8**	**5,026**	**13.0**	773,844	9.7	2,522	7.2
Western China	**655,642**	**8.0**	**278**	**0.7**	645,367	8.1	1,939	5.5
Northeastern China	**114,003**	**1.4**	**255**	**0.6**	117,419	1.5	584	1.7
Overseas	**419,590**	**5.1**	**1,853**	**4.8**	380,343	4.8	2,512	7.2
Offset	**(1,728,046)**	**(21.0)**	**–**	**–**	(1,783,604)	(22.3)	–	–
Total	**8,226,770**	**100.0**	**38,711**	**100.0**	7,995,979	100.0	34,923	100.0

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

2.6 Key Issues in Capital Market

2.6.1 Wealth Management

2.6.1.1 Wealth Management of Retail Customers

To built "new retail" with wealth management at its core, the bank adhered to the customer-orientated and value-orientated approach, comprehensively deepened customer relationship to become customers' first choice of wealth management bank as an expert at "settlement, investment, financing, activities and services (hereinafter referred to as "five expertise"), with the suitability for "all customers – all products – all channels" as the operation strategy, four links of "sector integration, bank-wide collaboration, intra-Group coordination and external connection" as the development path and two wings of "digitalization and ecologicalization" as the capability support. As at the end of the reporting period, the balance of retail assets under management (including assets measured at fair value)[6] of the Bank stood at RMB3.70 trillion, an increase of 6.49% over the end of last year.

The Bank practiced the "all customers, products and channels" management strategy. Regarding customers, the Bank constantly enhanced stratified and grouped management of customers, provided them with whole lifecycle services, launched innovative "Happiness +" senior care account book focusing on the senior customer group and upgraded the "Happiness +" pension finance service system. Regarding products, the Bank upgraded the product system covering the "five expertise" relationship, improved the capabilities for investment research and asset allocation, selected excellent financial products in the whole market, continued to create two major products of discretionary and family trust, improved the "Youth Travel" going abroad finance service, and enhanced the brand influence of "go abroad via China CITIC Bank". Regarding channels, the Bank took APP as a main management channel and remote channels as supplements. The "outlet + remote" and "outlet + online" collaborative operation produced remarkable results.

The Bank attached equal importance to "four links" to foster new growth points. Regarding sector integration, the Bank launched comprehensive management of personal credit customers, advanced the "dual card integration" of debit and credit cards, established a characteristic wealth management service system for credit card customers and pushed forward the integration of unlimited card with private banking in terms of benefits, resources and teams. Regarding Bank-wide collaboration, the Bank connected asset management end and comprehensive financing end, sustained supply of high-quality assets and wealth management products, and boosted the scale growth of wealth management. The Bank strategically advanced payroll business through corporate-retail collaboration and improved the productivity of channels in capital market through "investment banking + private banking" linkage. Regarding the intra-Group synergy, the Bank conducted recommendation and referral, expanded the "individual + family + enterprise" comprehensive services for private banking, and built the "Cloud Enterprise Club" brand of China CITIC. Regarding external connection, the Bank reviewed 23 key customer acquisition scenarios in ten ecosystems including housing, car, consumption and education, and created a closed loop of scenario-based marketing.

The Bank continuously empowered operation management through "two wings". The Bank constantly deepened digital transformation of retail business, further optimized M+ platform construction and operation, and facilitated to realize the penetrated management of retail strategy implementation, effective management of organizations and teams in the retail sector and scientific management of resource allocation in the retail sector. The Bank built open, win-win and symbiotic values and organizational capabilities in the aspects of organizational mechanism, operation system, service capability and cooperation model, and took the lead in building agile organizations in the development of channel synergy.

2.6.1.2 Wealth Management for Corporate Customers

The Bank is committed to becoming a "comprehensive, professional, leading and integrated" wealth service provider for corporate customers, strengthened top-level design as required by the "342 Action Plan for Developing Core Business Capabilities", enhanced the synergy of the Group, and spared no effort to boost the healthy development of corporate wealth management business centering on "building platforms", "expanding customers", "building teams", "enhancing technologies" and "promoting collaboration".

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

During the reporting period, the Bank continuously improved the ecosystem of corporate wealth management products, enriched the product catalogue, continued to transform the new products to non-monetary net-worth wealth management products, increased the provision of personalized and customized wealth value-added services for key customers, and realized sustainable growth of customized one-to-one wealth management. The Bank gave full play to the synergy and cooperation advantages of CITIC Group, deepened the vertical cooperation with leading financial subsidiaries engaged in securities, trust and fund business within CITIC Group, provided diverse products and services including investment bonds, equity and financial derivatives for customers, launched "CITIC Premier" wealth products for corporate customers, and enhanced the competitiveness of its corporate wealth management brand.

As at the end of the reporting period, the scale of corporate wealth management registered RMB203.054 billion, an increase of RMB24.100 billion over the end of last year. In particular, total scale of corporate wealth management stood at RMB194.512 billion, an increase of RMB18.984 billion over the end of last year, ranking among the top in joint-stock commercial banks as for the growth. Other asset management products for sale on a commission basis posted RMB8.542 billion, a rise of 149.40% over the end of last year.

2.6.2 Asset Management

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

The Bank's asset management business closely followed the national strategies. The Bank actively promoted common prosperity, took the lead in exploring the new model of "charity + finance", and issued three "Common Prosperity" thematic products during the reporting period, with a total scale of about RMB1.0 billion. It vigorously developed green finance, actively communicated green value, made breakthroughs in green finance productization, and issued a number of ESG, green low-carbon thematic products. As a result, the product scale continued to grow. It accelerated the arrangement in pension finance, made multi-dimensional efforts in product creation, investment management, risk control mechanism, management rule and operation custody after obtaining formal approval for the pilot qualification of pension wealth management products, and actively pushed forward the online trial of the first batch of pilot pension wealth management products. The Bank continuously served technological innovation, supported enterprises with specialized, sophisticated techniques and unique, novel products, empowered technology-based innovative enterprises through direct equity investment, equity financing, industrial fund, patent technology financing and so on, thus promoting breakthroughs in the "bottleneck" core technologies. As at the end of the reporting period, the underlying assets of new products were all performing assets, indicating sound asset quality control.

With customer demands as the guide in asset management business, the Bank created a product system featuring "6+2", namely six tracks of currency, currency+, fixed income, fixed income+, hybrid and equity and two new tracks of project and equity, so as to fully satisfy the differentiated wealth management needs of different customers. Product scale hit another record high. As at the end of the reporting period, the total scale of wealth management products stood at RMB1,648.195 billion. Particularly, the scale of new products posted RMB1,548.035 billion, rising to 93.92% of the total. The scale of non-monetary fixed income products grew by RMB331.807 billion. The product performance and market status in asset management business were highly recognized by the market. During the reporting period, it cumulatively won six awards such as "Jingui Award" and "Jinyu Award". In the comprehensive ranking of banks by wealth management capabilities in the first and second quarters of 2022 issued by Pystandard, CITIC Wealth Management ranked second among nationwide wealth management institutions.

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

2.6.3 Comprehensive Financing

The Bank made proactive efforts to implement the state's macro-policies, made solid progress in the "three-pronged integration"[7] project in three dimensions of customers, products and management, actively created an ecosystem of value, constantly enhanced the advantages of comprehensive financing service and strove to become the "best comprehensive financial service provider". As at the end of the reporting period, the balance of the Bank's integrated financing amounted to RMB12.15 trillion, up by 5.9% over the end of last year.

The Bank focused on the "three-pronged integration" project of products, customers and management systems. Through the integration of "commercial banking + investment banking", the Bank transformed from "credit intermediary" to "service intermediary" and "traffic operation" and moved ahead with capital-light business development. During the reporting period, the scale of debt financing instruments underwritten reached RMB379.768 billion, ranking first in the market[8]. The number of projects involved in the issuance of local government bonds reached 2,004, an increase of 1,195 over the previous year, and the scale of local government bond funds reached RMB143.085 billion, exceeding the total level of the previous year. The Bank energetically advanced the creation of small and medium-sized customer groups, built a "value inclusive" system, ramped up efforts in the management of strategic and institutional customers, focused on market players in the new economic area, stepped up marketing to high-quality customers group such as listed companies and enterprises with specialized, sophisticated techniques and unique, novel products, and expanded channels for acquiring customers. During the reporting period, the Bank had 984.5 thousand corporate customers in total, and established cooperation with more than 2,000 "giant" enterprises with specialized, sophisticated techniques and unique, novel products, and more than 4,000 companies that have been or are to be listed.

The Bank enhanced the professional ability to serve the real economy and supported the stable circulation of the supply and industry chains. Centering on greenness, carbon peak & carbon neutrality, strategic and emerging industries, rural revitalization, advanced manufacturing, technological innovation and other fields, the Bank actively put into action the requirements of the CPC Central Committee for "stabilizing the economy", supported the state's strategic plan for economic transformation, improved the professional ability of financial services for the real economy, and promoted the steady growth of loans in key areas of the real economy. As at the end of the reporting period, the balance of corporate loans to strategic and emerging industries increased by 18.13%, and the balance of green credit loans increased by 40.54%. Supply chain financing of RMB621.043 billion was granted to nearly 30 thousand enterprises, representing an increase of 39.65% over the same period of last year.

The Bank defined the subjects of ecosystems and tapped their value. The Bank focused on building the ecosystems of more than 300 institutions in ten categories, formulated ecosystem guidelines, clarified the value and model of cooperation with ecosystem subjects, and fully tapped the multi-dimensional and multi-perspective value of ecosystem subjects in fund, asset, customer, product, channel and license. The Bank deeply cultivated the "extensive synergy" scenario. Under the guidance of CITIC Group, it actively gave full play to the synergic advantages of the Group, proactively improved the CITIC synergy platform, built a multi-dimensional financing ecosystem featuring "beyond a bank", achieved its capital-light development goals, and created value beyond customers' expectations.

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

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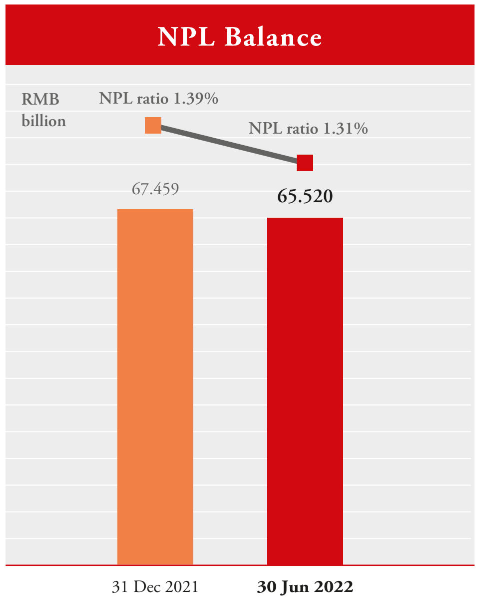
7 It refers to the building of the product system integration project, the "1+3" project of customer management integration and the "1+3" project of management system integration.

8 Ranking based on Wind Information's data.

2.6.4 Asset Quality

During the reporting period, with the complex external situation, various unpredictable risks and challenges obviously surged. With the high-quality development as the main task, the Bank gave top priority to stability and sought progress while keeping performance stable. While alleviating short-term difficulties in the real economy, it endeavored to enhance long-term sustainable services capability for the real economy.

As at the end of the reporting period, total loans of the Group amounted to RMB5,011.244 billion, representing an increase of RMB155.275 billion over the end of the previous year. Asset quality improved stably, and both NPL balance and ratio continued to drop quarter by quarter. As at the end of the reporting period, the balance of NPLs were RMB65.520 billion, a decrease of RMB1.939 billion over the beginning of this year. NPL ratio was 1.31%, a decrease of 0.08 percentage point over the year beginning. Under the impact of the pandemic, problematic loans increased slightly compared with the beginning of the year, and the balance of problematic loans was RMB160.331 billion, an increase of RMB7.982 billion compared with the beginning of the year. The problematic loan ratio was 3.20%, up by 0.06 percentage point over the beginning of the year. The risk resistance capability continued to improve. The allowance coverage ratio and the ratio of allowance for impairment of loans to total loans stood at 197.15% and 2.58%, respectively, up by 17.08 percentage points and 0.08 percentage point over the beginning of this year, indicating adequate provisioning.



The Bank continued to strengthen risk management and control. On the one hand, it strictly controlled increased risks, and carried out differentiated post-lending inspection and stratified and classified risk monitoring of key customers and key areas such as real estate and local government financing vehicle. It developed plans for reducing concentration according to the strategy of "one policy for one branch". The Bank sped up the development of a warning management mechanism for corporate customers, and continuously optimized "online + offline" risk warning. On the other hand, it accelerated to clear existing risks, implemented the list-based management of key projects, adopted category-specific policies to speed up the resolution and disposal, and made positive progress in the recovery and resolution of non-performing assets. In the first half of 2022, both the cash recovery of non-performing assets on the balance sheet and asset management business and the cash recovery of written-off assets increased year on year.

2.6.5 Risk Management of Key Industries

During the reporting period, the international environment was grim and complex, and sporadic cases of the pandemic were reported in many places of China. Impacted by unexpected factors such as the Russia-Ukraine conflict, the rebound of the pandemic and other unanticipated emergencies, the downward pressure on China's economic growth was beyond expectations. The Bank ramped up risk prevention and resolution efforts and actively responded to risks and challenges. As at the end of the reporting period, the balance of loans to transportation, accommodation and catering, tourism, entertainment and other industries severely hit by the pandemic accounted for 6.79% of the Bank's corporate loans, down by 0.6 percentage point over the beginning of the year. Particularly, the balance of loans to customers at A level and above and medium- and large-sized enterprises accounted for more than 70%, and the impact was controllable. During the reporting period, the Bank continued to devote more efforts in defusing and disposing of risks. As at the end of the reporting period, the overall NPL ratio of the above industries was 1.66%, down by 0.83 percentage point from the beginning of the year.

2.6.5.1 Risk Management of Real Estate Industry

The Group strictly implemented the policies for stabilizing the real estate market, adhered to the positioning of "housing is for living, not for speculation", and introduced differentiated housing credit policies in different cities. It distinguished real estate project risks from the risks in enterprise groups, met the reasonable financing needs of real estate enterprises, and carried out M&A loan business in a stable and orderly manner. Moreover, the Group supported rigid and improvement housing demands, worked hard towards "guaranteeing apartment delivery and stabilizing people's livelihood", and boosted the steady and healthy development of the real estate market.

The Group made active response to the national real estate adjustment and control policies, strictly implemented the regulatory requirements, adopted the long-term and effective real estate management mechanism, carried out business activities in an orderly manner 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 actual and contingent credit, proprietary bond investment and proprietary non-standardized investment, stood at RMB398.701 billion, representing an increase of RMB988 million from the end of last year, of which the balance of corporate real estate loans amounted to RMB291.608 billion, representing an increase of RMB6.807 billion from the end of last year, accounting for 11.84% of the Group's corporate loans, a decrease of 0.35 percentage point from the end of last year. The balance of the Group's corporate real estate financing bearing no credit risk, including investment with wealth management funds, entrusted loans and management and agency sale of trust or fund of cooperative institutions amounted to RMB55.342 billion, representing a decrease of RMB10.568 billion from the end of last year. And the balance of debt financing instrument underwritten as lead underwriter stood at RMB53.908 billion, down by RMB1.243 billion over the end of previous year. The Group adopted differentiated policies for real estate corporate customers and increased efforts in risk mitigation and disposal. As at the end of the reporting period, the Group's ratio of non-performing loans in real estate was 2.89%, a decrease of 0.74 percentage point over the end of the previous year.

In the next step, the Group will continue to implement the policies and regulatory requirements regarding the real estate industry and conduct real estate business in a prudent manner. It will select specific regions, customers and business patterns, and continuously optimize the real estate business structure. It will adhere to the closed-loop management of sales fund and strengthen the risk monitoring of key customers. For the agency sales, wealth management and other businesses, 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 make forward-looking judgment, so as to 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.

2.6.5.2 Credit Card Risk Management

The Bank thoroughly implemented the policies of "ensuring stability on six key fronts" and "maintaining security in six key areas"[9] and various regulatory requirements, performed management responsibilities, and provided financial services for cardholders based on their daily consumption needs. The Bank further optimized structure, strengthened internal control and management of risks, and effectively guarded against credit card business risks.

Adhering to the risk culture concept of "firmly holding the bottom line, reinforcing responsibility, focusing on execution, active management and creating value", the Bank effectively managed the risks and supported the high-quality development of credit card business. It pressed ahead with the application of fintech, built a real-time risk scoring system, upgraded risk control from quasi-real-time to real-time, and effectively enhanced the accuracy of customer risk identification. Relying on intelligent technology and big data, the Bank continuously improved the capability for customer segmentation, and constantly optimized customer and asset structures through prudent and accurate credit management. It strengthened the management of non-compliant card use involved in gambling and fraud and fraud risks, enhanced the monitoring and exit management of high-risk customers, and improved the efficiency of risk management in lending. Meanwhile, the Bank constantly intensified risk monitoring, paid continuous attention to changes in macroeconomic situation and regulatory policies, stepped up the research and judgment of internal and external economic situations, optimized strategies in a timely manner, and strove to maintain stable asset quality.

As at the end of the reporting period, the balance of credit card loans of the Bank stood at RMB517.063 billion, a decrease of RMB10.679 billion over the end of last year. The balance and ratio of NPLs were RMB9.906 billion and 1.92%, respectively, indicating stable asset quality on the whole.

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

2.6.6 Stabilizing the Economy and Supporting the Real Economy

During the reporting period, affected by the sporadic cases of the pandemic and the Russia-Ukraine conflict, the situations at home and abroad changed greatly, and the downward pressure on the economy obviously increased. After the State Council issued a package of policies and measures to stabilize the economy, the Bank promptly formulated the *29 Measures of China CITIC Bank for Stabilizing the Economy*, resolutely shouldered its mission as a state-owned enterprise, made overall plans to fight the pandemic, promoted loan issuance, prevented risks, made every effort to alleviate difficulties in market entities affected by the pandemic, and increased credit granting to boost the steady growth of the real economy.

The Bank resolutely overcame difficulties together with the entities affected by the "pandemic". For the providing necessity supply, preventing the pandemic and fighting against the pandemic in the areas seriously affected by the pandemic, the Bank provided a green approval channel, and reasonably enhanced the flexibility of credit approval. For micro, small and medium-sized enterprises (including micro, small and medium-sized enterprise owners) and individuals affected by the pandemic, the Bank negotiated the way of repayment of loan principal and interest according to actual situations and the market-oriented principle. For the areas affected by the pandemic, the Bank conducted post-credit inspection off site to strengthen the compliance management of the usage of credit funds, so as to ensure that they are used to fight the pandemic or to ensure the normal operation and turnover of customers. It rolled out policies for video-based underwriting and account handling during the pandemic, and innovated the "E Credit" online credit platform to effectively solve the problem that normal underwriting, face-to-face signature, account opening and account change cannot be handled during the pandemic.

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

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

2.6.7 Financial Holdings Platform

2022 is the funding year of CITIC Financial Holdings. Under the guidance of the "553" Strategy[10] of the Group and the "1435" Strategy[11] of CITIC Financial Holdings, the Bank will improve its capabilities for unified customer services, deep business collaboration, comprehensive risk prevention & control and advanced fintech according to the requirements of market-oriented mechanism, ecological collaboration, intensive resource allocation, digital management and international vision, create value chain of three links, i.e., wealth management, asset management and comprehensive financing, and provide stronger support for the development of the real economy.

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

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

The Bank will improve its capabilities for comprehensive risk prevention and control. Under the framework of the risk prevention and control system of CITIC Financial Holdings, the Bank will promote the integration of customer risk warning, unified credit management and risk resolution & disposal, firmly hold the bottom line for risks, and avoid risk overlap and spillover. The Bank will share information about markets, industries, countries, transactions and operations with CITIC Group's subsidiaries, judge the development prospects of regions and industries of customers in multiple dimensions, jointly identify customer risks, and form more unified customer access criteria, review & approval standards and risk appetite. At the same time, the Bank will establish an effective risk isolation mechanism and "firewall", improve the customer relationship map, strengthen the management and monitoring of credit risk of key customers, reduce risk exposures, and control the total amount of comprehensive financing of customers.

The Bank will improve the ability to provide comprehensive financial services. In terms of finance-finance cooperation, CITIC Financial Holdings will guide financial subsidiaries to focus more on the sharing and mutual recommendation of government, corporate and personal customers. The Bank will also make use of the license advantages of its subsidiaries to make up for its operational shortcomings and make new breakthroughs in the four major areas of wealth management, capital market, asset custody and NPL disposal. In terms of industry-finance cooperation, the Bank will better empower the development of its subsidiaries in four major industrial sectors of advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanization, strengthen the interaction with CITIC Group's capital investment platform, capital operation and strategic investment platform, and constantly improve the synergistic ecosystem.

The Bank will enhance unified customer service capabilities. Following the principle of "One CITIC, One Customer", the Bank will integrate specialized financial service resources in securities, trust, insurance, asset management and other sub-areas within CITIC Group in a customer-centric way, give full play to the investment research and advisory service forces of CITIC think tank with wealth management, asset management and comprehensive financing as breakthrough, carefully allocate "CITIC Service Team" for customers, provide comprehensive services covering the lifecycle of customers, and expand the coverage of CITIC products among its customers.

The Bank will improve advanced fintech capabilities. Relying on the Platform of CITIC Financial Holdings, the Bank will promote the sharing of data and information among financial subsidiaries, strengthen fintech empowerment, cooperate with relevant subsidiaries to promote the interconnection and application of "synergy +" and "enjoyment +" systems, advance customer value analysis and data mining, further improve the efficiency and accuracy of comprehensive services, achieve lifecycle customer management, and promote the conversion of CITIC Group's strategic customers and the customers of CITIC Financial Holdings and financial subsidiaries to the customers of the Bank.

2.6.8 Digital Transformation

Sticking to the strategy of strengthening the Bank through technologies and customer value oriented approach, with digital transformation as the main task, the Bank developed entire-chain data capabilities throughout front, middle and back offices around application of data in business and business conduct based on data, constantly advanced the digital and intelligent transformation of operation management from informatization and comprehensively bolstered the building of three core capabilities. As at the end of the reporting period, the number of the Bank's IT personnel (excluding subsidiaries) reached 4,180, accounting for 7.58% of the total.

The Bank continuously improved technological innovation and business support capabilities. It sped up the construction of an enterprise-level architecture and a middle office, and significantly improved the efficiency of response to markets. The public capacity center of the business middle office quickened steps in applying the front office sector, with a total of 128 systems connected and an average daily transaction volume of nearly 35 million. The technology middle office continuously optimized the service governance system integrating service grid, CRPC and bytecode. The Lego platform was fully extended to all self-built systems, and the efficiency of one-stop development and operation platform line setup was raised from "day" to "second" level. The Bank promoted the cloud-based transformation of infrastructure in an all-round way, with the cloud-based ratio reaching 99.7%. It completed the intracity disaster recovery of production cloud, and accelerated the cloud development in subsidiaries. The layout of four clouds (production cloud, development and testing cloud, ecological cloud and subsidiary cloud) basically took shape. Relying on the Bank's rich financial scenario needs and Huawei's leading digital capabilities, the Bank established a joint innovation laboratory with Huawei, focusing on the joint solution of key digitalization problems in the financial industry and striving to build a leading financial digitalization innovation incubation center in China. The Bank consistently deepened the all-in-one operation & maintenance system covering computer rooms, networks, cloud computing, application systems, network security and data security, and realized the export of IT operation and maintenance capabilities.

The Bank accelerated the improvement of enterprise-class data capabilities. It made great efforts in system and mechanism innovation. During the reporting period, the Bank set up the big data center as a tier-1 department to coordinate and integrate bank-wide technical resources such as data architecture, platforms and tools, formed a big data supporting team of nearly 1,000 members, and concentrated efforts on building a digital capability center. The Bank focused on solving the data extraction and usage problems, set up a bank-wide digital operation team, and, raised the extraction efficiency by 30% year on year by optimizing the Bank's extraction demand acceptance process. It formulated and issued the *Strategic Plan of China CITIC Bank for Data*, focused on the building of core capabilities in the three areas of data governance, data application and technical support, promoted the transformation of data management from local coordination and passive services to overall management and active services, and developed industry-leading data capabilities. The data middle office upgraded the plan blueprint of the enterprise-level data architecture, and fully implemented the integration of data tables into the lake in stages, with a total of nearly 10,000 tables into the lake. The data warehouse continued to enrich and integrate the source system tables into the warehouse, with a total of 6,500 tables into the warehouse, rendering a solid support for the data users on big data platforms throughout the Bank. Moreover, the Bank continuously perfected the data governance system, re-examined and improved more than 11 thousand basic data standards, consistently built enterprise-level data dictionaries, and released 13 thousand enterprise-level data items on a cumulative basis. The Bank iteratively upgraded artificial intelligence and big data technologies, enhanced the general platform capabilities of OCR, RPA and knowledge graph, and fully embedded them into many application scenarios such as integrated financial management, public operation, smart counter, anti-money laundering and security protection, so as to raise the efficiency of frontline operations.

The Bank continuously improved the ability to boost business through technology. It capitalized on the digital technology to promote the full connection of G-end, B-end and C-end, and strove to create a digital ecosystem.

For retail business, the Bank smoothly launched the enterprise-level integrated wealth management sale platform Benteng (Phase I) based on microservice, middle office, distributed and container cloud technology, which comprehensively integrated the Bank's wealth management sale, operation and service capabilities and realized the full coverage of products in multiple categories such as wealth management, fund, trust and asset management. The rapid access capability, the multi-scenario and multi-strategy sales capability and the 24/7 trading capability of new wealth management products were significantly improved. The overall performance of the platform was improved by more than 5 times, which strongly promoted the comprehensive reconstruction and upgrading of the Bank's wealth management platform. The Bank started the Phase II building of the retail operation platform (M+), launched the portraits of five expertise, virtual institution, remote co-management, mobile asset allocation and other key functions, boosting the great growth in AUM balance.

For corporate business, the Bank continuously optimized the corporate digital marketing platform, launched chain marketing, label screening, product display, marketing whole process and other functions, and effectively enriched the mobile marketing application scenarios for corporate customers. In addition, relying on CITIC Brain – corporate intelligent product recommendation model system, the Bank supported the precision marketing of frontline customer managers and deposits effectively grew more than RMB40 billion.

For financial markets business, with the scenario-based agency business as direction, the Bank continuously opened the "interbank +" platform, constantly enhanced customer experience, and achieved two-way T+0.5 clearing for the agency sale business, which is 24 hours shorter than the traditional agency business leading industry. The Bank innovatively developed an option quotation robot to achieve automatic quotation and transaction of complex derivatives such as options, and its quotation is as accurate as that of mature foreign products, and the efficiency of quotation is increased by 20 times, effectively breaking the long-term technological monopoly of foreign countries.

For middle and back offices, the Bank innovated a digital risk control system for chain anti-fraud, which was awarded the highest award – "Full Glory Award" of the 5th (2022) Digital Financial Innovation Competition sponsored by China Financial Certification Authority, ranking first among all participating banks and technology companies in the field of digital risk control. The new generation anti-money laundering list monitoring system was put into operation, which comprehensively improved the accuracy of early warning, significantly reduced ineffective early warning from 2 million to about 3,000, greatly reducing the pressure of manual screening of branches and effectively easing the burden and boosting productivity in frontline.

2.7 Business Overview

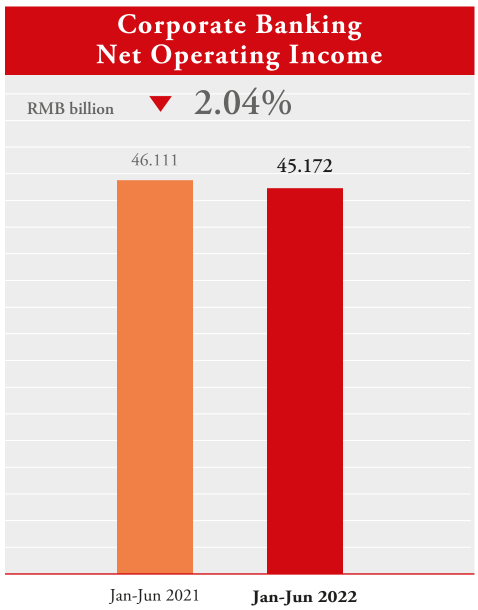
2.7.1 Corporate Banking

During the reporting period, in face of the complex and changing internal and external situations, the Bank's corporate banking strictly implemented the decisions and plans of the nation. With high-quality sustainable development as the main task, it increased support to the real economy and actively promoted business transformation. The Bank's corporate banking business development maintained steady progress on the whole.

The Bank's corporate deposits maintained steady growth in business scale and reasonable management and control of cost. According to the general requirements of "balance between scale and cost", centering on the goals of "expanding the scale, controlling the cost and optimizing the structure", corporate deposits maintained a balanced development featuring trend steady growth in total amount 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 RMB3,824.269 billion, up by RMB224.021 billion over the end of last year, continuing to lead joint-stock commercial banks. The balance of structured deposits accounted for 4.51% of the total, down by 0.33 percentage point from the end of last year. During the reporting period, the Bank's daily average balance of corporate deposits registered 3,682.558 billion, an increase of RMB137.992 billion from the previous year. The cost rate of its corporate deposits was 2.07%, up by 5 BPs year on year. The Bank's cost of corporate deposits maintained at a relatively low level among joint-stock commercial banks.

The Bank's corporate loan business actively responded to national development strategies, implemented the work requirement of safeguarding economic stability, and fully supported ensuring stability on six key fronts and maintaining security in six key areas. With a focus on key fields such as manufacturing, technological innovation enterprises and small and medium customers, the Bank adopted targeted policies and made loans to all eligible applicants. The credit scale of the Bank maintained stable growth. In the new economic field, the business realized leapfrog growth. Take state-level enterprises with specialized, sophisticated techniques and unique, novel products for example. The credit coverage was over 30% in those enterprises, and the balance of RMB corporate loans increased by over 100% from the end of last year. The asset structure was substantially optimized. The balance of green credit recorded RMB281.195 billion, an increase of RMB81.116 billion or 40.54% from the end of last year. The medium- and long-term loans to the manufacturing industry and the loans to strategic and emerging industries both grew by over 16%, higher than the average growth of the loans of the Bank. As at the end of the reporting period, the Bank's balance of RMB corporate loans (excluding discounted bills) amounted to RMB2,242.624 billion, an increase of RMB112.365 billion from the end of last year.

During the reporting period, the Bank's corporate banking business registered net operating income of RMB45.172 billion, down by 2.04% year on year, accounting for 44.58% of the Bank's net operating income, down by 2.23 percentage points from the corresponding period of the previous year. Specifically, the net non-interest income from corporate banking was RMB7.548 billion, accounting for 24.36% of the Bank's net non-interest income, down by 3.63 percentage points from the corresponding period of the previous year.



2.7.1.1 Customer Management

The Bank continued to increase support to the development of the real economy. It further improved the financial services for small- and medium-sized enterprises and the small and medium customer group operation system, and built the marketing service system featuring "targeted customer contact, effective customer acquisition, customer activation with various measures, and deepening of customer stickiness". The Bank implemented the project of "100 key customer acquisition channels and 1,000 customer acquisition chains"[12] in depth, strengthened the "linkage + channel + chain-based" customer contact model, acquired and activated customers in keys scenarios such as upstream and downstream sections of the supply chain, industrial parks, vendor chain acquiring, private and corporate banking integrated scenarios, etc. It put efforts into the new dynamic customers of enterprises with specialized, sophisticated techniques and unique, novel products, which has become the new growth driver, further explored high-value customers such as listed companies and pre-IPO companies, and deepened cooperation stickiness with value customers.

As at the end of the reporting period, the Bank recorded 984.5 thousand accounts of corporate customers, including 226.6 thousand accounts of base customers[13] and 126.8 thousand accounts of valid customers[14], up by 4,296 and 2,556 accounts from the end of last year respectively. Non-inclusive small and medium credit customers increased significantly. The number of customers with on-balance sheet RMB loan balance between RMB10 million (exclusive) and RMB100 million (inclusive) increased by 13.17%. Among key customers, 2,032 accounts of "little giants" of enterprises with specialized, sophisticated techniques and unique, novel products were opened, an increase of 542 from the end of last year; and 4,060 accounts of listed companies and pre-IPO companies were opened, an increase of 178 from the end of last year.

Strategic Customers

The Bank continuously strengthened the management of and services for strategic customers at the Head Office and branches. By integrating front, middle and back offices, and coordinating the Head Office and branches, the Bank fully tapped into the business opportunities from its 190 Head Office-level strategic customers, more than 1,600 branch-level strategic customers and their industrial chains.

Leveraging the synergistic advantages of CITIC Group, the Bank developed custom comprehensive financial solutions, innovated new supply chain financial products, streamlined business process, expanded business authorization and allocated differentiated resources for each strategic customer. Meanwhile, the Bank continued to deepen integrated financing, wealth management and transaction settlement services for leading customers in key fields and industries such as new energy, new infrastructure, high-end equipment manufacturing, automobile, TMT and extensive consumption, and provided high-quality and efficient financial services for small- and medium-sized enterprises on the industrial chains of strategic customers.

During the reporting period, the Bank's daily average balance of deposits from strategic customers stood at RMB1,329.609 billion, an increase of 3.16% over last year. As at the end of the reporting period, the balance of loans to strategic customers registered RMB772.619 billion, up by 5.18% from the end of last year. Loan quality was generally sound[15].

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12 "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.

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

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

15 Deposit balance 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.

Institutional Customers

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

During the reporting period, the Bank's institution business segment continued to intensively develop business in key fields such as public finance, social security, housing, education and healthcare and provided professional, efficient and quality financial services. It obtained qualifications for over 200 key government service accounts. The Bank played a positive role in practicing national strategies and safeguarding economic stability. For key fields such as water conservancy, transportation, renovation of old residential communities, rural revitalization, new urbanization, new infrastructure, etc., the Bank addressed the concerns of governments at all levels with full-process services for local government bonds. It provided more than 2,000 consulting services for local government bond issuance. With a focus on government administration and people's livelihood, the Bank strengthened the digital transformation of the institution business and continued to refine the intelligent governance service system. With those efforts, the number of institutional customers increased steadily.

During the reporting period, the daily average balance of deposits of institutional customers recorded RMB1,268.398 billion, up by 2.42% over last year. As at the end of the reporting period, the Bank had 61.9 thousand institutional customers[16] of all types, and the NPL ratio was 0.15%, indicating sound asset quality.

Micro and Small Enterprise Customers

During the reporting period, the Bank firmly implemented relevant decisions and plans of the nation, optimized resource allocation, and improved service capability. While fully supporting micro and small enterprises, reducing burdens and overcoming difficulties and safeguarding macroeconomic stability, the Bank promoted active and stable development of financial services for micro and small enterprises.

The Bank continued to strengthen the leading role of top-level planning. The Board of Directors listened to the report on the development of inclusive finance and considered and adopted the 2022 development plan. The Senior Management held several meetings on inclusive finance, listened to special reports and made key work arrangements. The steering group and working group for inclusive finance and rural revitalization held regular working meetings to coordinate and promote business development.

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

The Bank continuously consolidated the support of institutional mechanisms. It further improved the mechanism with "six unifications by the Head Office and four concentrations at branches"[17] at its core. On the basis of setting up an inclusive finance department at all tier-one and tier-two branches, the Bank promoted the building of direct operation teams, full-time customer managers and professional review & approval personnel at key branches.

The Bank stepped up efforts in innovation in products and services. It strengthened FinTech empowerment, refined the functions of intelligent product development credit factories, and further improved product innovation efficiency. Meanwhile, the Bank intensively developed key customer groups such as enterprises with specialized, sophisticated techniques and unique, novel products in the upstream and downstream sections of the supply chain. It continued to develop and optimize characteristic products and intensified promotion of first-time credit account service of micro and small enterprises, unsecured loan business, medium- and long-term loan business, manufacturing loan business and loan renewal service without principal repayment.

The Bank intensified risk compliance management. It improved risk management policies and regulations, optimized risk management procedures, accelerated the iteration of the intelligent risk control platform, and strengthened internal control and compliance management such as loan payment control, flow monitoring and AML. For micro and small enterprises that temporarily had production or operation difficulties due to the pandemic yet with good development prospects, the Bank implemented the policy of deferring principal and interest repayments on loans through one-on-one consultation according to market-based principles.

The Bank further increased policy resource support. It put in place performance evaluation requirements according to regulatory provisions, defined risk tolerance requirements, and implemented the liability exemption policy for those who have diligently fulfilled their duties. Furthermore, it set special-purpose rewards, fees and subsidies to fully motivate branch institutions and support the development of inclusive finance.

As at the end of the reporting period, the balance of loans to micro and small enterprises[18] stood at RMB1,122.121 billion, an increase of RMB138.057 billion from the end of last year, and the number of customers with outstanding loans was 220.9 thousand, an increase of 29.4 thousand accounts from the end of last year. The balance of inclusive finance loans to micro and small enterprises[19] reached RMB414.260 billion, an increase of RMB47.393 billion over the end of the previous year, representing a growth of 9.33 percentage points faster than that of other loans; and the number of customers with outstanding loans was 209.5 thousand, an increase of 27.8 thousand from the end of the previous year. The asset quality remained stable, with an NPL ratio lower than the average of the Bank. The overall cost of financing from the Bank for micro and small enterprises maintained stable and achieved a slight decline.

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

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

19 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

With investment banking business as an important pillar underpinning the practice of the strategy of best comprehensive financial services, the Bank implemented national strategies, continued to serve the real economy, supported key areas of economic transformation, and actively put in place the transformation and development requirements of corporate business. Upholding the philosophy of "professionalism in empowerment and innovation for efficiency" and being customer-centric and guided by win-win results, the Bank worked to become a comprehensive financial service provider through its products in four major financial markets of debt capital, equity capital, traditional credit and non-standard financing. Also it vigorously promoted business transformation and innovation, and continued to consolidate the market position of its competitive business segments. All business segments maintained rapid development.

The Bank actively met the reasonable financing needs of enterprises in the fields of manufacturing, strategic and emerging industries, green finance and rural revitalization. It issued over RMB37 billion syndicated loans to the real economy, accounting for over 70% of the total syndicated loans issued during the reporting period. In addition, the Bank continued to expand the coverage and scale of technological innovation notes. During the reporting period, it successfully issued the first entity technological innovation notes, the first use-based technological innovation notes and the first transformation bonds in the interbank market. A total of 11 technological innovation notes were issued, with an underwriting amount of RMB5.820 billion. Both the quantity and amount led the market[20].

During the reporting period, the Bank achieved income of RMB3.643 billion from its investment banking business and financing of RMB540.074 billion. It underwrote 706 debt financing instruments totaling RMB379.768 billion, with both the quantity and amount ranking first in the market[21].

International Business

The Bank's international business fully acted upon national policies, adhered to its original mandate of serving the real economy, and maintained stable growth.

During the reporting period, the Bank stepped up efforts to help stabilize foreign trade, actively optimized the product process to improve review & approval efficiency, and increased credit support to the foreign trade industry. Export trade financing increased by 11.31% year on year. Credit insurance-based financing increased by 220% year on year, the fastest growth in the industry[22]. The amount of foreign exchange collection and settlement for small and medium customers on cross-border e-commerce platforms exceeded USD14.8 billion, and the number of small and medium export customers served totaled 48 thousand. Meanwhile, the Bank put forth efforts to develop industry-leading hit foreign exchange products, and integrated and improved Cross-border Fund Pool, Intelligent Cross-border Bank-enterprise Connection, AMH (global multi-bank account management system) and the standard receiving & transmitting tool of CIPS (cross-border RMB payment system), to build a "four-in-one" cross-border treasury service system for enterprises. The Bank strengthened the building of the "Foreign Exchange Manager" brand for foreign exchange fund transactions and the "Foreign Exchange Trading" platform, and launched the first RMB to foreign exchange American options and Asian options in China. Moreover, the Bank promoted the digitalization of the international business in all respects, explored the application of blockchain, big data, AI, etc., and built market-leading new-type international settlement and agency foreign exchange fund trading service capability. It actively optimized the business process and brought online the digital foreign currency working capital loan product, "Credit e Financing", which was available in more than 20 branches.

During the reporting period, the Bank's forex purchase and sale recorded USD101.636 billion, a year-on-year increase of 14.15%; its forex receipts and payments for international balance of payments registered USD197.063 billion, a year-on-year increase of 13.05%. The relevant indicators continued to be in the forefront of joint-stock commercial banks.

20 Ranking based on Wind Info data.

21 Ranking based on Wind Info data.

22 Source: China Export & Credit Insurance Corporation.

Transaction Banking Business

Taking transaction banking business as an important pillar for transforming its corporate banking services, the Bank vigorously developed transaction banking business, accelerated the development of the transaction banking system, and continued to promote digital transformation and capital-light development of corporate banking business.

The Bank worked to develop supply chain finance. It launched the financing products "Credit e Purchase" and "Credit e Sales", which solved the fund difficulties faced by upstream enterprises in order production and downstream enterprises in goods purchase. It rolled out the "Speedy L/G Issuance" product that can provide speedy one-stop L/G issuing service. By constantly enriching and improving the online financing system with the asset pool at its core, the Bank provided unified asset management and fund financing services to enterprises, group companies and cluster customers. During the reporting period, the Bank's supply chain financing reached RMB382.587 billion, up by 53.53% year on year; and the number of financing customers recorded 15,796, up 60.92% year on year.

The Bank further developed the treasury product system. With the intelligent treasurer at the core, it created an efficient and fast collection & payment system and further expanded scenario application. Targeting key scenarios such as CBDs, industrial parks, chain stores and e-commerce platforms, it launched the payment & settlement product "Pin Duo Bao", which, by embedding into settlement scenarios and the "group buy" model, provides convenient customized services that integrate account management, fund management & control and value-added service to efficiently meet customer's demand for convenient settlement and appreciation of capital value.

The Bank accelerated the upgrading of electronic channels. Centering on customer experience, it further improved the capability of corporate e-channels to serve and manage customers and launched Smart Internet Banking 4.0 to provide customers with smarter and more convenient experience and services.

As at the end of the reporting period, the Bank recorded 900.6 thousand accounts of customers in transaction banking, a growth of 7.65% over the end of the previous year. During the reporting period, the Bank registered trade finance of RMB542.676 billion, up by 36.95% year on year; it also completed 98.4164 million deals of transaction banking worth RMB73.85 trillion, up by 6.44% and 10.03% year on year respectively.

Auto Finance Business

The Bank's auto finance business continued to lead the market. It strengthened cooperation with mainstream new energy vehicle (NEV) brands and actively entered into the used car market, extending itself in the auto ecosystem.

During the reporting period, the Bank continuously consolidated its strengths in the dealer field. During the pandemic, it proactively provided aid policies to 607 dealers. In the meantime, it actively expanded emerging markets and strengthened cooperation with NEV manufacturing. Also, the Bank vigorously promoted digitalization, upgrading the bank-enterprise direct connection service and launching the exclusive client end of auto finance.

During the reporting period, the Bank's total auto financing reached RMB252.265 billion, up by 32.70% year on year, and daily average deposit balance reached RMB149.422 billion. As at the end of the reporting period, the Bank's auto finance business had 6,566 auto business customers and the balance of outstanding financing was RMB147.029 billion, and the overdue advance ratio stood at 0.11%, indicating sound asset quality.

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 enhanced internal and external coordination and boosted key businesses such as mutual funds, annuity and cross-border custody. It had 26 new mutual funds under custody with a total initial amount under custody of RMB29.937 billion. The Bank promoted the establishment of the synergy mechanism with CITIC Group. The new assets under custody under cooperation with four CITIC Group companies, namely, CITIC Securities, CITIC Trust, China Securities and CITIC Prudential Life and their subsidiaries totaled RMB779.449 billion. In cooperation with CITIC Trust, the Bank provided specialised trust custody service for Hainan Airlines Group in its bankruptcy reorganization, to support the development of the real economy. Together with relevant business lines, the asset custody business segment deepened the system of bringing assets generated from internal resources under custody, jointly promoted integrated operation of interbank customers, straightened out the marketing order, consolidated resources within the Bank, and worked together to improve the services for core high-value customers. The annuity business maintained steady growth. The Bank won the qualifications of the custody bank of central government agencies and public institutions and 30 provincial, regional and municipal occupational annuities. The custody of enterprise annuities amounted RMB128.719 billion, ranking second among joint-stock commercial banks[23]. The partners of the southbound trading under the Bond Connect program included all the three types of institutional investors, namely, primary dealers of banks, securities traders and QDII/RQDII. As at the end of the reporting period, the amount of bonds under custody in the southbound trading under the Bond Connect program recorded RMB23.132 billion, leading the industry.

As at the end of the reporting period, the Bank's AUM exceeded RMB12 trillion for the first time, reaching RMB12.82 trillion, an increase of RMB1,454.909 billion from the end of last year. During the reporting period, the Bank recorded RMB1.757 billion of income from custody business. The custody accounts continued to beef up deposit growth, recording an average daily balance of deposits of RMB357.618 billion, of which the average daily balance of general corporate deposits on the custody accounts was RMB99.931 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 fully tapped into the value of strategic customers according to the overall principle of "strict access and in-depth exploration". It conducted in-depth management of key institutional investors and continued to improve the image of the government finance brand. Meanwhile, centering on core channels, the Bank actively expanded micro, small and medium customer groups.

In terms of regions, the Bank promoted the high-quality development of the Belt and Road and supported 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 and high-quality development.

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

In terms of industries, guided by national policy orientation, the Bank continued to support the real economy with financial services, actively conformed to the new direction, and seized new fields. It continuously increased credit support to green finance, strategic and emerging industries, high-tech industries, rural revitalization, manufacturing, etc. Under the new development pattern featuring dual circulation, the Bank paid great attention to development opportunities in old and new infrastructure. It prudentially conducted real estate business and ensured property developers' reasonable financing needs were met. It strictly managed projects with high energy consumption and high emissions, supported optimization and upgrading of the industrial structure, and met the needs of coal and coal power industries in their green transformation and energy supply guarantee.

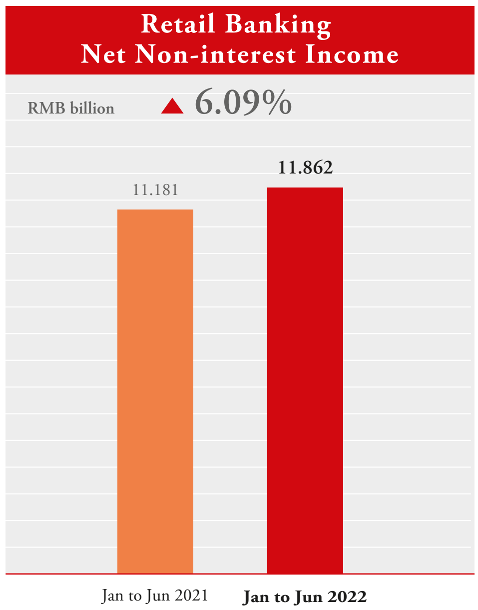
In terms of businesses, the Bank built a "value inclusive" system and continued to promote the high-quality development of the inclusive business. It strengthened support to industrial chains and supply chains and put forth efforts to build a supply chain ecosystem with capital pools at its core. It increased the value contribution of the international business and improved cross-border financing services for enterprises. It also accelerated the development of the capital market business and provided comprehensive financing services to customers.

As at the end of the reporting period, the Bank's balance of corporate loans (excluding discounted bills) recorded RMB2,242.624 billion, an increase of RMB112.365 billion over the end of the previous year; and its NPL ratio was 1.86%, down by 0.27 percentage point over the end of last year. 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 customers – 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 registered net operating income of RMB40.829 billion, up by 6.54% year on year, representing 40.29% of its net operating income. Net non-interest income from retail banking recorded RMB11.862 billion, up by 6.09% year on year, accounting for 38.28% of the Bank's net non-interest income. Net non-interest income from credit card business was RMB6.597 billion, accounting for 21.29% of the net non-interest income of the Bank.



2.7.2.1 Customer Management

With wealth management as the core lead, the Bank deepened customer management. It continuously improved the professional capability in asset allocation, accelerated deep integration and empowerment of APP, AI and remote banking, deployed the differentiated personalized product marketing strategy, and provided better digital experience and wealth management service to customers. The efforts in all products and all channels effectively supported customer growth. As at the end of the reporting period, the Bank recorded a total of 123 million accounts of retail customers, up by 3.04% from the end of last year. The number of wealthy and VIP customers was 3.8408 million, up by 7.48% from the end of last year.

The Bank consolidated the stratified management system of private banking customers, and promoted the transformation of the "buyer investment advisory" model and the improvement in professional services. As a result, the structure of private banking customers continued to improve and the number of high-net-worth customers and the proportion of assets under management kept increasing. The Bank deepened customer acquisition through coordinated efforts of major channels, strengthened the corporate-private banking linkage brand "Cloud Enterprise Club", and the financial service for going abroad "Youth Travel", effectively unleashing customer acquisition capacity. The Bank firmly implemented the full-product-range asset allocation strategy. It selected quality head institutions from the whole market, and continued to refine the open core product shelf. The Bank's characteristic hit product of private banking continued to lead the industry, and customer management produced remarkable results. As at the end of the reporting period, the number of private banking customers recorded 63.9 thousand, up by 6.01% from the end of last year.

The Bank continued to build the brand of "credit card with a human touch", which is to improve customers' senses of gain, happiness and security with a responsible attitude and services that are caring and bring benefits. Centering on products, scenarios and partners, the Bank conducted refined and multi-dimensional operations and continued to expand the "business travel +" ecosystem. It launched the "CITIC Marriott Co-branded Credit Card" to provide high-quality travel experience, which consolidated the Bank's leading position in the business travel customer system in the industry. It built the "finance + auto" ecosystem and rolled out "CITIC i Car Credit Card", the first exclusive credit card for NEV owners, to provide one-stop services to meet car owners' car use needs and financial service needs. As at the end of the reporting period, the number of effective business travel customers recorded 16.2095 million.

2.7.2.2 Businesses and Products

Investment and Wealth Management Business

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 personal wealth management, the Bank actively implemented the new regulations on asset management, sped up the transformation towards net asset value (NAV) products, and expanded head institution partners to provide customers with selected products. As at the end of the reporting period, the balance of retail wealth management products recorded RMB1.24 trillion, up by 12.47% from the end of last year. The Bank developed cooperation in agency sales with eight head wealth management companies. The scale of existing NAV personal wealth management products meeting the new regulations accounted for over 93% of the total.

In terms of agency fund sale, the Bank closely followed market changes. With customer profitability as the starting point, the Bank leveraged opportunities when market valuation was relatively low, actively allocated customized products from selected fund brands for customers, and planned for future market opportunities.

In terms of agency insurance, the Bank stepped up efforts in agency insurance sales. The cumulative agency sales of insurance products providing long-term protection increased by 40.52% from the end of last year.

In terms of deposit products, proceeding from customer experience, the Bank streamlined the purchase process of deposit products via mobile banking, personal online banking, etc. Moreover, based on customer demand scenarios, it provided the deposit product allocation option on customer contact channels such as agency business and credit card business. Meanwhile, it continued to promote scenario-based application of payment & settlement products, launching the "e Manager" security deposit business for the performance guarantee scenario and the "ENN Natural Gas Card" for the utilities payment scenario. It combined scenario expansion with customer acquisition and accumulated settlement deposits. As at the end of the reporting period, the Bank's balance of personal loans recorded RMB988.584 billion, an increase of RMB120.561 billion or 13.89% from the end of last year.

Personal Loan Business

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

In terms of personal housing loans, the Bank continued to grant commercial personal housing loans in accordance with the real estate regulation requirements of governments at all levels in China, and implemented differentiated housing credit policies. In terms of personal business loans, the Bank continuously improved its product policies, specified operational standards, promoted the integrated development of online and offline channels, and built a professional team. It increased the credit supply and services for micro and small enterprises, and continued to promote the establishment of a long-effect financial service mechanism where micro and small enterprises dare, are willing, can and know how to borrow from the Bank. In terms of personal consumer loans, the Bank adhered to the development principles of "independently-developed scenarios, risk control and products" and continued to improve marketing capabilities on consumer loans. In addition to focusing on the premier main customer groups, the Bank made continuous efforts to strengthen the integration of product innovation and application scenarios, and expanded the upgrading and application of high-quality scenario products such as "auto loan" and "comfortable housing", to provide customers with a full range of convenient and efficient online self-service financing services.

As at the end of the reporting period, the balance of personal loans (excluding credit cards) of the Bank was RMB1,526.020 billion, an increase of RMB48.394 billion or 3.28% over the end of the previous year. The balance of commercial personal housing loans reached RMB951.951 billion, an increase of RMB8.274 billion or 0.88% over the end of the previous year.

Credit Card Business

Under the premise of compliant operation and risk prevention and control, starting from all scenarios of credit card business, the Bank provided multi-dimensional value-added products and services, offered high-quality interactive experience with differentiated and refined whole-process services, fully protected customers' rights and interests, and continuously created value for customers.

The Bank's credit business segment actively integrated into the "new retail" development strategy, firmly implemented the "five expertise" positioning in terms of customer relations and the "three all" (all customer groups, all products and all channels) business strategy, and put forth efforts to build a new credit card business model that is light, digital and ecological. Adhering to the business philosophy of being borderless and open, the Bank continued to develop inter-industry cooperation based on customer demands, and deepened connection of local and online scenarios. Through marketing campaigns such as "Vital Tiger" and "99365"[24], it promoted in depth three-dimensional operations integrating customers, scenarios and products. Meanwhile, the Bank advanced capital-light business, continued to deepen membership operations, maintained leading advantage in annual fee products, and thus built a characteristic wealth management service system. Moreover, the Bank accelerated digital transformation. It was the first bank in the industry to launch "CITIC Carbon Account" and "Mobile Card Meta Space" immersive 3D card application functions. It also continued to strengthen technological innovation capability and was granted a new national invention patent.

As at the end of the reporting period, the Bank issued cumulatively 103.4179 million credit cards, an increase of 2.07% over the end of the previous year, and recorded RMB517.063 billion balance of credit card loans, down by 2.02% over the end of the previous year. During the reporting period, the Bank's credit card transaction volume stood at RMB1,383.587 billion, up by 4.20% year on year; it realized RMB29.573 billion income from credit card business, up by 3.90% year on year.

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24 Refers to "RMB9 Movie Ticket Privilege" "RMB0.09 Exchange Privilege" and "Wonderful 365".

Going Abroad Financial Services

During the reporting period, the Bank continued to build an industry-leading comprehensive services system for going abroad finance, launched the product system for study-abroad financial service scenarios with "two cards, one visa, one remittance, and one certificate"[25] at its core, to meet customers' financial service needs throughout their full study-abroad cycle. The Bank conducted digital operations based on customer journey, further improved customer experience, and continuously deepened the influence of CITIC's going abroad finance brand with the slogan of "CITIC Financial Services for Going Abroad".

As at the end of the reporting period, the Bank recorded more than 9.1517 million accounts of customers using its going abroad financial services, and the balance of corresponding assets under management (AUM) reached RMB1.54 trillion.

Ageing Finance Business

During the reporting period, the Bank further upgraded the "Happiness +" service system for senior customers, and actively developed the ageing finance service system supported by "six services"[26], namely, "one account, one set of products, one account book, one set of services, one team and one report", to meet customers' needs as services for the aged are changing from a basic "necessity" is to a decent and quality "lifestyle". The Bank 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, it further enhanced the brand recognition of "Happiness + Human Touch".

The Bank actively engaged in full-life-cycle pension finance. It held the "Happiness +" cloud summit forum on pension wealth, officially launched the "Happiness +" pension account, launched the calculation system for pension planning, and actively prepared for system development and promotion of the third pillar private pension accounts. 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 to better investor education.

[25] "Two cards" refer to the Convoy Plan Debit Card and Visa Go Platinum Credit Card, "one visa" refers to the "Global Visa" service, "one remittance" refers to the "Remittance for Study Abroad" product, and "one certificate" refers to credit certificate.

[26] One account: multi-channel, multi-functional and multi-ecosystem personal pension account; one set of products: the "Selected" aging financial product system with a complete range of product categories and functions and excellent quality; one account book: integrating relevant functions through the full lifecycle including the three pillars of pension accounts and after-retirement services and using the big data technology to fully display and plan customers' pension reserve; one set of services: "financial + non-financial" services covering wealth, health, college, stage, special offers and inheritance; one team: cultivating an aging finance planning talent team with full-lifecycle aging finance planning capability; one report: issuing the annual *Report on Development of Resident Pension and Wealth Management in China*.

2.7.2.3 Risk Management

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

Personal Loan Business

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

In the pre-lending process, the Bank strengthened channel management and employed differentiated 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 differentiated acceptance standards for personal loan products based on their core risk control logic. During lending, the Bank continued to strengthen the identification, monitoring and management of credit risk and fraud risk, and accelerated 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 and quantified its risk monitoring and review system, monitored and analyzed risks for products, regions and cooperation channels, and continuously optimized the closed-loop operation mechanism for the development, monitoring, analysis and iteration of models and strategies. With a focus on building a strong centralized operation platform for retail loan business, it continued to improve the centralized retail loan approval model and system building, 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 risk management capability.

As the pandemic 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 RMB10.702 billion, an increase of RMB933 million from the end of the previous year. The NPL ratio was 0.70%, up by 0.04 percentage point from the end of the previous year.

Credit Card Business

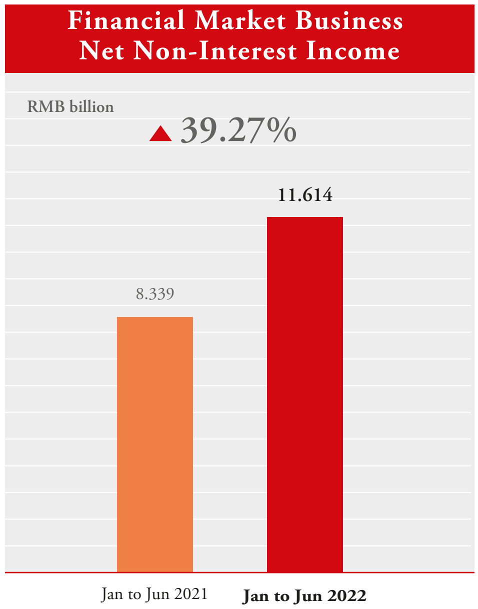
The Bank adhered to the whole-process risk management concept for its credit card business, stuck to the bottom line for risks, strengthened the optimal allocation of credit resources, optimized the customer groups and asset structure, and improved data-driven intelligent risk control capability through technology empowerment.

Leveraging intelligent technology and big data, the Bank promoted digital transformation in depth and enhanced risk data mining and customer identification abilities. It improved customer group identification and segment management abilities, and allocated targeted credit resources on the basis of prudence to support high-quality development. In the meantime, the Bank intensified the management of non-compliant card usage and fraud risk such as using credit cards for gambling or fraud, continuously improving the efficiency of in-lending risk management. It adopted various disposal measures such as cash recovery, overdue loan write-off and non-performing asset ABS and stepped up efforts in the disposal of non-performing assets. The Bank's asset quality maintained stable.

As at the end of the reporting period, the Bank recorded RMB9.906 billion in the balance of non-performing credit card loans, an increase of RMB256 million from the end of the previous year. The NPL ratio was 1.92%, up by 0.09 percentage point from the end of the previous year.

2.7.3 Financial Market Business

Facing the resurgence of the pandemic and complex and changing domestic and international political and economic situations, the Bank's financial market business segment seized market opportunities, unswervingly followed the asset light development path, and actively promoted business transformation. The asset and liability structure further improved, and profitability increased significantly.



During the reporting period, the Bank's financial market business recorded net operating income of RMB14.573 billion, up by 21.32% year on year, accounting for 14.38% of the Bank's net operating income. The net non-interest income from the financial market business segment recorded RMB11.614 billion, up by 39.27% year on year, accounting for 37.48% of the Bank's net non-interest income, up by 7.40 percentage points year on year.

2.7.3.1 Customer Management

During the reporting period, the Bank deepened the integrated operation of interbank customers. With a focus on five key customer groups, namely, securities, fund, urban/rural commercial banks, factor market and cross-border customers, the Bank accelerated product innovation, strengthened synergy among business segments, and intensified the development of policies and mechanisms. Management performance was remarkable, and customer satisfaction and recognition improved significantly.

2.7.3.2 Businesses and Products

Financial Interbank Business

The Bank's financial interbank business line actively overcame the adverse impact brought by resurgence of the pandemic and economic downturn. While strictly controlling market risk, it strengthened market research and forecast, optimized the business structure, and enhanced transaction circulation, resulting in a trended-up operating results.

During the reporting period, the Bank intensified efforts in serving the real economy, and its bill discounting business reached RMB807.420 billion, up by 31.17% year on year. Green credit discounting business stood at RMB84.309 billion. It served 9,375 corporate banking customers, an increase of 1,942 over the same period of last year. Among these customers served, 6,020 or 64.21% were micro and small enterprises. The daily average balance of bill rediscounting reached RMB51.540 billion, up by 26.69% year on year. As at the end of the reporting period, the balance of the Bank's bill assets amounted to RMB455.563 billion, down by 2.29% from the end of last year.

Financial Market Business

During the reporting period, facing the increasingly complex external environment and market situation, the Bank's financial market business applied the asset light development philosophy and strengthened "six thinking"[27]. Sticking to the main task of "high-quality development and efficient operation", the Bank continued to improve quality and efficiency, gave play to its professional advantages, improved trading ability and profitability, and continued to promote the transformation and sustainable development of the financial market business.

Regarding forex business, the Bank actively fulfilled its market maker's responsibilities to help enterprises prevent exchange rate risk. During the reporting period, the Bank continuously provided liquidity to the interbank forex market. Its market making volume recorded USD853.192 billion, maintaining at the front of the market. Adhering to the orientation of regulatory requirements, the Bank guided customers to establish the exchange rate risk neutrality concept and avoid risks. It continued to strengthen capability building in serving the real economy in exchange risk management, enriched relevant product system, and provided customers with flexible exchange rate risk management solutions that are compatible with their risk tolerance.

[27] Refer to trend thinking, platform thinking, stratification thinking, brand thinking, integration thinking and digitalization thinking.

Regarding bond business, the Bank upheld the philosophy of "fulfilling founding missions and preventing risks", did its best to serve the real economy, and vigorously supported economic transformation and upgrading. It earnestly performed its duties as a core government bond underwriter and intensified efforts in government bond underwriting, which increased in both volume and efficiency, and its underwriting strength and market share further improved. The Bank actively invested in innovative bond types such as green bonds and rural revitalization bonds and carried out market making quotations such as bilateral and request quotations for green bonds and rural revitalization bonds of multiple varieties and maturities to provide pricing benchmark and liquidity support for the market. It actively implemented the interconnectivity mechanism to support the high-quality development of the bond market. Meanwhile, in bond investment, the Bank took into account both absolute return and relative value, and made duration arrangements more forward-looking, vision on asset allocation broader, and circulation pace more reasonable. With investment strategies that align with market trends, the Bank saw its investment return increase steadily.

Regarding money market business, the Bank vigorously conducted treasury transactions such as bond repurchase and interbank lending, actively met the short-term financing needs of non-banking financial institutions, small and medium commercial banks, etc., and proactively participated in the innovation and development of market trading mechanisms. During the reporting period, the Bank recorded RMB14.37 trillion in the trading volume of RMB money market business, up by 45.84% year on year. While realizing liquidity management objectives, the Bank improved the operating efficiency of short-term funds, thus further cementing its position as a core market trader in the money market. Meanwhile, it pushed forward the issuance of RMB interbank certificates of deposit in an orderly manner. During the reporting period, the cumulative amount of interbank certificates of deposit issued reached RMB317.850 billion. The issuance expanded diversified financing channels and met investors' investment needs in quality assets.

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. 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 its 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 of existing assets, expanding increment and improving capabilities" as its principle of development, the Bank adhered 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 strategic starting point and benchmark for the Bank's "capital-light transformation" and a booster of the Bank to build itself into a world-class enterprise. Leveraging on CITIC Group's full range of financial licenses and advantages in diversified industries, it improved the Head Office-branch coordination mechanism and gave full play to collaborative advantages. It improved product creation ability, enhanced investment research ability, optimized the asset allocation structure, served the real economy and met the value preservation and appreciation needs of wealth of investors. Centering around the implementation of key national initiatives, it continuously developed new business fields, promoted business layout in all fields with classified policies, and realized win-win results among various parties including wealth management customers, real enterprises and capital markets.

As at the end of the reporting period, the balance of wealth management products of the Bank and CITIC Wealth Management recorded RMB1,648.195 billion, in which the balance of NAV products in conformity with the new regulations on asset management reached RMB1,548.035 billion, accounting for 93.92%, up by 3.65 percentage points from the end of last year. During the reporting period, the wealth management business of the Bank and CITIC Wealth Management realized income of RMB3.637 billion, while new products contributed 84.50% of the income, up by 37.02 percentage points year on year.

2.7.3.3 Risk Management

Financial Market Business

The Bank dynamically adjusted the credit risk influencing factors of key regions, key industries and key customers by taking into full account domestic and international political events, macro policies and the impact of the pandemic on the real economy. It continuously improved the abilities in assessing and warning about credit risk of corporate credit bond issuers and optimized the classified management mechanism of corporate credit bond issuers after investment. Meanwhile, the Bank increased investment in central government bonds, local government bonds and policy bank bonds. During the reporting period, the Bank's proprietary bond assets enjoyed excellent credit qualifications.

Asset Management Business

During the reporting period, the Bank steadily pushed for the building of the comprehensive risk management system for wealth management products and established a risk culture with investors and wealth management products at its core. It developed differentiated risk appetites and risk strategies for wealth management products based on fundraising methods and risk ratings, defined relevant parties' rights and obligations, and formed an overall development plan. It effectively identified risk factors on the product end, including but not limited to liquidity risk, centralization risk, credit risk, market risk, operation compliance risk, reputational risk, IT risk, etc. On that basis, it laid down risk control means, established 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 Physical outlets

As at the end of the reporting period, the Bank had 1,423 outlets[28] in 153 large and medium-sized cities in the Chinese mainland, including 37 tier-one branches (directly managed by the Head Office), 125 tier-two branches, and 1,261 sub-branches (including 37 community/small and micro sub-branches), plus 1,556 self-service banks (including 132 offsite self-service banks), 5,030 self-service terminals and 8,958 smart teller machines (including 2,979 vertical smart teller machines). As such, the Bank has developed a diversified outlet service network that consists of comprehensive outlets, boutique outlets, community/small and micro outlets and off-bank self-service outlets.

With its outlets basically covering all large and medium-sized cities, the Bank followed the "342 Action Plan for Developing Core Business Capabilities" and requirements for "new retail" development in its domestic branch establishment. Adhering to the customer-oriented and value-oriented philosophy, it applied big data resources in analysis, focused on layout optimization and efficiency improvement. Allocation of resources for outlet construction favored developed cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Nanjing as well as key counties. At the same time, as an active response to the national 14th Five-Year Plan, the Bank implemented national initiatives such as the Belt and Road Initiative, the coordinated development of the Beijing-Tianjin-Hebei region, the integrated development in the Yangtze River Delta, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, rural revitalization and common prosperity, and supported the economic development of key areas such as the free trade zones, special economic zones and new areas.

In terms of the layout of overseas outlets, except for London Branch, CNCBI, an affiliate of the Bank, had 31 outlets and 2 business centers in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and the Chinese mainland. CNCB Investment had 3 subsidiaries in Hong Kong and the Chinese mainland. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan. During the reporting period, pursuant to the *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 approval for upgrading Sydney Representative Office and the application for establishing Hong Kong Branch.

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28 The outlets established during the reporting period were mainly distributed in key cities and counties in Eastern and Central China.

2.7.4.2 Online Channels

During the reporting period, centering on the new retail strategy and plan, the Bank quickened steps to develop the ability to operate business through online channels. The Bank strengthened the operational ability of mobile banking customers, provided exclusive service plans for different customer groups, enriched service scenarios, optimized user experience and accelerated the iteration and upgradation of mobile banking.

The Bank established a customer-centric, multilateral and open integrated operation and omni-channel collaboration platform, enabling internal and external institutions to jointly carry out digital operations through China CITIC Bank APP and other channels. The Bank promoted the centralized, batched and online collaborative operation model featuring "APP+AI+WeCom" among mass customers on a pilot basis.

The Bank continuously advanced open scenario ecosystem building, built 17.1 thousand scenarios together with industries through standardized product and service components, serving 11.17 million person-times, recording RMB213.819 billion in cumulative treasury transactions. Adhering to the concept of "openness + wealth", the Bank opened accesses to fund companies, its wealth management subsidiary and CITIC aiBank, and offered the functions of self-service shop building, activity operation, customer companion and data board, with companion contents reaching more than 100 million person-times.

As at the end of the reporting period, China CITIC Bank had 30.1484 million online monthly active accounts (MAUs)[29]. During the reporting period, the transaction amount on mobile banking APP grew by 8.89% over the same period of the previous year to RMB6.39 trillion.

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 continued to deepen the collaboration between domestic and overseas operations and gave full play to its functions as the financing center in Europe, the Middle East and Africa. It expanded cooperation with overseas subsidiaries of the Group in bond issuance, offshore RMB CDs and one-stop integrated services of "investment banking + commercial banking", and accumulatively issued interbank CDs of approximately USD2.2 billion during the reporting period. 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 USD3.969 billion, an increase of 34.53% over the end of last year. During the reporting period, the branch registered operating income of USD14.9758 million, pre-provision net profit of USD10.1901 million and net profit of USD7.1071 million.

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

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 recorded HKD449.611 billion in total assets and HKD59.371 billion in net assets. During the reporting period, it realized net profit of HKD1.330 billion.

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 with the Bank registered HKD535 million, accounting for 25.30% of its total income from corporate banking business. CNCBI deeply explored domestic and overseas bond markets and was awarded the "Northbound Trading Excellent Investor (Commercial Bank)" under the Bond Connect program. Moreover, it actively advanced the technological transformation of its business, with the number of integrated electronic channel users reaching 221.0 thousand as at the end of the reporting period, accounting for 54.03% of retail customers. The inMotion Dynamic Banking Platform, a flagship platform of mobile banking services, had 148.4 thousand customers, up by 32.17% year on year.

As at the end of the reporting period, CNCBI recorded an issued share capital of HKD18.404 billion, and posted total assets of HKD447.094 billion and net assets of HKD54.480 billion. During the reporting period, CNCBI realized operating income of HKD4.100 billion and net profit of HKD1.321 billion for the reporting period.

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

2.7.5.2 CNCB Investment

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

CNCB Investment, as the overseas investment banking platform of the Bank, aspires to develop itself into "a versatile overseas investment bank serving the parent bank and featuring strong empowerment, capital-light development and outstanding performance". During the reporting period, CNCB Investment continuously advanced the building of its marketing service system, improved product chain and business strategies, moved forward to improve the license business system capabilities of overseas investment banking, and accelerated the development of an overseas asset management center. The bond underwriting business increased significantly, implementing 79 projects for the reporting period, 1.44 times of the same period of the previous year. The scale of active asset management business continued to expand, with increasingly diverse product service and steady progress in key channel and customer development. Its business performance was recognized by the market. For the first time, it entered the top 15 list[30] of Chinese USD bond underwriters, a record ranking in the history, with its market influence significantly enhanced.

As at the end of the reporting period, CNCB Investment registered total assets equivalent to RMB24.497 billion, up by 6.88% over the end of last year, net assets equivalent to RMB5.034 billion, up by 12.64% over the end of last year, and assets under management equivalent to RMB67.968 billion, an increase of 7.75% over the end of last year. During the reporting period, the profits attributable to the parent company of CNCB Investment recorded net profit equivalent to RMB444 million.

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[31], upholds its principal responsibilities and mission, and continuously deepens transformative development.

During the reporting period, CITIC Financial Leasing thoroughly implemented the national decisions and plans on stabilizing the economy, and issued 32 measures to help and benefit enterprises. Focusing on key regions, key industries and weak links, it overcame the difficulties brought by the pandemic, intensified the implementation of policies and fully promoted the launch of businesses, which achieved good results. During the reporting period, CITIC Financial Leasing invested RMB9.961 billion in leasing business, an increase of 14.37% over the same period of last year, with the projects covering new energy, IDC, shipping, passenger vehicle and household distributed photovoltaic.

As at the end of the reporting period, CITIC Financial Leasing recorded total assets of RMB49.9 billion, down by 3.46% over the end of last year, and net assets of RMB6.9 billion, up by 4.68% over the end of the previous year. During the reporting period, CITIC Financial Leasing realized net operating income of RMB858 million, an increase of 5.67% over the same period of last year, and net profit of RMB308 million, an increase of 120.00% over the same period of last year. The company recorded return on equity (ROE) of 9.2%, return on assets (ROA) of 1.2%, a ratio of allowance for impairment of loans to total loans of 5.06%, and a capital adequacy ratio of 13.16%.

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

[31] Limited diversification in terms of industries, customers, regions and products.

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, relying on the full-financial license resources and diversified industry operations of CITIC Group, CITIC Wealth Management gave full play to the advantages in collaborative operations, enhanced its product creation capability, and built a product system consisting of six categories of currency, currency +, fixed income, fixed income +, hybrid and equity. It accurately matched differentiated needs of different customers, developed hit products, focused on "fixed income +" products as its core of strategy, expanded product scale, earned reputation among customers, and built up a brand of 100-billion-yuan-level products. CITIC Wealth Management continuously strengthened investment research capacity, and provided diversified wealth management solutions and featured consulting services. Through one-on-one, interactive asset management services, it satisfied customers' individualized and customized needs by providing wealth management consulting services while giving due consideration to their expected return and risk control. Focusing on customers, CITIC Wealth Management built a solid consumer protection system and a quality supervision and management system covering the whole product process and the whole service life cycle. It was rated Class A in the consumer protection self-assessment of the PBOC in terms of the protection of the rights and interests of financial consumers in 2021, ranking first among wealth management subsidiaries of joint-stock banks.

As the scale of new products grew rapidly, major operating indicators of CITIC Wealth Management indicated good performance, and all businesses developed steadily. As at the end of the reporting period, CITIC Wealth Management registered total assets of RMB9.068 billion and net assets of RMB8.611 billion. During the reporting period, it recorded net operating income of RMB1.892 billion, and net profit of RMB1.209 billion, up by 26.56% and 22.12% over the same period of last year, respectively. It registered the return on equity (ROE) of 30.2% and debt asset ratio of 5.04%.

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 officially opened for business on 18 November 2017. In November 2020, CITIC aiBank received the approval on a new round of increase in capital and share from the CBIRC, and brought in Canadian Pension Fund as a new shareholder, after which its registered capital increased from RMB4 billion to RMB5.634 billion with the Bank holding 65.70% of the shares.

During the reporting period, CITIC aiBank further performed its social responsibilities, fully supported the pandemic prevention and control, took a combination of measures to support the resumption of work and production and rolled out 21 measures to help stabilize the economy. Focusing on consumer finance and industrial digital finance, it provided targeted services for green development, rural revitalization and other industries and reached new citizens and micro and small enterprise customers. It gave full play to the advantages in license and differentiated operations, deeply integrated into the shareholder ecosystems, pushed forward product co-building, channel sharing, customer co-management and brand co-shaping in depth and continuously unleashed coordination effect. It gathered pace in technological innovation, stepped up technological guidance, innovation upgrading and capability output and steadily improved its capabilities for fintech, intelligent risk control and digital operation. During the reporting period, CITIC aiBank successfully issued two tranches of tier-2 capital bonds of RMB2 billion in total, significantly enhancing its brand recognition and reputation while further consolidating capital and optimizing capital structure.

As at the end of the reporting period, CITIC aiBank recorded total assets of RMB82.587 billion, up by 4.01% over the end of last year, and net assets of RMB7.133 billion, up by 4.83% over the end of last year. During the reporting period, it realized net operating income of RMB1.937 billion, up by 46.95% over the same period of the previous year, and net profit of RMB338 million, up by 225.47% over the same period of the previous year.

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, faced with the global spread of Covid-19, the Russia-Ukraine conflict and other major changes, JSC Altyn Bank made reasonable judgments, accurately seized the market opportunities brought by them, stabilized interest margin, expanded fee-based income, grasped the business opportunities in the foreign exchange market brought by exchange rate fluctuations, and constantly improved its ability to provide customers with hedging and value-added services. During the reporting period, its net operating income, net profit and deposits from customers reached a new high since the acquisition of the Bank. Meanwhile, asset quality improved stably and customer base was further solidified.

As at the end of the reporting period, JSC Altyn Bank recorded share capital of 7.050 billion tenge[32], total assets of 836.476 billion tenge, and net assets of 81.359 billion tenge. During the reporting period, it realized net operating income of 20.157 billion tenge, net profit of 11.028 billion tenge, and its ROA and ROE stood at 3.00% and 28.67%, respectively.

2.7.5.7 Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, located in Lin'an District, Hangzhou, Zhejiang Province, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 12 enterprises holding the rest 49%. Lin'an CITIC Rural Bank is mainly engaged in general commercial banking business.

During the reporting period, Lin'an CITIC Rural Bank adhered to the market positioning of "supporting agricultural and micro and small enterprises", expanded businesses in lower-tier markets, and continued the credit extension to Sannong (i.e., agricultural, rural areas, and rural residents) customers and micro and small enterprises. It provided inclusive financial services in an all-round manner, implemented the strategies of rural revitalization and common prosperity, and improved the financial services for micro and small enterprises and individual business households. As a result, the indicators of loans to micro and small enterprises meeting the "two no-less-than and two control" target, inclusive finance loans granted to micro and small enterprises and agriculture-related loans all met regulatory requirements. As at the end of the reporting period, the balance of loans to micro and small enterprises stood at RMB1.467 billion, an increase of 0.81% over the end of the previous year, 0.30 percentage point higher than the average growth rate of total loans; the balance of inclusive loans to micro and small enterprises stood at RMB1.188 billion, an increase of 3.89% over the end of the previous year, 3.38 percentage points higher than the average growth rate of total loans; and the combined proportion of loans to farmers and micro and small enterprises reached 91.84%.

As at the end of the reporting period, Lin'an CITIC Rural Bank recorded RMB2.430 billion total assets, RMB394 million net assets, RMB1.816 billion balance of deposits from customers, and RMB1.873 billion combined balance of various loans. Its capital adequacy ratio stood at 23.45%, allowance coverage ratio was 408.80%, and the ratio of allowance for impairment of loans to total loans recorded 4.74%. It realized a net profit of RMB24 million for the reporting period.

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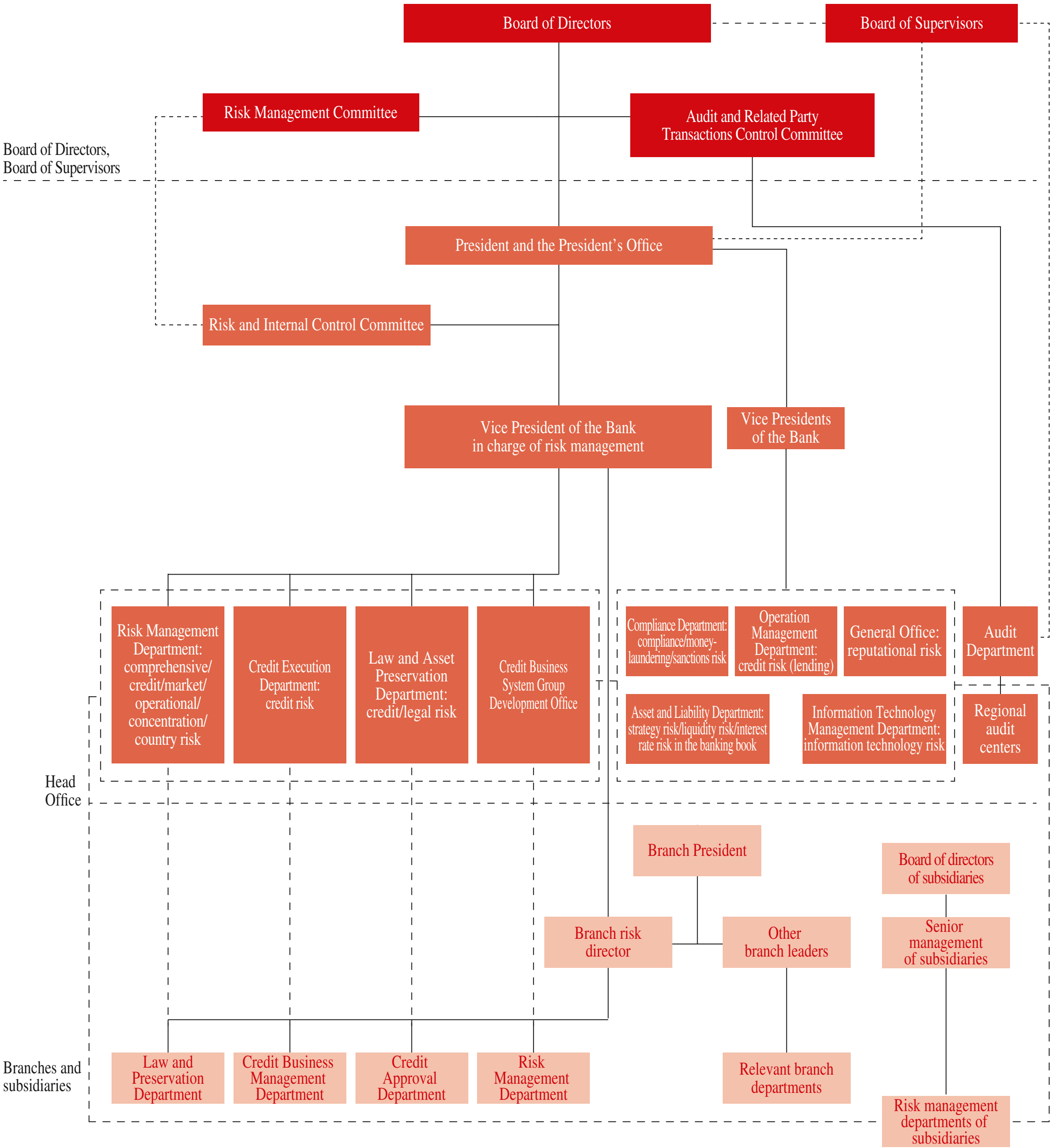
32 The rate on 30 June 2022 of tenge against Renminbi was 0.014234662.

2.8 Risk Management

2.8.1 Risk Management Structure



2.8.2 Risk Management System and Techniques

During the reporting period, the Bank unswervingly implemented the decisions and plans of the CPC Central Committee and State Council, made coordinated efforts to fight against the pandemic, promoted loan granting, guarded against risks, helped stabilize the economy, spared no effort to stabilize asset quality and energetically ensured steady business operation. It continuously perfected the risk management system, optimized the management structure, and realized the integration of approval and post-lending management, as well as the integration of problematic asset management and asset quality control. The Bank consistently deepened the reform in the review and approval system, promoted the full-time reviewers and approvers, improved the review and approval standards, raised the efficiency of the whole process of review and approval, and released the vitality of business institutions on the premise of firmly holding the bottom line for risks. The Bank pushed forward the transformation of post-lending management, carried out in-depth differentiated management and classified monitoring in key areas, implemented tiered and classified management of corporate credit customers, and moved ahead with the adjustment of credit structure. Meanwhile, the Bank deepened the establishment of a platform for the management of special assets, actively carried out coordinated disposal, and achieved "win-win results for multiple parties". It also intensified efforts in building a professional team for risk management and made every effort to enhance risk management.

The Bank continued to improve the capability for research and development of risk management technology, deepened the multi-level application of big data and artificial intelligence technologies, and strengthened the overall planning of digital risk control. During the reporting period, the Bank continuously improved its risk control capabilities for online businesses such as personal credit, auto finance, inclusive finance, transaction banking and international business, improved intelligent control view, risk management cockpit and other functions, constantly conducted intelligent early warning based on big data, kept improving the functions of comprehensive and intelligent risk management platforms and further refined risk management. During the reporting period, the Bank strictly implemented various regulatory provisions, continued to put the large exposures under intensified management, and managed to control the limit indicators of these exposures within the scopes permitted by the 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 counterparties to fulfill the obligations specified in relevant agreements or contracts. The Bank's credit risk mainly comes from various credit businesses, including but not limited to loans, guarantee, acceptance, loan commitments and other on-and off-balance sheet credit businesses, bond investment of banking book, derivatives trading and other businesses, as well as businesses with credit risk such as structured financing and financing wealth management. Under the overall objective of maintaining stable asset quality and increasing the proportion of high-quality customers and guided by the principle of serving the real economy and preventing risks, the Bank continuously optimized its credit structure, enhanced comprehensive financial service capabilities, strengthened the whole-process credit management, prevented systemic risks, and kept credit risks within a tolerable range. For details on the credit risk management of various businesses of the Bank during the reporting period, please refer to "2.7 Business Overview" of this chapter.

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

In terms of stepping up the post-credit management system and mechanism development, the Bank took solid steps in the classified management of corporate credit customers, guided active reduction and withdrawal in a forward-looking way, prevented and controlled new risks and optimized credit assert structure. It further consolidated post-lending management and risk monitoring mechanisms, implemented differentiated post-lending inspection over key customers and asset portfolios, and carried out stratified and classified risk monitoring. The Bank pressed ahead with the establishment of "online + offline" risk warning management system and the legal person customer warning management system, established a group customer warning management mechanism, and continuously optimized warning strategy rules and system functions.

In the aspect of promoting the digital transformation of post-lending management and risk monitoring, the Bank worked hard to change from "manual monitoring" to "online monitoring as the main and manual monitoring as the supplement". It increased the application of external data and enriched online warning strategy rules. With the help of the system automatically pushing warnings and prompts, the Bank promoted the sharing of internal risk information across institutions, explored the application of big data-based risk warning model and continuously optimized it, and strengthened the "offline + online" warning management. In addition, the Bank strengthened the dynamic management of customers by online classification, actively identified and resolved risks, and continuously optimized the structure of customer assets. For credit customers and asset portfolios in key areas, it pushed ahead with online risk monitoring and post-lending execution monitoring, and constantly improved the risk control capabilities of asset portfolios in the dimensions of industry, region and customer group.

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

2.8.4 Market Risk Management

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

During the reporting period, the Bank continued to advance the new approaches for calculating market risk capital under Basel III, conducted data governance and system development & testing, and efficiently improved the risk measurement capability. It made active response to market volatilities in interest rates, foreign exchange, commodities, etc., continued to conduct risk investigation, monitoring and reminding, and implemented risk limits strictly, hence strongly supporting business development based on controllable risks. For details of market risk capital measurement, please refer to Note 53 to the financial report of this report. For details of interest rate gaps and foreign exchange exposures and sensitivity analysis, please refer to Note 52(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, the domestic bond market yields fluctuated slightly, with the 10-year central government bond yield increasing by 4.5 BPs accumulatively. 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, and prudently controlled the interest rate risk exposure in the trading book.

Interest rate risk in the banking book

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

During the reporting period, with the repeated COVID-19 outbreak and the Russia-Ukraine conflict, major economies in the world entered an interest rate hike cycle in response to high inflation, and China stepped up the implementation of prudent monetary policies to keep the economy running within a reasonable range. The Bank closely followed changes in monetary policies and fiscal policies, strengthened the analysis and prediction of the trend of market interest rate and the simulation analysis of customer behavior changes, and took forward-looking adjustment for proper response. It applied gap analysis, sensitivity analysis, stress testing and other methods to monitor the risk exposure level and changes from multiple dimensions such as re-pricing gap, duration, net interest income fluctuation (△NII) and economic value of entity fluctuation (△EVE). It also flexibly employed price guidance, duration management, scale limit and other management tools to ensure the overall stability of the Bank's interest rate risk exposures in the banking book. With the combined effect of the above management measures, the Bank's management indicators for interest rate risk in the banking book fell within the risk tolerance range of the Bank during the reporting period.

2.8.4.2 Exchange Rate Risk Management

Exchange rate risk refers to the risk of on- and off-balance sheet businesses of a bank incurring losses due to unfavorable changes in exchange rates (including gold price). The Bank mainly measures the magnitude of exchange rate risk through foreign exchange exposure analysis. Its foreign exchange exposure mainly comes from the foreign exchange position formed through foreign exchange transactions and from foreign currency capital and foreign currency profits. The Bank manages exchange rate risk by reasonably matching Renminbi and foreign currency denominated assets with liabilities denominated in the same currencies and by making appropriate use of derivative financial instruments. For foreign exchange exposures of bank-wide assets and liabilities as well as foreign exchange exposures formed in foreign exchange settlement and sale, foreign exchange trading and other transactions, the Bank sets exposure limits to control its exchange rate risk at an acceptable level.

The exchange rate risk of the Bank was mainly subject to impact of the Renminbi exchange rate against the US dollar. During the reporting period, the Bank continuously improved the measurement and management of foreign exchange exposures, by strict control of the foreign exchange risk exposures of relevant businesses, more intensive routine risk monitoring, forewarning and reporting. As a result, the Bank was able to control its exchange rate risk within the acceptable range.

2.8.5 Liquidity Risk Management

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

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

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

During the reporting period, the central bank continued to pursue a prudent monetary policy, increased the employment of structured monetary policy tools, and maintained reasonable and abundant liquidity. 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 conducted regular 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 130.21%, 30.21 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	**30 June 2022**	31 March 2022	31 December 2021
Liquidity coverage ratio	**130.21%**	124.14%	146.59%
Qualified premium liquid assets	**870,826**	876,052	929,568
Net cash outflow in the coming 30 days	**668,772**	705,669	634,132

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 104.77%, 4.77 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	**30 June 2022**	31 March 2022	31 December 2021
Net stable funding ratio	**104.77%**	103.88%	106.01%
Available stable funding	**4,719,530**	4,693,967	4,671,629
Required stable funding	**4,504,771**	4,518,590	4,406,977

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 52(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, and 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, strengthened the operational risk management of 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 the daily management and risk assessment of outsourcing affairs, and organized outsourcing audits and inspections, thus effectively standardizing the risk management of cooperation with third parties. In addition, the Bank continuously built up capacity for emergency response, and enhanced the business continuity management during the pandemic through reviewing the business continuity management system and boosting digital transformation. In the meantime, it also further strengthened the routine monitoring of information technology risks. During the reporting period, the operational risk management system of the Bank operated stably, placing operational risk under control in the overall sense.

2.8.8 Reputational Risk Management

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

During the reporting period, the Bank further improved its reputational risk management system in terms of governance structure, whole-process management, routine development and supervision management. It also strengthened the source management of reputational risk, and achieved progress in preparing contingency plans and mitigating risk by identifying potential risk points and intensifying research, forecast and early warning. At the same time, the Bank organized reputational risk management drills, and hence strengthened the capabilities of functional departments and branches for controlling reputational risk and responding to public opinions. The Bank also continued to monitor public opinions on a daily basis and actively addressed the concerns of the media and the public. During the reporting period, the Bank steadily improved its reputational risk management and effectively maintained a good image and reputation.

2.8.9 Country Risk Management

Country risk refers to the risk of losses to the business or assets of the Bank in a country or region or other losses of the Bank caused by the inability or refusal of the borrower or debtor in the country or region to repay the Bank's debts due to economic, political and social changes and events in the country or region.

During the reporting period, the Bank followed the principle of adaptation and continuous improvement in country risk management. It gradually improved country risk management policies and procedures, and formulated concrete methods and procedures based on its country risk management objectives, country risk exposure scale and business complexity, so as to effectively identify, measure, monitor and control country risk, and promote the steady development of its business. During the reporting period, the Bank continued to enhance country risk management in line with regulatory requirements and operating strategies, improved and reviewed country risk limits, regularly conducted country risk ratings and exposure monitoring, and carried out stress tests on country risk, thus controlling country risk at an acceptable level.

2.9 Internal Control

2.9.1 Internal Control System

During the reporting period, under the guidance of the Board of Directors and towards the goal of "enhancing the effectiveness of internal control and compliance management", the Bank moved ahead with the long-effect internal control mechanism development in a coordinated manner, endeavored to enhance compliance risk management, kept improving the supervision, management and control system, enhanced governance capability, and further consolidated internal control and compliance foundation.

The Bank thoroughly implemented the concept of "rule-based management, process-based rules and information-based process" of the CBIRC, improved the rule governance model of normalization, interaction and coordination, further strengthened organization and coordination and system support, and optimized the establishment of a "streamlined, efficient and executable" rule management system.

During the reporting period, the Bank focused on key business and management areas, and comprehensively used tools such as "re-examination and inspection", "internal control assessment" and "joint control" to effectively raise the internal control and compliance management.

2.9.2 Compliance Management

During the reporting period, the Bank continued to consolidate and deepen the building of risk compliance culture, developed the annual compliance culture fostering plan, and defined 31 priorities under 10 categories. It tightened supervision over duty performance, clarified the ten prohibitive requirements of political rules of the key few, organizational disciplines, laws & regulations, and bank rules and disciplines, stuck to the four-wheel drive of "training, exam, tour lecture and warning", and guided all employees to fully identify with compliance culture, keep compliance concepts in mind and abide by the code of compliance.

The Bank continued to promote the grid management of employee behaviors, focused on the management and control of key positions and personnel, continuously improved daily supervision and abnormal monitoring mechanisms, actively carried out extended identification of problems, strengthened off-site inspections and data verification, and deepened the warning role of accountability. The Bank further strengthened information sharing among compliance, audit and discipline inspection departments, established a mechanism for the communication about work issues, and enhanced the joint efforts of the "three lines of defense" for supervision.

During the reporting period, the Bank revised the internal control and compliance management rules of tier-2 branches, incorporated the internal control and compliance management requirements of credit business, wealth management sales, financial management, information protection and other important areas into the duty performance standards and rules, and fully reinforced the guidance, management and supervision responsibilities of tier-1 branches.

2.9.3 Anti-Money Laundering (AML)

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

During the reporting period, the Board of Directors, the Board of Supervisors and the senior management earnestly performed the Bank's legal person AML responsibilities, enhanced authorization management of ALM, gave full play to the role of the Anti-Money Laundering Work Leadership Group in making decisions, continuously practiced an "all-employee, all-aspect and full-process" AML risk culture concept under the comprehensive risk management system, and urged the "three lines of defense" to perform respective duties for AML.

During the reporting period, the Bank revised four special rules for AML to enhance their effectiveness, stepped up the review of "new policies, new products and new systems", gave full play to the value of AML review before the event, officially assessed the money laundering risk in legal institutions, assessed branches by region and leveraged the navigation role of risk assessment management.

The Bank continued to strengthen the role of IT in empowering money laundering risk prevention and control, optimized the functions of the list-based monitoring system, launched the product assessment management module, developed suspicious transaction monitoring and supervision model, and enhanced the compliance of large-value transaction reporting. It also made unremitting efforts in AML training for personnel at all levels, focused major regulatory concerns, conducted AML publicity through multiple ways and channels, and effectively fulfilled its primary responsibilities for AML obligations.

2.10 Internal Audit

In line with the positioning of "risk prevention, management enhancement and development promotion", the Bank's internal audit conscientiously implemented the overall arrangements in the 2021-2023 Development Plan, and deepened digital transformation. It pushed forward the implementation of the annual audit plan in a down-to-earth manner, established a long-effect mechanism for supervising the rectification of problems and gave full play to the role of "risk warning, supervisory evaluation and governance value addition".

During the reporting period, amid the regular prevention and control of the pandemic, the Bank actively overcame difficulties, promoted the off-site audit model, reasonably and dynamically allocated resources in accordance with the risk-oriented principle, and constantly toughened the audit supervision on the implementation of major policies, the prevention of major risks and the operation of major powers. The Bank consistently intensified the audit on tier-2 branches with weak internal control, key positions with centralized power, important areas with intensive capital and other major abnormalities. It carried out special audits on real estate financing, government credit financing, personal unsecured loans, comprehensive risk management, liability quality and AML, and paid continuous attention to the internal control risk profile under complex business environment, and contributed to the high-quality and sustainable development.

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

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

2.12 Information about Structured Entities

For relevant information about structured entities beyond the scope of the Bank's consolidated financial statements, please refer to Note 56 to the financial report of this report.

2.13 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 2021</th></tr>
<tr><td>Scale</td><td colspan="2">Balance of adjusted on- and off-balance sheet assets</td><td>9,322,716</td></tr>
<tr><td rowspan="3">Relevance</td><td colspan="2">Assets due to/from financial institutions</td><td>1,622,671</td></tr>
<tr><td colspan="2">Liabilities due to/from financial institutions</td><td>2,033,050</td></tr>
<tr><td colspan="2">Issuance of securities and other financing instruments</td><td>545,425</td></tr>
<tr><td rowspan="6">Substitutability</td><td colspan="2">Payments settled through payment system or correspondent bank</td><td>204,122,229</td></tr>
<tr><td colspan="2">Assets under custody</td><td>11,360,538</td></tr>
<tr><td colspan="2">Agency and commission business</td><td>2,119,796</td></tr>
<tr><td rowspan="3">Number of customers and number of domestic operating institutions</td><td>Number of corporate customers</td><td>930,829</td></tr>
<tr><td>Number of personal customers</td><td>119,725,062</td></tr>
<tr><td>Number of licensed operating institutions established by the Bank in China</td><td>1,420</td></tr>
<tr><td rowspan="6">Complexity</td><td colspan="2">Derivatives</td><td>4,606,338</td></tr>
<tr><td colspan="2">Securities measured at fair value</td><td>549,879</td></tr>
<tr><td colspan="2">Assets of non-banking affiliates</td><td>423,434</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>585,291</td></tr>
<tr><td>Balance of wealth management products issued by wealth management subsidiary</td><td>817,984</td></tr>
<tr><td colspan="2">Overseas claims and debts</td><td>621,207</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 2021 Annual Report and the data of evaluation indicators for global systemically important banks.

Chapter 3 Corporate Governance

3.1 Overview 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 continuously improved 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 establishment of 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 operated in a standardized manner and performed their functions faithfully and diligently. Directors and supervisors complied with the code of professional ethics, with the channels for them to perform their duties further broadened, the methods for them to perform duties improved, and their capabilities of performing duties 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, and voluntarily accepted the supervision of the Board of Supervisors and other parties. Guided by national policies and regulatory orientation, it leveraged on its role in strategic decision- making to fully support the development of the real economy. It focused on building the three core business capabilities of wealth management, asset management and comprehensive financing, strengthened the philosophy of prudent operation, pushed forward the risk management system reform, and kept improving the Bank's internal control and compliance management. It continuously enhanced the value of light-capital transformation and development, and advanced the comprehensive upgrading of the Bank's financial technology empowerment, thereby comprehensively improving the quality and efficiency of its operation and management.

The Board of Supervisors of the Bank fully implemented the requirements of the CPC Central Committee and regulatory authorities, diligently performed the legal duties of supervision in accordance with the guiding ideology of "fulfilling the functions of the Board of Supervisors". Closely following the regulatory orientation and the Bank's central tasks, the Board of Supervisors focused on the supervision of key areas such as strategic planning, financial management, risk management, internal control, duty performance of directors, supervisors and senior management, actively adapted to the changes brought by new situation, and endeavored to explore a working system with its own characteristics. It played an active role in improving corporate governance mechanism, promoting sound operation of the Bank, preventing and mitigating financial risks, and safeguarding shareholders' rights and interests.

The senior management of the Bank carried out operation and management activities in strict accordance with the Bank's Articles of Association and the authorization of the Board of Directors, earnestly implemented the resolutions adopted by the general meeting of shareholders and the Board of Directors, and actively accepted the supervision of the Board of Supervisors as well. 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.

During the reporting period, in accordance with its Articles of Association, the Bank convened 1 extraordinary general meeting, 1 annual general meeting, 1 A shareholders class meeting, 1 H shareholders class meeting, 7 meetings of the Board of Directors and 6 meetings of the Board of Supervisors. The general meetings, the meetings of the Board of Directors and meetings of the Board of Supervisors were all held in compliance with relevant laws, regulations and the procedures specified in the Articles of Association of the Bank.

3.2 Responsibilities of General Meeting, Board of Directors and Board of Supervisors and Meetings Thereof

3.2.1 General Meeting

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.

Convening of General Meetings

During the reporting period, the Bank convened 1 extraordinary general meeting, 1 annual general meeting, 1 A shareholders class meeting and 1 H shareholders class meeting, where 24 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 the general meetings were disclosed by the Bank on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

On 20 January 2022, the Bank held the first extraordinary general meeting of 2022 in Beijing. The Chairman and non-executive director of the Bank Mr. Zhu Hexin presided over the meeting. Some directors 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 adopted five proposals regarding the general authorization to issue capital bonds, the general authorization to issue financial bonds, the total annual budget for external donations and the plan on authorization of the general meeting to the Board of Directors of the Bank, the election of Mr. Liu Cheng as an executive Director of China CITIC Bank Corporation Limited for the 6th Session of the Board of Directors and the election of Mr. Liu Tsz Bun Bennett as an independent non-executive Director of China CITIC Bank Corporation Limited for the 6th Session of the Board of Directors.

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

3.2.2 Board of Directors

Responsibilities of the Board of Directors

The Board of Directors is the decision-making body of the Bank. As per the Articles of Association of the Bank, the principal responsibilities of the Board of Directors include the following: to convene the general meeting and make work reports to the meeting; to implement the resolutions adopted by the general meeting; to determine the development strategies, business plans and investment proposals of the Bank; to prepare the annual financial budget and final accounts of the Bank; to prepare the profit distribution plans and loss remedy plans of the Bank; in accordance with the Articles of Association and within the scope of authorization of the general meeting, to determine the plans for major investment, major assets acquisition and disposal and other major matters of the Bank; to prepare proposals for the amendment of the Bank's Articles of Association; to appoint or dismiss the President of the Bank and the board secretary and to determine matters relating to their remuneration, awards and punishment; according to the nomination of the President, to appoint or dismiss the Vice President of the Head Office, as well as 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.

Work of the Board of Directors

During the reporting period, the Board of Directors convened 7 meetings (including 6 on-site meetings and 1 meeting through correspondence). At the meetings, the Board of Directors voted on and adopted 59 proposals regarding the 2021 annual report, 2021 profit distribution plan, 2022 business plan, 2022 financial budget plan, 2021 sustainability Report, 2022 audit plan, 2022 development plan for tier-two branches, report for the first quarter of 2022, amendments to the information disclosure management measures and supporting policies, amendments to the Articles of Association, among others. It also listened to 26 presentations regarding the Bank's operation in 2021 and in the first quarter of 2022, report on comprehensive risk management in 2021 and report on comprehensive risk management in the first quarter of 2022, report on internal control, compliance and anti-money laundering in 2021, report on consumer protection in 2021 and work plan for 2022, outsourcing risk assessment report for 2021, inclusive finance development in 2021 and work plan for 2022, report on innovation work in 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 of Board of Directors for voting by written resolutions.

3.2.3 Board of Supervisors

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, among others, include the following: to supervise and check the development strategies, financial activities, business decision-making, internal control, risk management, compensation management, etc. of the Bank; to guide and supervise the internal auditing of the Bank; and to supervise the duty performance and due diligence of the Board of Directors, the senior management and its members.

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors convened 6 meetings (all onsite meetings) where it strengthened the supervision on financial activities, business decision-making, risk management, internal control and duty performance and due diligence focusing on the work priorities of the Bank, deliberated and approved 20 proposals, including those respectively regarding the Bank's periodic reports, profit distribution plan, internal control assessment report, sustainable development report, annual assessment report on the performance of duties, work report and work plan of the Board of Supervisors, and listened to 28 presentations respectively regarding the Bank's circulars of relevant policies on corporate governance, report on operating results, report on comprehensive risk management, report on internal control and compliance and anti-money laundering, report on consumer protection, report on implementation of consolidated management, report on equity management of substantial shareholders, report on implementation of opinions and suggestions of the Board of Supervisors, etc. In this way, the Board of Supervisors got a deep understanding of the operation and management status of the Bank and actively performed its supervisory duties. The meeting of the Board of Supervisors is the main way for the Board of Supervisors to exert its supervisory function. During the reporting period, based on the comments and suggestions of supervisors, the Board of Supervisors issued 4 *Supervision Work Letters* to relevant business units for research and feedback, and sent them to the Board of Directors and the senior management of the Bank. The Board of Supervisors further improved the whole-process and closed-loop supervision mechanism of meetings of the Board of Supervisors, enhanced the quality and efficiency of the meetings, and strengthened the relationship among various entities of corporate governance. In addition, the Board of Supervisors supervised the decision-making process of the Bank's major matters by participating in general meetings, and attending on-site meetings of the Board of Directors, meetings of special committees of the Board of Directors and senior management meetings as non-voting delegates and reviewing various documents and materials submitted by the senior management.

During the reporting period, the Board of Supervisors supplemented and improved the *Supervision List of the Board of Supervisors of CITIC Bank* pursuant to the new regulations, newly added its supervisory responsibilities for investor relations management and liability quality management, and thus made the supervision more comprehensive and targeted. At the same time, the Board of Supervisors actively explored new working methods, broadened duty performance channels, and constantly improved the problem identification mechanism and the supervision prompt mechanism to promote the transformation of supervision to "active supervision, continuous supervision and joint supervision". In line with the national economic and financial policies and regulatory requirements, the Board of Supervisors, after collective study, sent the *Supervision Reminder Letter* on ESG management to the Board of Directors and the senior management as for the key supervision areas and the Bank's priority tasks. It brought up trending and potential issues in a forward-looking manner, put forward pertinent opinions and suggestions, and timely conveyed the supervisory opinions to the Board of Directors and the senior management.

3.2.4 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 actively implements the resolutions of the general meeting and the Board meetings. The Board of Directors evaluates the performance of the senior management members, the results of which shall be used as the basis for determining remunerations and other incentive arrangements for the senior management members. The senior management should timely, accurately and completely report the Bank's operation and management and provide relevant materials as required by the Board of Directors or the Board of Supervisors. As at the disclosure date of this report, the Bank's senior management comprised 12 members. For details thereof, please refer to "3.3 Overview of Directors, Supervisors and Senior Management Members" of this chapter.

3.3 Overview of Directors, Supervisors and Senior Management Members

3.3.1 List and Resumes of Directors, Supervisors and Senior Management Members

As of the disclosure date of this report, the Bank's directors, supervisors and senior management members were listed as follows:

3.3.1.1 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 thirty years' work experience in finance with rich theoretical knowledge and has accumulated extensive practical experience. Mr. Zhu graduated from Shanghai University of Finance and Economics with a bachelor's degree of engineering in economic information management system. Mr. Zhu is a senior economist.

Mr. Fang Heying Chinese Nationality

Secretary of the Party committee, Vice Chairman, executive director and President of the Bank. Mr. Fang has served as deputy general manager of CITIC Group Corporation Limited, deputy general manager and member of the executive committee of CITIC Limited, and deputy general manager of CITIC Corporation Limited since December 2020, and as a Party committee member of CITIC Group Corporation Limited since November 2020. Mr. Fang is concurrently a director of CITIC International Financial Holdings Limited and CITIC Bank International Limited. Prior to that, Mr. Fang was president of the Bank's Suzhou Branch, president of the Bank's Hangzhou Branch, and head of the Bank's financial markets business, vice president and Chief Financial Officer of the Bank. He was a teacher at Zhejiang Banking School, assistant general manager of the credit department of the experimental urban credit cooperative of Zhejiang Banking School, and deputy director of Hangzhou Chengdong Office of Shanghai Pudong Development Bank. Mr. Fang has nearly 30 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 and director and deputy general manager of CITIC Financial Holdings Co., Ltd since March 2022. He is concurrently a director of CITIC Metal Co., Ltd., CITIC Agriculture Limited and CITIC Myanmar (Hong Kong) Holdings Limited. Mr. Cao used to be a deputy chief staff member and deputy section chief of the planning and treasury division of the PBOC Shaanxi branch; assistant general manager, deputy general manager and general manager of the planning and treasury department at the Head Office of China Merchants Bank (CMB); general manager of the Budget and Finance Department of the Head Office, assistant president, vice president and chairman of the Board of Supervisors of the Bank; and general manager of the Finance Department of CITIC Group Corporation Limited. Mr. Cao has over 30 years' experience in the Chinese banking industry. He graduated from Hunan College of Finance and Economics 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. Liu Cheng Chinese Nationality

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

Mr. Guo Danghuai Chinese Nationality

Party committee member, executive director and Vice President of the Bank. He is concurrently 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 temporarily appointed as the deputy county chief of Yunxi County, Hubei Province. Prior to that, Mr. Wang worked at the Finance Department of Tsinghua University and was assigned by the National Audit Office to the Audit Bureau of the State Tobacco Monopoly Administration. Mr. Wang graduated from Renmin University of China with a bachelor's degree in accounting, and obtained a master's degree in accounting from Beijing Technology and Business University. He is a senior accountant.

Mr. He Cao   Chinese Nationality

Independent non-executive director of the Bank. Mr. He used to be chairman, executive director and CEO of Franshion Properties (China) Co., Ltd., chairman of Jinmao Investment and Jinmao (China) Investment Holding Co., Ltd., president, vice chairman and chairman of China Jinmao (Group) Co., Ltd. and Assistant President of Sinochem Corporation (regarded as a vice president of Sinochem from 2013 onward). Previously, Mr. He once served as co-chair of the "China Hotel Owner Alliance" under the China Hotel Industry Association, and vice president of the All-China Real Estate Chamber of Commerce. In addition, he was a delegate to the 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 systems, including commercial and investment banking, mutual and hedge funds, credit rating agencies, mergers and acquisitions, legal systems related to finance, comparison of financial systems in emerging markets, development of financial systems during China's economic transformation, and financial risk prevention and control. He published multiple research papers on top academic journals, and contributed chapters of several books on financial system development. His books recently finished include *Power of China's Finance*.

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

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

3.3.1.2 Supervisors

Mr. Wei Guobin Chinese Nationality

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

Ms. Sun Qixiang Chinese Nationality

External supervisor of the Bank. Ms. Sun is now a professor and Ph.D tutor of School of Economics, Peking University. Ms. Sun also holds many other prestigious titles, which include the C.V. Starr Professor, the chief expert of the projects sponsored by the National Social Science Fund of China, and the expert receiving Special Government Allowances from the State Council. Ms. Sun concurrently holds a wide array of posts: member of the CBIRC International Advisory Council, member of the Academic Committee at China Society for Finance and Banking, member of the U.S.-based International Insurance Society (IIS) Board, independent director of AVIC Industry-Finance Holdings Co., Ltd. (formerly AVIC Capital Co., Ltd.), and independent director of China Taiping Insurance Group Ltd. 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's degree of business administration.

Mr. Cheng Pusheng Chinese Nationality

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

Mr. Chen Panwu Chinese Nationality

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

Ms. Zeng Yufang Chinese Nationality

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

3.3.1.3 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 "3.3.1.1 Directors" in this chapter for Mr. Fang's resume.

Mr. Liu Cheng Chinese Nationality

Deputy Secretary of the Party Committee, executive director and Executive Vice President of the Bank. Please refer to "3.3.1.1 Directors" in this chapter for Mr. Liu's resume.

Mr. Guo Danghuai Chinese Nationality

Party Committee member, executive director and Vice President of the Bank. Please refer to "3.3.1.1 Directors" in this chapter for Mr. Guo's resume.

Mr. Wang Kang Chinese Nationality

Party Committee member, Vice President and Chief Financial Officer of the Bank. Mr. Wang concurrently serves as secretary of Party committee and president of Hangzhou Branch of the Bank. He was general manager of the Budget and Finance Department of the Bank, president of Wuxi Branch, general manager of the Asset and Liability Department of the Head Office and Board Secretary of the Bank, director of the Board of Directors Office of CITIC Group Corporation Limited, and joint company secretary of CITIC Limited. Mr. Wang has over 20 years' experience in the Chinese banking industry. He graduated from Nanjing Agricultural University, Central College 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, 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, deputy head of the preparatory team for the establishment of the Bank's Hong Kong Branch, and a board director of CITIC aiBank Corporation Limited. Prior to that, he worked for Beijing Youth Industrial Group Corporation. Mr. Lu graduated from Deakin University in Australia with a master's degree in accounting. He is a certified public accountant of 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 concurrently serves 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 secretary of Party committee and 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 nearly 30 years' practicing experience in the Chinese banking industry. Mr. Lü graduated from Sichuan University with a master's degree in business administration. He holds qualifications such as senior accountant, Certificated Internal Auditor (CIA) and PRC certified public accountant (CPA).

Mr. Lu Jingen Chinese Nationality

Business Director of the Bank. Mr. Lu 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, president of the Olympic Village sub-branch, president of the CITIC International Building sub-branch, and Party committee member and assistant general manager of the Business Department of the Head Office of the Bank (currently Beijing Branch); assistant general manager (presiding) of the corporate banking department of the Bank, the secretary of Party committee and president of Kunming Branch, Changsha Branch and Nanjing Branch of the Bank. Mr. Lu has nearly 30 years' experience in the Chinese banking industry. He received his master's degree in economics from Renmin University of China, EMBA degree from Peking University and doctorate degree in management from Central South University. He is a senior economist.

Ms. Zhang Qing Chinese Nationality

Board Secretary and Company Secretary of the Bank. Ms. Zhang serves as the general manager of the Risk Management Department of the Bank, 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, general manager of the Credit Management Department of the Bank, and head of the Organizing Department of the Party Committee and general manager of the Human Resources 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 nearly 30 years' professional experience in the Chinese banking industry. She graduated from Xi'an University of Technology (formerly "Shaanxi Institute of Mechanical Engineering") with a master's degree in engineering. Ms. Zhang is a senior economist.

Mr. Liu Honghua Chinese Nationality

Business Director of the Bank. Mr. Liu is concurrently 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, and secretary of Party committee and president of the Bank's Beijing Branch. Prior to that, Mr. Liu worked at China International Trust Investment Company, and successively served as assistant manager, deputy manager and manager of the Business Department II, assistant manager of China Leasing Co., Ltd. and manager, deputy general manager of the Administrative Management Division at China Leasing Co., Ltd. He has more than 20 years of professional experience in the Chinese banking industry. He graduated from Peking University with a degree of executive master of business administration. He is a senior economist.

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

3.3.2.1. Directors

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

As Mr. He Cao and Ms. Chen Lihua have served as independent non-executive directors of the Bank for six years, they resigned from independent non-executive directors of the Bank and relevant positions at special committees of the Board of Directors in June 2022. As the resignation of the two independent non-executive directors resulted in the fact that independent non-executive directors accounted for less than one third of the Board of Directors members of the Bank, the resignation of Mr. He Cao and Ms. Chen Lihua shall take effect after the election of new independent non-executive directors at the general meeting and upon the approval of the qualifications of new independent non-executive directors by the CBIRC. Prior to that, Mr. He Cao and Ms. Chen Lihua shall continue to perform relevant duties as independent non-executive director of the Bank and relevant positions at special committees of the Board of Directors in accordance with relevant laws, regulations, regulatory requirements and the Bank's Articles of Association.

3.3.2.2. Supervisors

Upon deliberation and approval at the first joint meeting of the second staff representative conference of the Bank in 2022, Mr. Cheng Pusheng was elected as the employee representative supervisor of the 6th Session of the Board of Supervisors. The term of office of Mr. Cheng Pusheng as the employee representative supervisor of the Bank took effect on 14 March 2022 and 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.

3.3.2.3. Senior Management Members

On 22 November 2021, the 6th meeting of the 6th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, approving the appointment of Mr. Liu Cheng as Executive Vice President and Mr. Wang Kang as Vice President and Chief Financial Officer of the Bank, who 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.

3.3.3 Work Performance of Independent Directors and External Supervisors

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 positions other than directors in the Bank. The Bank protected independent non-executive directors' right to know, and provided them with the necessary information in a timely manner and the necessary working conditions for performing duties. During the reporting period, pursuant to regulatory requirements and the Articles of Association of the Bank, the independent non-executive directors of the Bank performed their duties with good faith, independence and diligence, exercised their legal rights such as the right to know and right to make decisions in accordance with laws and regulations. They earnestly participated in the general meetings, and meetings of the Board of Directors and its special committees. What's more, they actively carried out community-level research, made independent, professional and objective judgments, and expressed objective, fair and independent opinions, safeguarding the legitimate rights and interests of the Bank, minority shareholders and financial consumers. The independent non-executive directors of the Bank ensured sufficient time and energy to effectively perform their duties, and their entrustment of directors to attend board meetings on proxy due to conflicting schedule complied with regulatory provisions.

The 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. The external supervisors of the Bank invested sufficient time and energy to perform their duties. They attended the Bank's meetings of the Board of Supervisors and general meetings, and were present at board meetings as non-voting attendees. They proactively got to understand the Bank's operation and management dynamics, read and analyzed various proposals and reports, and put forward objective, fair and independent opinions at the meetings of the Board of Supervisors, so as to play an important role in the performance of supervisory duties by the Board of Supervisors.

3.4 Profit Distribution

The formulation and implementation of the Bank's cash dividend policy complies with the Articles of Association of the Bank and the requirements of the resolutions of the general meeting, the dividend standard and proportion are clear and definite, and the decision-making process and mechanism are complete. The 2021 profit distribution plan proposed by the Board of Directors of the Bank was approved by independent non-executive directors, and adopted through resolution by more than 99.93% shareholders holding less than 5% of the Bank's shares at the 2021 Annual General Meeting held on 23 June 2022, effectively protecting the rights and interests of minority shareholders.

3.4.1 Profit Distribution Plan for 2021

Upon review and approval by the general meeting, the Bank distributed dividends on ordinary shares for 2021 in cash to the A shareholders on the register as at 27 July 2022 and the H shareholders on the register as at 5 July 2022. Cash dividends of RMB3.02 (including tax) were distributed for every 10 shares, amounting to about RMB14.778 billion in total. The 2021 profit distribution plan of the Bank were explained in detail in the 2021 Annual Report, documents of the 2021 Annual General Meeting, the H-share circular of the 2021 Annual General Meeting and the announcement on the implementation of dividend distribution of A ordinary shares for the year 2021. For details, 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).

3.4.2 Interim Profit Distribution for 2022

The Bank neither distributed profit nor converted capital reserve into share capital for the first half of 2022.

3.5 Information Disclosure

During the reporting period, strictly following the principles of truthfulness, accuracy, completeness, timeliness and fairness, abiding by laws and regulations, and in the light of the information needs of investors, the Bank published over 370 periodic reports, interim announcements and other documents at the SSE and the SEHK, totaling nearly 4 million words. Meanwhile, the Bank kept improving the framework and contents of its periodic reports, increased disclosures regarding market concerns, and constantly improved the pertinence and effectiveness of information disclosure, so as to provide investors with timely, sufficient and effective information for the effective protection of investors' right to know.

The Bank continued to strengthen the refined management of information disclosure, and intensified efforts in process control and quality control. It took the initiative to strengthen internal and external communication, and made reasonable disclosure plans to consolidate the compliance foundation and ensure the orderly disclosure. During the reporting period, the Bank kept pace with regulatory developments to develop internal policies and procedures in line with the latest regulatory rules. In accordance with the *Management Rules for Shareholding by Directors, Supervisors and Senior Management of Listed Companies and the Changes Thereof* newly revised by CSRC, the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange* newly revised by the SSE and relevant self-discipline regulatory guidelines, the Bank reviewed and revised 11 policies including the *Administrative Measures for Information Disclosure* and supporting rules, further fortifying the compliance foundation for information disclosure.

3.6 Management of Related Party Transactions

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

The Bank upheld its management system that featured decision making by the Board of Directors, supervision by the Board of Supervisors, execution by the senior management, and division of duties among business units. It effectively performed its obligations of reviewing and disclosing related party transactions, submitted material related party transactions to the Audit and Related Party Transactions Control Committee for review and to the Board of Directors for deliberation on a case-by-case basis, and disclosed such transactions and filed them with the CBIRC for record, in strict compliance with relevant requirements on the management of related party transactions. The Audit and Related Party Transactions Control Committee under the Board of Directors 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 its shareholders as a whole.

During the reporting period, guided by the concept of "returning to original purposes of regulation, attaching importance to the nature of transactions and creating value through compliance" and considering policy changes and regulatory requirements, the Bank reexamined the effectiveness and standardization its related party transactions, pressed ahead with the system and mechanism reform regarding related party transactions, continuously improved the IT application and intelligent operation of related party transactions management, and ensured the compliance and orderly conduct of related party transactions. The Bank studied and implemented regulatory policies. Based on the CBIRC's *Administrative Measures for Related Party Transactions of Banking and Insurance Institutions*, the *SSE Listing Rules* and other policies[33], the Bank conducted in-depth research and analysis of their impact, made implementation plans with reference to the new rules, advanced system reform, and requested for instructions from regulators concerning doubts and difficulties in new rule implementation, to ensure the management of related party transactions complied with regulatory requirements. It strengthened the compliance awareness of related party transactions of all parties, kept close communication with shareholders' related parties based on policy changes and management requirements as well as internal publicity of guiding principles in the new rules, urged shareholders to fulfill their obligations as shareholders in accordance with regulatory requirements, and conducted related party transactions in a compliant manner. As the scope of related parties of shareholders expanded, the Bank effectively carried out the limit management and reasonable adjustment of related party transactions quote, comprehensively checked future business needs, and timely initiated the adjustment of annual caps of continuing related party transactions, to ensure all related party transactions were carried out in a compliant and orderly manner within the upper limit. Meanwhile, the Bank moved faster in improving the related party transactions management system. Based on the integration of information on related parties and related party transactions and considering regulatory policy changes and new information reporting requirements, the Bank made consistent 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.

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

3.7 Management of Investor Relations

Attaching consistent and great importance to investor protection, the Bank continued to optimize its multi-dimensional and multi-tier investor communication and service system in response to the communication needs of different types of investors at home and abroad. In the first half of 2022, the Bank communicated with capital market participants for over 13,000 person-times through receiving and visiting investors, participating in investor forums, and various approaches such as investor hotline, email and SSE e-interaction platform, effectively meeting the communication needs of domestic and overseas investors and analysts. Meanwhile, the Bank adopted new communication methods by holding the 2021 annual results briefing through the form of live video streaming and posting the meeting record on its official website after the meeting. In this case, investors who failed to attend the meeting in time could also be informed of the Bank's operation and management. After disclosing its annual results, the Bank carried out road shows via telephone and video links with the investors in Beijing, Shanghai, Shenzhen and other places and actively promoted the Bank's performance to enhance the capital market's recognition of its investment value. The Bank recorded the above investor reception and exchange activities in accordance with relevant regulatory requirements and properly kept relevant documents. During the reporting period, the Bank actively participated in the "Shareholders Are Coming" knowledge contest on investor rights and interests guided by the General Office and Investor Protection Bureau of CSRC and jointly hosted by China Securities Investor Services Center and the local CSRC office. On top of that, it published the participation information on the Bank's official account and promoted the contest to small and medium-sized investors during the annual general meeting, as a way to encourage investors to actively pay attention to and participate in the activity, which achieved good results.

3.8 Remuneration Policy

During the reporting period, in order to implement its strategic development requirements and standardize the day-to-day remuneration management, the Bank revised the remuneration, benefits and attendance policies, and clarified the orientation of more remuneration distribution to the community-level and front-line employees, strengthened the incentive and restrictive role of remuneration, and further improved the remuneration distribution mechanism and standardized management.

3.9 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.

3.10 Information on Staff and Affiliates

3.10.1 Number and Mix of Employees, and Affiliates

As at the end of the reporting period, the Group had 59,277 employees, including 58,449 under labor contracts and 828 dispatched or hired with letters of engagement. The Bank bore fees for 2,204 retirees. The Bank had 55,406 employees, including 54,698 under labor contracts and 708 dispatched or hired with letters of engagement.

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	2,217	2,793,238
	Credit Card Center	Address: CITIC Bank Building, No. 121 Fuhua 1st Road, Futian Street, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	1	5,196	511,851
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	76	3,154	1,213,697
	Tianjin Branch	Address: A5 No. 162 Zhangzizhong Road, Heping District, Tianjin Postal Code: 300020	36	959	105,337
	Shijiazhuang Branch	Address: CITIC Tower, No. 10, Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei Province Postal Code: 050000	63	1,761	126,195
	Jinan Branch	Address: CITIC Plaza, No. 150, Luoyuan Street, Jinan, Shandong Province Postal Code: 250002	46	1,539	124,348
	Qingdao Branch	Address: No. 22, Hong Kong Middle Road, Qingdao, Shandong Province Postal Code: 266071	53	1,664	133,647
	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	24	773	62,272
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	54	1,800	552,779
	Nanjing Branch	Address: CITIC Tower, No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	84	3,324	465,304
	Suzhou Branch	Address: West Building, Business Center, Financial Harbor, No. 266 East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province Postal Code: 215028	28	1,130	175,514
	Hangzhou Branch	Address: No. 9 Jiefang East Road, Shangcheng District, Hangzhou, Zhejiang Province Postal Code: 310016	92	3,682	599,653
	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	28	867	115,477

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Pearl River Delta and West Strait	Fuzhou Branch	Address: Hengli Financial Center, No. 6, Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350000	53	1,472	119,800
	Xiamen Branch	Address: 334-101, 201, 301, 401, Hubin South Road, Siming District, Xiamen, Fujian Province Postal Code: 361000	16	456	27,278
	Guangzhou Branch	Address: CITIC Plaza, No. 233, Tianhe North Road, Guangzhou, Guangdong Province Postal Code: 510613	102	3,244	416,458
	Shenzhen Branch	Address: 5-10/F, North Tower, Phase II Time Square, No. 8 Third Central Road, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	51	1,613	402,871
	Haikou Branch	Address: Banshan Garden, No. 1 Jinmao Middle Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	11	335	16,098
Central China	Hefei Branch	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	40	1,129	121,658
	Zhengzhou Branch	Address: CITIC Bank Building, No. 1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	85	2,282	239,869
	Wuhan Branch	Address: CITIC Tower, No. 747 Jianshe Avenue, Hankou, Wuhan, Hubei Province Postal Code: 430000	46	1,465	185,571
	Changsha Branch	Address: No. 1500 Third Section of Xiangjiang North Road, Kaifu District, Changsha, Hunan Province Postal Code: 410011	42	1,200	118,102
	Nanchang Branch	Address: Building D3, Greenland Central Plaza, No. 998, Honggu Middle Avenue, Honggutan District, Nanchang, Jiangxi Province Postal Code: 330038	20	677	86,880
	Taiyuan Branch	Address: 1-17/F, Building 31, No. 65 Pingyang Road, Xiaodian District, Taiyuan, Shanxi Province Postal Code: 030006	30	920	63,166

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	1,082	132,203
	Nanning Branch	Address: No. 36-1, Shuangyong Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	18	548	50,828
	Guiyang Branch	Address: North Second Tower, BL Zone, Guizhou Financial City, Changling North Road, Guanshanhu District, Guiyang, Guizhou Province Postal Code: 550081	15	434	37,618
	Hohhot Branch	Address: CITIC Tower, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010010	33	847	47,458
	Yinchuan Branch	Address: No. 160 Beijing Middle Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	8	241	18,245
	Xining Branch	Address: No. 1 Jiaotong Lane, Chengxi District, Xining, Qinghai Province Postal Code: 810008	9	223	14,419
	Xi'an Branch	Address: No. 1, Middle Section of Zhuque Road, Xi'an, Shaanxi Province Postal Code: 710061	39	1,092	84,959
	Chengdu Branch	Address: La Defense Tower, No. 1480 North Section of Tianfu Avenue, High-Tech Zone, Chengdu, Sichuan Province Postal Code: 610042	44	1,277	151,829
	Urumqi Branch	Address: CITIC Bank Tower, No. 165, Xinhua North Road, Urumqi, Xinjiang Uygur Autonomous Region Postal Code: 830002	12	383	25,836
	Kunming Branch	Address: Fulin Square, Baoshan Street, Wuhua District, Kunming, Yunnan Province Postal Code: 650021	31	841	74,111
	Lanzhou Branch	Address: No. 9 Minzhu West Road, Chengguan District, Lanzhou, Gansu Province Postal Code: 730000	13	322	17,578
	Lhasa Branch	Address: No. 22 Jiangsu Road, Lhasa, Tibet Autonomous Region Postal Code: 850000	2	119	6,569

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Northeastern China	Harbin Branch	Address: CITIC Tower, No. 236, Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150000	18	503	30,206
	Changchun Branch	Address: No. 718, Jiangong South Road, Chaoyang District, Changchun, Jilin Province Postal Code: 130000	20	480	35,290
	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	50	1,339	50,092
Overseas	London Branch	5th Floor, 99 Gresham Street, London, EC2V 7NG, UK	1	33	26,579
	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 2,775 employees at its Software Development Center, Big Data Center and Technology Operation Center and 4 employees seconded to JSC Altyn Bank. Hong Kong Branch (under preparation) consists of staff assuming their duties concurrently, and there was no full-time employee.

(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.

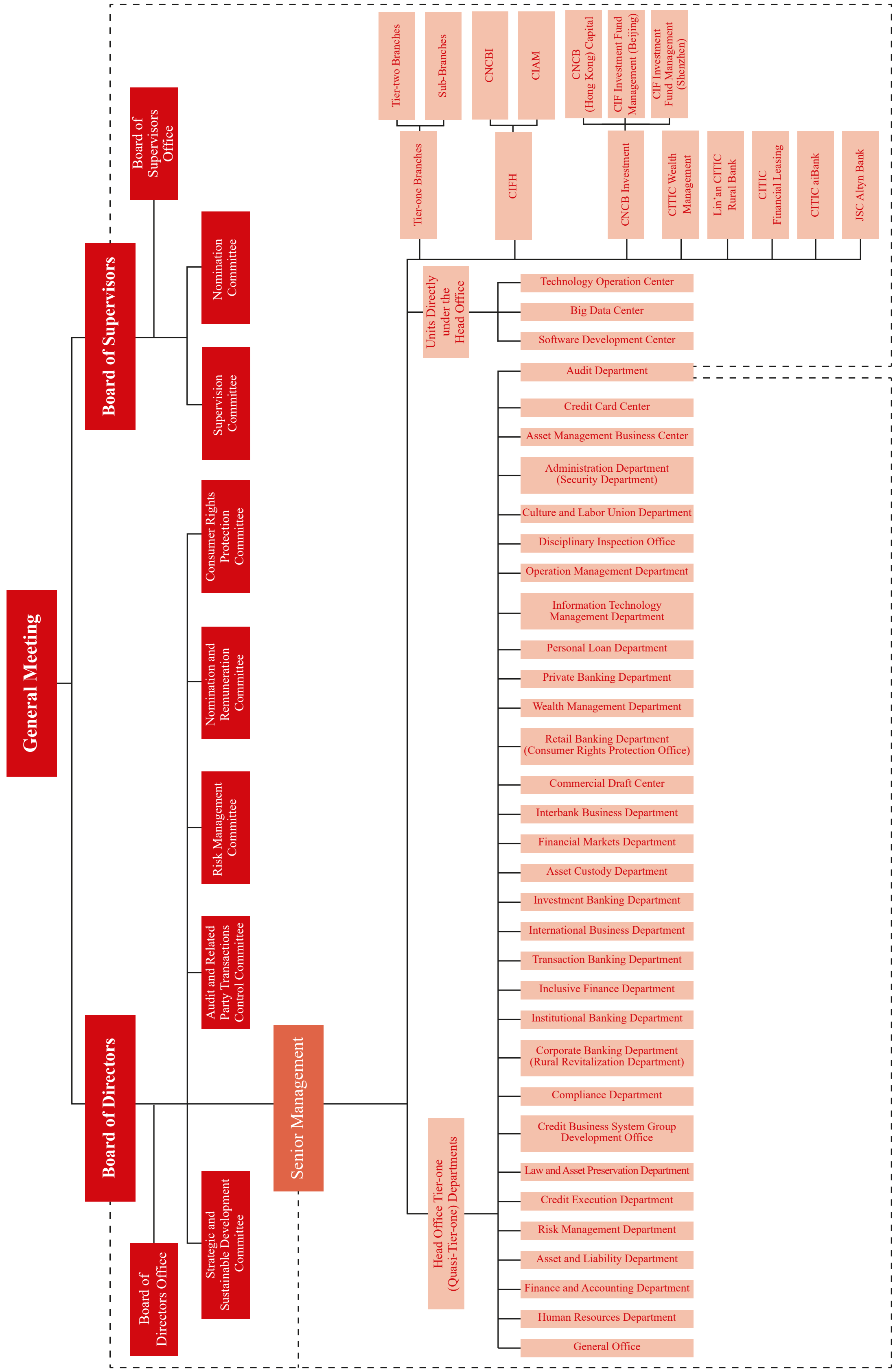
3.10.2 Human Resources Management

During the reporting period, the Bank closely followed the strategic guidelines, pushed forward the adjustment of its organizational system in an orderly manner, and strengthened the top-level design and strategic planning of talent related work. Upholding the talent concept of "uniting those men in progression, inspiring men of action and promoting men with achievement", the Bank optimized the human resources mechanism, and made overall planning for the Bank's official and talent team building. 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.

3.10.3 Human Resources Training and Development

During the reporting period, the Bank carried out training centering on the Bank's development strategy and the "342 Action Plan for Developing Core Business Capabilities", and held 2,337 sessions of training throughout the reporting period, recording 277 thousand 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 training on policies, systems, products and other business training. The Bank established a digital capability training system, launched the "Digitalization" campaign, and carried out digital thinking training for all employees. Focusing on the needs of core capability building, the Bank created the "Talent Factory" training mode for sub-branch heads, wealth managers and other positions, provided systemic, standardized and large-scale training in a unified manner, and continuously cultivated talents for the front-line operation.

3.10.4 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, caring bank, honest bank, value bank and brand bank" into its strategy and culture, and continuously improved the sustainable development management system.

During the reporting period, the Bank's Board of Directors and Board of Supervisors deliberated on and approved the Bank's *2021 Sustainable Development Report* and heard the report on and plan for annual reputational risk management, consumer rights protection, and the development of inclusive finance. The Strategic Development Committee under the Board of Directors was renamed the Strategic and Sustainable Development Committee under the Board of Directors, which was responsible for coordinating ESG matters. Upon in-depth research into overall ESG related works, the Board of Supervisors issued the *Supervision Reminder Letter*, which, from the perspective of supervision, advised that the Bank should optimize its top-level design, integrate ESG concepts into its business operation and build ESG brands, so as to improve the Bank's performance in respect of ESG matters. During the reporting period, remarkable achievements were made in green credit, "carbon footprint" management, inclusive finance, customer services and supplier management.

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 on the Bank due to environmental problems.

4.1.1 Green Office

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 RMB281.195 billion, representing an increase of 40.54% compared with the end of the previous year, a growth rate exceeding the average of the Bank.

The Bank formulated special credit policies for green finance, worked towards the national goals of "peak carbon emissions" and "carbon neutrality", supported the credit businesses that were in line with the trend of green development, promoted the implementation of carbon-reduction supporting tools, and proactively participated in the green bond business. 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. 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.

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.

In order to shape the green consumption behaviors of customers, during the reporting period, the Bank launched the carbon inclusive platform "CITIC Carbon Account" for personal users based on the Mobile Card Space APP, the first personal carbon account launched by a domestic bank. As at the end of the reporting period, the "CITIC Carbon Account" had 278.4 thousand users. At the same time, the Bank leveraged on synergy and expanded the ecology of cooperation. It cooperated with partners to launch the "Green, Innovative and Collaborative" low-carbon ecology platform[34], thus forming a green industrial chain to achieve mutual empowerment and promote green finance innovation.

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, stopping waste on dining tables and office printing to reduce resource consumption and emissions, practiced the concept of green operation, and improved intensive management.

[34] Meaning that the Bank cooperated with external partners to develop multiple scenarios including green finance, green travel, new energy vehicles, second-hand recycle and green reading, so as to enable the collection and circulation of carbon assets in multiple scenarios.

4.2 Fulfillment of Social Responsibilities

The Bank actively fulfilled its social responsibilities by carrying out targeted 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 attached great importance to privacy and data security and strengthened the management and control of safe operation. It 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, and established a steering group for inclusive finance & rural revitalization headed by the secretary of the Party and a working group consisting of over 30 relevant departments to consolidate and expand the achievements made in poverty alleviation and promote the steady and robust development of loans for precision assistance with financial services.

The Bank improved the precision assistance system, strictly implemented the requirements of shaking off no responsibilities, policies, assistance and regulations even when poverty has been shaken off, and maintained overall stability of the assistance policies and efforts. Efforts were made to enhance infrastructure construction, extend the service radius of electronic channels, enrich the online product system and expand the coverage of financial services. The Bank strengthened performance evaluation, incorporated the loans for precision poverty alleviation into the comprehensive performance appraisal of branches, and put in place the allocation of special subsidies, specified requirements for risk tolerance, and implemented due diligence liability exemption. The Bank promoted the development of key businesses and made good use of the list of poverty alleviation identification information with a focus on people who have got rid of poverty, poverty alleviation through industrial development and other key areas. Specifically, it increased credit support and advanced the sustained growth of balance of loans in previously impoverished areas. As at the end of the reporting period, the Bank's balance of loans for precision poverty alleviation stood at RMB30.666 billion. The number of customers with loan balance reached 1.0399 million, and during the reporting period the average interest rate of loans newly granted remained overall stable compared with the previous year.

In the second half of 2022, the Bank will strengthen top-level planning, ensure policy and resource support and provide more financial support to key precision assistance areas. At the same time, it will strengthen the project screening and risk management of the loan of precision poverty alleviation and prevent excessive and illegal financing in the name of poverty alleviation, so as to make its own contributions to consolidating and expanding the achievements made in poverty alleviation.

4.2.2 Rural Revitalization

The Bank fully implemented national strategies on rural revitalization and acted in strict accordance with regulatory requirements. With the aim of providing financial services with CITIC characteristics for rural revitalization, the Bank focused on key areas of rural revitalization such as food security, rural industrial upgrade, new urbanization initiatives and financial services for new citizens, strengthened system and mechanism building and policy support, increased credit resources and improved the quality and efficiency of financial services.

During the reporting period, the Bank strengthened system and mechanism building, and established a steering group for inclusive finance & rural revitalization to improve the organizational system and develop the action plan for rural revitalization. In order to optimize the product system for rural revitalization, the Bank from three perspectives, i.e. innovation in collateral, urbanization and industrial upgrade relating to agriculture, rural areas and farmers, and scenario application, constantly expanded business scenarios, and advanced agriculture-related supply chain finance services. Efforts were made to ensure financial supply in key areas. With a focus on food security and based on its research in the seed industry, the Bank strengthened marketing efforts for key customers such as Beidahuang Group and CP Group, and issued the marketing notice to the agricultural supplies industry. It improved the supporting measures for relevant policies, and formulated a growth plan for agriculture-related loans and inclusive agriculture-related loans, launched a marketing campaign for leading agricultural enterprises, increased subsidies for loans and expanded the coverage of subsidies.

As at the end of the reporting period, the Bank had 44.6 thousand accounts of agriculture related customers. The balance of the Bank's agriculture-related loans stood at RMB444.764 billion, up by RMB48.173 billion or 12.15% compared with the end of the previous year. Among them, the balance of agriculture-related inclusive loans was RMB27.751 billion, an increase of RMB3.669 billion or 15.24% from 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.

4.2.3 Consumer Rights Protection and Service Quality Management

During the reporting period, the Bank acted in accordance with regulatory requirements under the business philosophy that "consumer rights protection reflects the financial industry's political consciousness and the ability to represent the people". Through the implementation of the annual consumer rights protection work plan of "three strengthening, two promoting and one transforming"[35], it worked to improve its consumer rights protection capabilities and effectively protected the lawful rights and interests of consumers. The Bank received another A rating in the 2021 annual consumer protection assessment of the People's Bank of China.

The Bank incorporated consumer rights protection work into the overall strategic planning, corporate culture fostering and corporate governance mechanism, and further improved the "1+13+2"[36] management system of consumer rights protection. Upholding the development concept of "finance for the people", the Bank constantly improved the financial training and publicity system to provide consumer rights protection "with a human touch". During the reporting period, the Bank carried out a series of campaigns such as "Protecting Your Pockets with Financial Knowledge", "3•15 Banking and Insurance Consumer Protection Awareness Week", and "Illegal Fundraising Prevention Awareness Month". It launched a total of 6,987 activities, which reached 240 million person-times and were well received by the public and regulators. During the "3•15 Banking and Insurance Consumer Protection Awareness Week", the Bank was recognized by the CBIRC as an "Excellent Organizer" for the two consecutive years. The Bank published 19 articles on consumer rights protection, which were pushed to about 13 million people on a regular basis. Among these, many original articles and videos were chosen and pushed by the official accounts of the People's Bank of China and National Anti-fraud Center.

The Bank continued to strengthen complaint management, specify the responsible entities for handling complaints, and adopt a problem-oriented approach to improve the quality and efficiency of complaint management. Based on the regulatory requirements, the Bank revised and improved the measures for complaint management, and introduced a special policy to resolve financial complaints through multiple channels. Focusing on escalated complaints, multiple rectification measures were taken to resolve complaints arising from collection of receivables. The Bank sorted out its business lines to draw the "complaint – customer – product – business process" relationship map, and steady developed a digitalized consumer complaint analysis and management matrix. The Bank explored the mechanism of resolving disputes through multiple channels in its credit card business, and expanded the scenarios to apply the mechanism. As at the end of the reporting period, 28 branches of the Bank established partnership with local dispute resolution institutions. Meanwhile, the Bank continued to provide customer care services during the pandemic and opened a special fast interactive voice response (IVR)[37] to human service channel for customers in areas impacted by the pandemic, so as to resolve the problems arising from using bank cards in a timely manner. During the reporting period, the special channel served a total of 425.8 thousand customers, with a connection rate of 97%.

[35] "Three strengthening, two promoting and one transforming" refers to strengthening cooperation with regulators, full-process control and key area governance to consolidate the foundation of consumer rights protection work; promoting the quality and efficiency of complaint management and consumer protection work with a focus on organization result delivery; and building and applying a digital consumer rights protection platform to promote the transformation of medium and long-term consumer rights protection mode.

[36] "1+13+2" refers to 1 basic policy, 13 special rules and 2 rules of procedure.

[37] Interactive Voice Response

4.2.4 Privacy and Data Security

The Bank strengthened the management of information system operation, and carried out routine system monitoring and emergency drills to improve emergency response capabilities. As a result, the disaster recovery capacity coverage of important IT systems reached 100%, providing strong and solid guarantee for its business continuity. It continued to consolidate the in-depth network security system, so as to ensure safe operation, and monitor and handle abnormal access, cyberattack and virus infection on a real-time basis.

The Bank attached great importance to customer privacy protection and data security management. On the basis of national laws and regulations and industry standards, it formulated safety rules including the *Administrative Measures for Information Security of China CITIC Bank,* the *Administrative Measures for Digital Data Security of China CITIC Bank* and the *Administrative Measures for Customer Information Protection of China CITIC Bank*, which clarified the data security classification standard, specified the safety management specifications and requirements for all links of the lifecycle including the collection, transmission, storage, use and cleaning up of customer information. In its daily operation, the Bank adhered to the "know-what-must-be-known and minimum authorization" data access strategy, and established a complete risk response mechanism including emergency plan, risk treatment, event report and public opinion monitoring, thus effectively preventing data and personal information security risks. Various privacy policies were adopted in different scenarios to specify the purposes, methods and scope of personal information collection, as well as the respective rights and obligations of the customers and the Bank on the collection, treatment and protection of personal information, so that the customer information would only be used within the scope of authorization and exclusively for the agreed purposes. The Bank's mobile banking, Mobile Card Space and other mobile applications have passed the third-party privacy protection evaluation and obtained the real-name filing and authentication for mobile finance applications from the National Internet Finance Association of China (NIFA).

In order to cultivate a data security culture, the Bank launched a series of training programs about the policies and standards on cybersecurity, customer information protection and personal information protection, so as to raise awareness about personal information protection and enhance the data security awareness of its employees.

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

4.2.5 Supplier Management

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

During the reporting period, the Bank strengthened policy governance, process optimization, risk management and supervision of agreement performance, promoted the commodity price management and standardization of procurement contracts, so that the interested parties conducted "IT Application Innovation" procurement in a closer and more efficient manner in accordance with laws and regulations. The Bank launched the "Sunshine Procurement with CITIC Bank" campaign to promote the formation of a compliance culture and positive energy of procurement. It also implemented major national strategic plans, and established 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. Upholding a technology-driven approach, the Bank accelerated the digitalized and intelligent transformation of procurement, and fully supported and drove the development of core business capabilities to enhance its business operation and management.

Chapter 5 The Report of Board of Directors

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

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

5.2 Material Contracts and Their Performance

5.2.1 Custody, Contracting or Lease of Material Assets

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 custody of, contract or lease material assets of the Bank.

5.2.2 Material Guarantees

CNCB Investment, a controlled subsidiary of the Bank, provided unconditional and irrevocable guarantee for the bonds of USD500 million issued by its wholly-owned overseas special purpose institution[38]. Save as disclosed above and except for the financial guarantee business that is within its approved business scope, during the reporting period, the Bank did not have any other material guarantee that needs to be disclosed.

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

During the reporting period, there was no appropriation of the Bank's funds by either its controlling shareholder or other related parties.

5.4 Material Related Party Transactions

The Bank identified related parties and conducted related party transactions in accordance with the requirements of regulators such as the CBIRC, SSE and SEHK as well as accounting standards. When engaging in 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 55 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 and requirements of the SSE.

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

5.4.2 Credit Extension Continuing Related Party Transactions

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

Unit: RMB100 million

<table>
<tr><th colspan="2">Counterparty</th><th>Business type</th><th>Basis of calculation</th><th>Annual cap in 2022</th></tr>
<tr><td colspan="2">CITIC Group and its associates</td><td rowspan="7">Credit extension transactions</td><td rowspan="7">Credit line</td><td>2,000</td></tr>
<tr><td colspan="2">Xinhu Zhongbao and its associates</td><td>200</td></tr>
<tr><td colspan="2">China Tobacco and its associates</td><td>200</td></tr>
<tr><td rowspan="4">Related parties where the Bank's related natural persons invested in/worked for</td><td>Ping An Insurance (Group) Company of China, Ltd.</td><td>100</td></tr>
<tr><td>New China Life Insurance Company Ltd.</td><td>50</td></tr>
<tr><td>Cinda Securities Co., Ltd.</td><td>20</td></tr>
<tr><td>China Life Pension Company Limited</td><td>50</td></tr>
</table>

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

The Bank attached great importance to the day-to-day monitoring and management of related party credit extension transactions and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as more intensive process-based management, strict risk review and better post-lending management of related credit extension. As at the end of the reporting period, the balance of credit that the Bank and its subsidiaries extended to all related enterprises under the SSE regulatory criteria amounted to RMB105.489 billion, including RMB101.415 billion to CITIC Group and its associates, RMB3.049 billion to Xinhu Zhongbao and its associates, zero to China Tobacco and its associates, RMB1.025 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., China Life Pension Company Limited and Cinda Securities Co., Ltd., for which upper limits had been applied, and RMB1.025 billion to other related enterprises where the Bank's related natural persons invested in/worked for and for which upper limits had not been applied separately[39]). Under the CBIRC regulatory criteria, the balance of credit that the Bank and its subsidiaries extended to all related enterprises amounted to RMB293.820 billion, including RMB72.313 billion to CITIC Group and other customers in the group, RMB15.827 billion to Xinhu Zhongbao and other customers in the group, RMB88 million to China Tobacco and other customers in the group, and RMB205.592 billion to other related parties. Such credit extensions to related enterprises were of good quality in general, with one being special mention (RMB399 million), one being doubtful loan (RMB339 million) and two being loss loans (RMB980 million in total), and all others being performing loans. As such, these credit extension transactions exert no material impacts on the normal operation of the Bank in terms of transaction volume, structure and quality. The 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.

39 The actual incurring amount of related party credit extension transactions with related enterprises where the Bank's related natural persons invested in/worked for and for which upper limits had not been applied separately did not meet the disclosure standards specified in the SSE Listing Rules.

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

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 Rules *Governing the Listing of Stocks on the Shanghai Stock Exchange*. 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 2022**	**Transaction amount in January – June 2022**
CITIC Group and its associates	Third-Party Escrow Services	Service fee income/expense	2.5	0.14

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

5.4.3.2 Asset Custody Services

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

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2022	Transaction amount in January – June 2022
CITIC Group and its associates	Asset Custody Services	Service fee income/expense	18	4.66

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 2022	Transaction amount in January – June 2022
CITIC Group and its associates	Financial Consulting and Asset Management Services	Service fee income/expense	45	1.01

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 2022	Transaction amount in January – June 2022
CITIC Group and its associates	Capital Transactions	Gains and losses of transactions	22	5.68
		Fair value recorded as assets	22	8.62
		Fair value recorded as liabilities	450	5.74

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

5.4.3.5 Comprehensive Services

The Bank and CITIC Group and its associates shall apply prevailing market prices or applicable rates of independent third-party transactions to comprehensive services between them and shall determine the price and rate of a particular type of service through fair and reciprocal negotiations and according to applicable market price and rate. The principal terms of the Comprehensive Service Framework Agreement are set out as follows: (1) services conducted include but are not limited to medical insurance and enterprise annuity, merchandise service procurement (including conference hosting services), outsourcing services, value-added services (including bank card customers' credit point services), advertising services, technology services and property leasing; (2) both parties of the agreement shall provide the services prescribed in the agreement; (3) the service recipient shall pay service fees to the service provider for its service; and (4) the comprehensive services to be provided under the agreement shall be made on terms no more favorable than those applicable to comparable terms applicable to independent third parties.

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2022	Transaction amount in January – June 2022
CITIC Group and its associates	Comprehensive Services	Service fee expense/income	65	20.05

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 carried out under the agreement shall be made on terms no more favorable than those comparable terms applicable to independent third parties; (3) the agreement shall specify the management rights of the credit loan and other related assets; and (4) undertake confidentiality obligations in respect of the asset transfer.

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2022	Transaction amount in January – June 2022
CITIC Group and its associates	Asset Transfer	Transaction amount	1,800	135.43

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

<table>
<tr><th>Counterparty</th><th colspan="2">Business type</th><th>Basis of calculation</th><th>Annual cap in 2022</th><th>Transaction amount in January – June 2022</th></tr>
<tr><td rowspan="3">CITIC Group and its associates</td><td colspan="2">Non-Principal-Protected Wealth Management Services and Agency Services</td><td>Service fee expense/income</td><td>75</td><td>17.53</td></tr>
<tr><td rowspan="2">Investment with Wealth Management Funds or Proprietary Funds</td><td>Fund Operation</td><td>Period-end balance of investment funds</td><td>2,100</td><td>439.70</td></tr>
<tr><td>Intermediary Cooperation</td><td>Bank investment return and fee expense/income</td><td>45</td><td>1.31</td></tr>
</table>

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 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 SSE.

5.4.5 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 55 to the financial statements of this report.

5.4.6 Related Party Transactions with Related Finance Companies

5.4.6.1 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 January – June 2022	Closing Balance
CITIC Finance	None	0-2.55%	115.76	470.14	44.33

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 January – June 2022	Closing Balance
CITIC Finance	None	1%	0.0002	0	0

5.4.6.2 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.

5.4.6.3 Credit business

As at the end of the reporting period, the Group's credit balance to CITIC Finance stood at RMB50 million and CITIC Finance's credit balance to the Group was RMB4.433 billion.

5.4.6.4 Other financial business

During the reporting period, the Group provided various services for CITIC Finance, and collected total fees of RMB0.7269 million.

5.4.7 Transaction Balances and Risk Exposures of Related Natural Persons

For details of the transaction balances and risk exposures relating to the transactions between the Bank and its related natural persons, please refer to Note 55 to the financial statements of this report.

5.5 Material Litigations and Arbitrations

During the reporting period, the Bank was not involved in material litigation or arbitration cases. The Bank 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 Bank 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 93 outstanding litigation and arbitration cases (regardless of the disputed amounts) in the Bank's ordinary and usual course of business where the Bank involved as defendant/respondent with an aggregate disputed amount of RMB1.414 billion. The Bank is of the view that the above-mentioned litigation or arbitration cases will not have significant adverse impacts on either its financial or operating results.

5.6 Undertakings by the Company and Its Relevant Stakeholders

According to relevant CSRC regulations, the Bank proposed remedial measures regarding the dilution of immediate returns that may arise from the non-public offering of preference shares, the public issuance of A-share convertible corporate bonds and their listings, and rights issue to existing shareholders. These measures include: strengthening capital planning and management to ensure capital adequacy and stability; reinforcing asset restructuring to improve capital allocation efficiency; enhancing operational efficiency and reducing operating costs; improving the internal capital adequacy assessment process for better capital management; strengthening capital stress test and improving capital emergency response plans; ensuring the standardized and effective use of proceeds in respect of rights issue to existing shareholders; and enhancing management capability and reasonably controlling costs and expenses. At the same time, the directors and senior management members of the Bank also gave undertakings to effectively execute the remedial measures. During the reporting period, the Bank was not aware of any violation of the above-mentioned undertakings.

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

During the reporting period, the Bank was not aware of any 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, acquirers and the Bank itself or other parties that had given undertakings.

5.7 Penalties Imposed on the Bank 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, incumbent 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, incumbent 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 incumbent 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.

5.8 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 six months ended 30 June 2022, except for the following:

According to Code C.5.3 of the *Corporate Governance Code*, the meeting notice of the Board of Directors shall be given at least 14 days before each regular board meeting, while all directors and supervisors shall be notified in writing 10 days prior to a regular board meeting according to Article 180 of the Bank's Articles of Association. The Bank adopted the above-mentioned latter notice practice for regular board meetings because a 10-day prior notice practice complies with applicable PRC laws and regulations, and reasonable time is deemed to have been given.

According to Code C.1.6 of the *Corporate Governance Code*, independent non-executive directors and other non-executive directors should attend the general meetings. Some directors were unable to attend all general meetings of the Bank in person due to conflict of schedule or other arrangements.

The part "B. Board of Directors" of the *Corporate Governance Code* requires the disclosure of the details of non-compliance with Rule 3.10A of the *Hong Kong Listing Rules*. On 31 March 2022, the Bank received the reply from CBIRC, which approved the qualification of Mr. Liu Cheng to serve as an executive director of the Bank. After the appointment of Mr. Liu Cheng as an executive director of the Bank, the Board of Directors comprised four non-executive directors, three executive directors and three independent non-executive directors, which temporarily failed to comply with the requirements of Rule 3.10A of the *Hong Kong Listing Rules* that independent non-executive directors shall account for at least one-third of the members of the board of directors. Upon the approval of CBIRC, Mr. Liu Tsz Bun Bennett began to serve as an independent non-executive director of the Bank as of 24 June 2022. After Mr. Liu Tsz Bun Bennett took office as an independent non-executive director of the Bank, the Board comprised four non-executive directors, three executive directors and four independent non-executive directors, which complied with the requirements of Rule 3.10A of the *Hong Kong Listing Rules*.

The part "E. Board Committees" of the *Corporate Governance Code* requires the disclosure of the details of non-compliance with Rule 3.21 of the *Hong Kong Listing Rules*. Mr. Yan Lap Kei Isaac could no longer perform his duties properly due to personal health reasons and resigned from the position of independent non-executive director of the Bank on 10 December 2021. Following the resignation of Mr. Yan Lap Kei Isaac, the Bank temporarily failed to comply with the requirements of Rule 3.10(2) and Rule 3.21 of the *Hong Kong Listing Rules* that at least one of the independent non-executive directors of the Board of Directors and the Audit and Related Party Transactions Control Committee must have appropriate professional qualifications or accounting or related financial management expertise. On 20 January 2022, the Bank's 1st Extraordinary General Meeting of 2022 elected Mr. Liu Tsz Bun Bennett as the independent non-executive director of the 6th Session of the Board of Directors of the Bank. Mr. Liu Tsz Bun Bennett possesses the appropriate professional qualifications and the appropriate accounting or related financial management expertise required by the *Hong Kong Listing Rules*. Upon the approval of CBIRC, Mr. Liu Tsz Bun Bennett began to serve as independent non-executive director of the Bank as of 24 June 2022. Upon approval by the 15th meeting of the 6th session of the Board of Directors of the Bank on June 29, 2022, Mr. Liu Tsz Bun Bennett was appointed as a member of the Audit and Related Party Transactions Control Committee of the 6th session of the Board of Directors of the Bank, with a term of office same as that of his position as the Bank's director.

5.9 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* as set out in Appendix 10 to the *Hong Kong Listing Rules* (hereinafter referred to as "Model Code") 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.

5.10 Review of Interim Results

The Audit and Related Party Transactions Control Committee of the Board of Directors of the Bank has reviewed the accounting policies and practices adopted by the Bank together with the senior management, discussed matters on internal control and financial reporting and reviewed the interim results. It is deemed that the accounting policies adopted in the interim financial report of the Group are consistent with those applied to the Group's annual financial statements for the year ended 31 December 2021.

5.11 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.

5.12 Other Important Events

5.12.1 Equity Change of Controlling Shareholder

CITIC Corporation Limited, the controlling shareholder of the Bank, signed an agreement with CITIC Financial Holdings to transfer 64.18% shares of the Bank to the latter at nil consideration on 22 June 2022. Upon completion of this gratuitous share transfer, the Bank's controlling shareholder will be changed from CITIC Corporation Limited to CITIC Financial Holdings, and CITIC Group will remain as the de facto controller of the Bank. Please refer to "6.7 Statement on Equity Change of Controlling Shareholder" of this report and 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 23 June 2022 for details thereof.

5.12.2 Rights Issue to Existing Shareholders

The Bank plans to issue rights shares to its existing shareholders. Please refer to "6.2.1 Equity Financing" of this report and 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 30 April 2022, 3 June 2022 and 24 June 2022 for details thereof.

Chapter 6 Changes in Ordinary Shares and Information on Ordinary Shareholders

6.1 Changes in Ordinary Shares

6.1.1 Table on Changes in Shareholdings

Unit: share

	31 December 2021		Changes during the reporting period (+, –)					30 June 2022	
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1. Shares held by the state	–	–	–	–	–	–	–	–	–
2. Shares held by state-owned legal persons	–	–	–	–	–	–	–	–	–
3. Shares held by other domestic investors	–	–	–	–	–	–	–	–	–
Including: Shares held by domestic non-state-owned legal persons	–	–	–	–	–	–	–	–	–
Shares held by domestic natural persons	–	–	–	–	–	–	–	–	–
4. Foreign-held shares	–	–	–	–	–	–	–	–	–
Including: Shares held by overseas legal persons	–	–	–	–	–	–	–	–	–
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
Shares not subject to restrictions on sale:	**48,934,842,469**	**100.00**	**–**	**–**	**–**	**+1,188**	**+1,188**	**48,934,843,657**	**100.00**
1. Renminbi denominated ordinary shares	34,052,679,492	69.59	–	–	–	+1,188	+1,188	34,052,680,680	69.59
2. Domestically-listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas-listed foreign shares	14,882,162,977	30.41	–	–	–	–	–	14,882,162,977	30.41
4. Others	–	–	–	–	–	–	–	–	–
Total shares	**48,934,842,469**	**100.00**	**–**	**–**	**–**	**+1,188**	**+1,188**	**48,934,843,657**	**100.00**

6.1.2 Shares Subject to Restrictions on Sale

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

6.2 Issuance and Listing of Securities

6.2.1 Equity Financing

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

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

6.2.2 Issuance of Bonds

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

Please refer to the relevant announcements dated 29 April 2022 published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details of the issuance of the aforementioned financial 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 154,620 accounts of ordinary shareholders in total, including 127,202 accounts of A shareholders and 27,418 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	11,551,160,339	23.61	0	-584,824	Unknown
3	China National Tobacco Corporation	State-owned legal person	A share	2,147,469,539	4.39	0	0	0
4	China Securities Finance Corporation Limited	State-owned legal person	A share	1,018,941,677	2.08	0	0	0
5	Central Huijin Asset Management Ltd.	State-owned legal person	A share	267,137,050	0.55	0	0	0
6	Hong Kong Securities Clearing Company Limited	Overseas legal person	A share	177,133,332	0.36	0	+84,555,526	0
7	China Construction Bank Corporation	State-owned legal person	H share	168,599,268	0.34	0	0	0
8	China Merchants Bank Co., Ltd. – SSE Dividend Traded Open-ended Index Securities Investment Fund	Other	A share	60,840,808	0.12	0	+2,974,346	0
9	National Social Security Fund Portfolio 110	Other	A share	57,016,055	0.12	0	+57,016,055	0
10	Hebei Jiantou Xiong'an Construction and Development Co., Ltd.	State-owned legal person	A share	31,034,400	0.06	0	0	0

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

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

(3) Hong Kong Securities Clearing Company Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. The total number of shares held by Hong Kong Securities Clearing Company Nominees Limited is the aggregate number of H shares it held in its capacity as nominee on behalf of all institutional (except for CITIC Corporation Limited) and individual investors registered with the company as at the end of the reporting period. Hong Kong Securities Clearing Company Limited is an institution that is designated by others to hold shares, including the Shanghai Stock Connect shares held by Hong Kong and overseas investors, on behalf of them 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 First Quarter of 2022 of China Construction Bank Corporation*, as at 31 March 2022, Central Huijin Investment Ltd. and its wholly-owned subsidiary Central Huijin Asset Management Ltd. together owned 57.31% equity of China Construction Bank Corporation. Except for these, the Bank was not aware of any related party relations or concerted actions between the shareholders listed in the above table.

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

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

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

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

Name	Class of shares	Identity	Number of shares held	Shareholding percentage of the issued share capital of the same class (%)	Shareholding percentage of the total issued share capital (%)
CITIC Corporation Limited	H share	Beneficiary owner	3,049,800,479(L)	20.49	6.23
	A share		32,859,879,260(L)	96.50	67.15
	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		32,859,879,260(L)	96.50	67.15
CITIC Polaris Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,859,879,260(L)	96.50	67.15
CITIC Glory Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,859,879,260(L)	96.50	67.15
CITIC Group	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,859,879,260(L)	96.50	67.15
Summit Idea Limited	H share	Beneficiary owner	2,292,579,000(L)	15.41	4.685
Total Partner Global Limited	H share	Interest of controlled corporations	2,292,579,000(L)	15.41	4.685
Hong Kong Xinhu Investment Co., Ltd.	H share	Beneficiary owner	153,686,000(L)	1.03	0.314
		Interest of controlled corporations	2,292,579,000(L)	15.41	4.685
Xinhu Zhongbao Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Xinhu Group Corporation Limited	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Hengxingli Holding Group Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Ningbo Jiayuan Industrial Development Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Huang Wei	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Li Ping	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
UBS SDIC Fund Management Co., Ltd	H share	Investment Manager	1,391,258,409(L)	9.35	2.84

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

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

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

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

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

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 its directors, supervisors and chief executives 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
Cheng Pusheng	Employee Representative Supervisor	H share	Beneficiary owner	354,000(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 distinctive 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 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%.

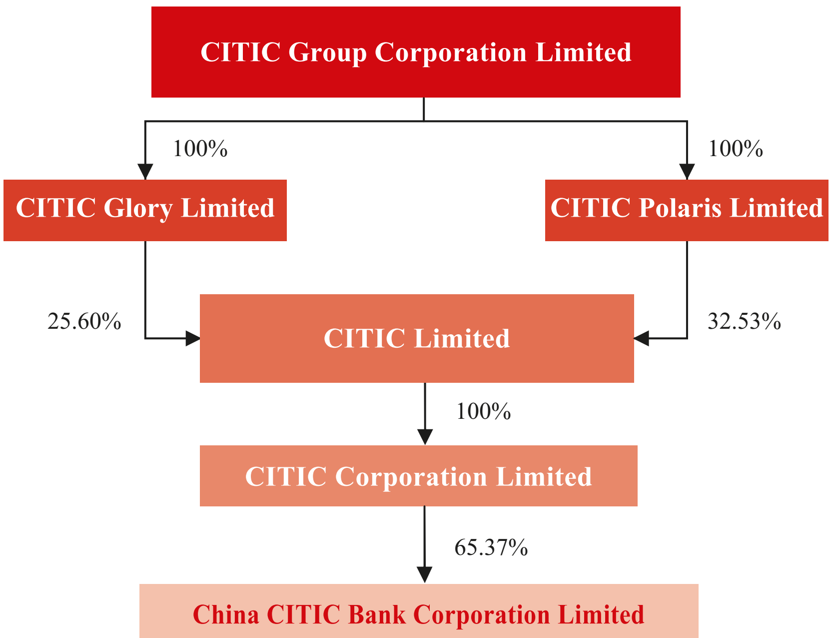
In January 2016, CITIC Limited notified the Bank that it planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding did not exceed 5% of the Bank's total issued share capital. As at 21 January 2017, 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[40]:



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

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

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

6.7 Equity Change of Controlling Shareholder

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

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

The Gratuitous Transfer is subject to the approval by the CBIRC and other relevant approvals as required by the relevant regulatory authorities. The Bank will perform information disclosure obligations in a timely manner according to relevant progress. Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 23 June 2022 for detailed information thereof.

6.8 Information on Other Substantial Shareholders

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

Summit Idea Limited is a company incorporated in British Virgin Islands. As at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominees Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares, with 1,123,363,710 H shares of the Bank pledged as collateral. Summit Idea Limited is a wholly-owned subsidiary of Xinhu Zhongbao. In addition to the aforementioned stake, Hong Kong Xinhu Investment Co., Ltd., a wholly owned subsidiary of Xinhu Zhongbao, owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares. Xinhu Zhongbao (SH.600208) was listed on the Shanghai Stock Exchange in 1999 with its principal business being real estate and investment. As at 31 December 2021, the company recorded registered capital of RMB8.6 billion, total assets of RMB132.5 billion and net assets of RMB40 billion.

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

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

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

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

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

6.10 Share Repurchase

There was no share repurchase during the reporting period.

Chapter 7 Preference Shares

7.1 Issuance and Listing of Preference Shares

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

Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 10 November 2016 and 16 November 2016 for detailed information thereof.

7.2 Number of Preference Shareholders and Their Shareholdings

As at the end of the reporting period, the Bank recorded 72 accounts of preference shareholders (CITIC Excellent 1, preference share stock code: 360025). Information on the top 10 preference shareholders as 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	Shares pledged or frozen Quantity
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	–	43,860,000	12.53	Onshore preference shares	–	–	
2	China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai	Other	–	38,430,000	10.98	Onshore preference shares	–	–	–
3	China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai	Other	–	38,400,000	10.97	Onshore preference shares	–	–	–
4	Ping An Life Insurance Company of China, Ltd. – Universal – Individual Universal Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
5	Ping An Life Insurance Company of China, Ltd. – Dividend – Dividends for Individual Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
6	BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Excellence No. 2 Collective Asset Management Plan	Other	–	25,700,000	7.34	Onshore preference shares	–	–	–
7	CITIC Securities – SPD Bank – CITIC Securities Star No. 43 Collective Asset Management Plan	Other	–	11,930,000	3.41	Onshore preference shares	–	–	–
8	Hwabao Trust Co., Ltd. – Hwabao Trust – Baofu Investment No. 1 Collective Capital Trust Plan	Other	–	11,650,000	3.33	Onshore preference shares	–	–	–
9	Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Client Asset Management Plan	Other	–	10,300,000	2.94	Onshore preference shares	–	–	–
10	Everbright Securities Asset Management – Everbright Bank – Everbright Securities Asset Management Xinyou No. 4 Collective Asset Trust Plan	Other	+1,380,000	10,150,000	2.90	Onshore preference shares	–	–	–

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

(2) Note on related relations or concerted actions of the above preference shareholders: Based on publicly available information, the Bank came to the preliminary conclusion that there was related relation between China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai and China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai, and between Ping An Life Insurance Company of China, Ltd. – Universal – Individual Universal Insurance and Ping An Life Insurance Company of China, Ltd. – Dividend – Dividends for Individual Insurance. Except for these, the Bank was not aware of any other related relation or concerted action between the above-mentioned preference shareholders or between the above-mentioned preference shareholders and the top 10 ordinary shareholders.

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

7.3 Dividend Distribution for Preference Shares

7.3.1 Policy on dividend distribution of preference shares

A nominal dividend rate subject to phase-specific adjustment shall be applied to the Bank's preference shares, 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 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%, with a fixed premium of 1.30%, and the nominal dividend rate recorded 4.08% for the second interest-bearing period. Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 27 October 2021 for detailed information thereof.

7.3.2 Payment of dividends on preference shares during the reporting period

During the reporting period, the Bank did not distribute any dividend on preference shares.

7.3.3 Plan on payment of dividends on preference shares

The Bank adopted the 2022 Plan on Payment of Dividends on Preference Shares at the Board meeting convened on 25 August 2022, approving that the preference share dividends accrued between 26 October 2021 and 25 October 2022 would be paid on 26 October 2022. The Bank will pay dividends on the preference shares to all the shareholders of "CITIC Excellent 1" (preference share stock code 360025) registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch at the close of SSE trading on 25 October 2022. The Bank will pay out a preference share dividend of RMB4.08 per share (before tax), which was calculated at a nominal dividend rate of 4.08%, with total dividend payment for preference shares amounting to RMB1.428 billion (before tax).

7.4 Repurchase or Conversion of Preference Shares

No preference share of the Bank was repurchased 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 on 19 March 2019. All proceeds from the issuance of A-share convertible bonds have been used for operation to support business development, and will be used to replenish the Bank's core tier-one capital after the conversion to shares according to relevant regulations. The maturity of A-share convertible bonds is six years from the date of issuance, i.e., from 4 March 2019 to 3 March 2025, and the interest start date is the first day of issuance, i.e., 4 March 2019. The coupon rate is 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year.

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

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

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

Unit: RMB Yuan

A-share convertible bond holders at the period end (accounts)		**16,047**
Guarantors of A-share convertible bonds of the Bank		**None**
Name of top ten A-share 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)	1,580,624,000	3.95
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)	895,176,000	2.24
Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)	676,790,000	1.69
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	654,815,000	1.64
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank)	498,228,000	1.25
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of Communications)	314,268,000	0.79
Special account for collateralized bond repurchase in the securities depository and clearing system (Agricultural Bank of China)	278,239,000	0.70
China Merchants Bank Co., Ltd. – Essence Prudent Profit Hybrid Securities Investment Fund	268,240,000	0.67

CITIC Corporation Limited informed the Bank on 22 June 2022 that it intended to transfer its A-share convertible bonds of the Bank with a par value of RMB26.388 billion to CITIC Financial Holdings at nil consideration. On 19 July 2022, the Bank received a notice from CITIC Corporation Limited and CITIC Financial Holdings that A-share convertible bonds of RMB26.388 billion held by CITIC Corporation Limited had been transferred to and registered under the name of CITIC Financial Holdings on 18 July 2022, and CITIC Corporation Limited no longer holds A-share convertible bonds of the Bank. Please refer to the relevant content under "6.7 Statement on Equity Change of Controlling Shareholder" of this report and 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 23 June 2022 and 20 July 2022 for details thereof.

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

8.4 Previous Adjustments of Conversion Prices

On 28 July 2022, the Bank distributed cash dividends on ordinary shares (A share) for the year 2021. According to the related articles of the *Prospectus on the Public Issuance of the A Share Convertible Corporate Bonds of China CITIC Bank Corporation Limited* as well as other applicable laws and regulations, after the issuance of A-share convertible bonds of the Bank, the Bank will accordingly adjust the conversion price of the A-share convertible bonds in case that changes take place to the Bank's shares due to the distribution of stock dividends, transfer of share capital, issuance of new shares, or rights issue (excluding the share capital increase due to the conversion of convertible bonds issued this time) and the distribution of cash dividends of the Bank. Therefore, after this profit distribution, the conversion price of CITIC Convertible Bonds was adjusted from RMB6.73 per share to RMB6.43 per share since 28 July 2022 (the ex-dividend date). Previous adjustments to conversion prices are set out in the table below:

Unit: RMB Yuan

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
28 July 2022	6.43	21 July 2022	*China Securities Journal, Shanghai Securities News, Securities Times, website of SSE, website of the Bank*	The implementation of profit distribution for ordinary shares (A share) for 2021
The latest conversion price at the disclosure date of this report				6.43

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

In accordance with the applicable provisions in the *Administrative Measures for the Issuance 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 (2022)* which stated the rating results that: maintaining the Bank's long-term credit rating at AAA with a stable outlook and the credit rating of CITIC Convertible Bonds at AAA. The Bank maintained stability in all aspects of operation, as exemplified by its reasonable asset structure, liabilities without obvious changes, and robust credit position. In future years, income from normal operations, cash inflows, and realization of current assets will constitute the principal cash sources for the Bank's debt service.

Chapter 9 Report on Review of Interim Financial Information

To the Board of Directors 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.)

Introduction

We have reviewed the interim financial information set out on pages 122 to 244, which comprises the consolidated interim statement of financial position of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2022 and the consolidated interim statement of profit or loss and other comprehensive income, the consolidated interim statement of changes in equity, and the consolidated interim statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2022

Chapter 9 Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2022 Unaudited	 2021 Unaudited
Interest income		**154,442**	152,367
Interest expense		**(80,594)**	(78,285)
Net interest income	4	**73,848**	74,082
Fee and commission income		**20,680**	21,489
Fee and commission expense		**(1,845)**	(2,140)
Net fee and commission income	5	**18,835**	19,349
Net trading gain	6	**3,139**	3,776
Net gain from investment securities	7	**12,140**	8,011
Other operating income		**256**	438
Operating income		**108,218**	105,656
Operating expenses	8	**(27,387)**	(25,413)
Operating profit before impairment		**80,831**	80,243
Credit impairment losses	9	**(42,387)**	(45,329)
Impairment losses on other assets	10	**(32)**	(41)
Revaluation gains/(losses) on investment properties		**(13)**	22
Share of profit of associates and joint ventures		**312**	28
Profit before tax		**38,711**	34,923
Income tax expense	11	**(5,776)**	(5,443)
Profit for the period		**32,935**	29,480
Net profit attributable to:			
Equity holders of the Bank		**32,524**	29,031
Non-controlling interests		**411**	449
Profit for the period		**32,935**	29,480
Other comprehensive income, net of tax			
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		**31**	(14)
Items that may be reclassified subsequently to profit or loss (net of tax):			
– Other comprehensive income transferable to profit or loss under equity method		**(29)**	4
– Fair value changes on financial assets at fair value through other comprehensive income		**(3,331)**	463
– Impairment allowance on financial assets at fair value through other comprehensive income		**(108)**	(206)
– Exchange difference on translation of foreign financial statements		**1,882**	(742)
– Others		**6**	–
Other comprehensive income, net of tax	12	**(1,549)**	(495)
Total comprehensive income for the period		**31,386**	28,985
Total comprehensive income attribute to:			
Equity holders of the Bank		**31,175**	28,565
Non-controlling interests		**211**	420
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	13	**0.63**	0.59
Diluted earnings per share (RMB)	13	**0.57**	0.54

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

Chapter 9 Consolidated Interim Statement of Financial Position

As at 30 June 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	30 June 2022 Unaudited	31 December 2021 Audited
Assets			
Cash and balances with central banks	14	**395,872**	435,383
Deposits with banks and non-bank financial institutions	15	**100,684**	107,856
Precious metals		**7,086**	9,645
Placements with and loans to banks and non-bank financial institutions	16	**232,026**	143,918
Derivative financial assets	17	**33,262**	22,721
Financial assets held under resale agreements	18	**44,936**	91,437
Loans and advances to customers	19	**4,896,774**	4,748,076
Financial investments	20	**2,367,528**	2,322,641
– at fair value through profit or loss		**558,284**	495,810
– at amortised cost		**1,099,709**	1,170,229
– at fair value through other comprehensive income		**704,366**	651,857
– designated at fair value through other comprehensive income		**5,169**	4,745
Investments in associates and joint ventures	21	**6,015**	5,753
Investment properties	23	**558**	547
Property, plant and equipment	24	**33,296**	34,184
Right-of-use assets	25	**10,435**	10,638
Intangible assets		**2,538**	2,925
Goodwill	26	**870**	833
Deferred tax assets	27	**51,246**	46,905
Other assets	28	**94,890**	59,422
Total assets		**8,278,016**	8,042,884
Liabilities			
Borrowings from central banks		**189,713**	189,198
Deposits from banks and non-bank financial institutions	30	**1,018,993**	1,174,763
Placements from banks and non-bank financial institutions	31	**66,604**	78,331
Financial liabilities at fair value through profit or loss		**5,472**	1,164
Derivative financial liabilities	17	**32,342**	22,907
Financial assets sold under repurchase agreements	32	**119,015**	98,339
Deposits from customers	33	**5,154,699**	4,789,969
Accrued staff costs	34	**17,573**	19,253
Taxes payable	35	**5,604**	10,753
Debt securities issued	36	**921,018**	958,203
Lease liabilities	25	**9,820**	9,816
Provisions	37	**16,705**	11,927
Deferred tax liabilities	27	**2**	8
Other liabilities	38	**59,167**	35,627
Total liabilities		**7,616,727**	7,400,258

Chapter 9 Consolidated Interim Statement of Financial Position (Continued)

As at 30 June 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**30 June 2022 Unaudited**	31 December 2021 Audited
Equity			
Share capital	39	**48,935**	48,935
Other equity instruments	40	**118,076**	118,076
Capital reserve	41	**59,216**	59,216
Other comprehensive income	42	**295**	1,644
Surplus reserve	43	**48,937**	48,937
General reserve	44	**95,782**	95,490
Retained earnings	45	**269,779**	254,005
Total equity attributable to equity holders of the Bank		**641,020**	626,303
Non-controlling interests	46	**20,269**	16,323
Total equity		**661,289**	642,626
Total liabilities and equity		**8,278,016**	8,042,884

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

Approved and recognized for issue by the board of directors on 25 August 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

Chapter 9 Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2022
(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 shareholders in subsidiaries	Other equity instruments holders	Total equity
Unaudited											
As at 1 January 2022		48,935	118,076	59,216	1,644	48,937	95,490	254,005	9,121	7,202	642,626
(i) Profit for the period		–	–	–	–	–	–	32,524	231	180	32,935
(ii) Other comprehensive income	12	–	–	–	(1,349)	–	–	–	(200)	–	(1,549)
Total comprehensive income		–	–	–	(1,349)	–	–	32,524	31	180	31,386
(iii) Investor capital											
– Issuance of perpetual bonds		–	–	–	–	–	–	–	–	3,915	3,915
(iv) Profit appropriations											
– Appropriations to surplus reserve	44	–	–	–	–	–	292	(292)	–	–	–
– Dividend distribution to ordinary shareholders of the Bank	45	–	–	–	–	–	–	(14,778)	–	–	(14,778)
– Dividend distribution to other equity instruments holders	46	–	–	–	–	–	–	(1,680)	–	(180)	(1,860)
As at 30 June 2022		48,935	118,076	59,216	295	48,937	95,782	269,779	9,152	11,117	661,289

Chapter 9 Consolidated Interim Statement of Changes in Equity

(Continued)

For the six months ended 30 June 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 shareholders in subsidiaries	Other equity instruments holders	Total equity
Unaudited											
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) Profit for the period		–	–	–	–	–	–	29,031	264	185	29,480
(ii) Other comprehensive income	12	–	–	–	(466)	–	–	–	(29)	–	(495)
Total comprehensive income		–	–	–	(466)	–	–	29,031	235	185	28,985
(iii) Investor capital											
– Issuance of perpetual bonds		–	39,997	–	–	–	–	–	–	–	39,997
(iv) Profit appropriations											
– Appropriations to surplus reserve	44	–	–	–	–	–	12	(12)	–	–	–
– Dividend distribution to ordinary shareholders of the Bank	45	–	–	–	–	–	–	(12,429)	–	–	(12,429)
– Dividend distribution to other equity instruments holders	46	–	–	–	–	–	–	–	–	(185)	(185)
As at 30 June 2021		48,935	118,080	59,216	(357)	43,786	90,831	240,215	9,033	6,667	616,406

(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
Audited											
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	12	–	–	–	1,535	–	–	–	(40)	–	1,495
Total comprehensive income		–	–	–	1,535	–	–	55,641	329	367	57,872
(iii) Investor capital											
– Insurance of perpetual bonds	40(ii)	–	39,993	–	–	–	–	–	–	3,859	43,852
– Redemption of perpetual bonds		–	–	–	–	–	–	–	–	(3,324)	(3,324)
(iv) Profit appropriations											
– Appropriations to surplus reserve	43	–	–	–	–	5,151	–	(5,151)	–	–	–
– Appropriations to general reserve	44	–	–	–	–	–	4,671	(4,671)	–	–	–
– Dividend distribution to ordinary shareholders of the Bank	45	–	–	–	–	–	–	(12,429)	–	–	(12,429)
– Dividend distribution to non-controlling interests	46	–	–	–	–	–	–	–	(6)	–	(6)
– Dividend distribution to preference shareholders		–	–	–	–	–	–	(1,330)	–	–	(1,330)
– Interest paid to holders of perpetual bonds	40	–	–	–	–	–	–	(1,680)	–	(367)	(2,047)
As at 31 December 2021		48,935	118,076	59,216	1,644	48,937	95,490	254,005	9,121	7,202	642,626

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

Chapter 9 Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June	
		2022	2021
		Unaudited	Unaudited
Operating activities			
Profit before tax		**38,711**	34,923
Adjustments for:			
– revaluation gains on investments, derivatives and investment properties		**(2,207)**	(3,035)
– investment gains		**(8,302)**	(5,504)
– net losses on disposal of property, plant and equipment, intangible assets and other assets		**6**	1
– unrealised foreign exchange gains		**(285)**	(1,364)
– credit impairment losses		**42,387**	45,329
– impairment losses on other assets		**32**	41
– depreciation and amortisation		**1,908**	1,656
– interest expense on debt securities issued		**13,788**	12,850
– dividend income from equity investment		**(34)**	(30)
– depreciation of right-of-use assets and interest expense on lease liabilities		**1,840**	1,862
– income tax paid		**(14,007)**	(10,345)
Subtotal		**73,837**	76,384
Changes in operating assets and liabilities:			
Increase in balances with central banks		**(5,122)**	(22,644)
Decrease/(Increase) in deposits with banks and non-bank financial institutions		**9,718**	(7,027)
Increase in placements with and loans to banks and non-bank financial institutions		**(70,826)**	(16,358)
Increase at fair value through the profit or loss in financial assets		**(17,464)**	(27,316)
Decrease in financial assets held under resale agreements		**46,580**	13,127
Increase in loans and advances to customers		**(179,437)**	(253,500)
(Decrease)/Increase in borrowings from central banks		**(1,506)**	15,734
Decrease in deposits from banks and non-bank financial institutions		**(157,565)**	(69,205)
Increase/(Decrease) in placements from banks and non-bank financial institutions		**(12,407)**	10,167
Increase/(Decrease) in financial liabilities at fair value through profit or loss		**4,290**	(7,829)
Increase/(Decrease) in financial assets sold under repurchase agreements		**20,581**	(6,103)
Increase in deposits from customers		**351,799**	140,178
Increase in other operating assets		**(47,943)**	(33,007)
Increase/(Decrease) in other operating liabilities		**21,684**	(889)
Subtotal		**(37,618)**	(264,672)
Net cash flows from operating activities		**36,219**	(188,288)

For the six months ended 30 June 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2022 Unaudited	2021 Unaudited
Investing activities			
Proceeds from disposal and redemption of investments		**1,336,535**	1,645,924
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**42**	21
Cash received from equity investment income		**265**	152
Payments on acquisition of investments		**(1,331,906)**	(1,766,094)
Payments on acquisition of property, plant and equipment, land use rights and other assets		**(827)**	(781)
Net cash flows used in investing activities		**4,109**	(120,778)
Financing activities			
Cash received from issuing other equity instruments		**3,915**	39,997
Cash received from debt securities issued		**362,177**	503,679
Cash paid for redemption of debt securities issued		**(400,708)**	(335,816)
Interest paid on debt securities issued		**(13,163)**	(11,801)
Dividends paid		**(1,860)**	(185)
Principle and interest paid for leasing liabilities		**(1,696)**	(1,649)
Net cash flows from financing activities		**(51,335)**	194,225
Net decrease in cash and cash equivalents		**(11,007)**	(114,841)
Cash and cash equivalents as at 1 January		**252,818**	319,566
Effect of exchange rate changes on cash and cash equivalents		**4,271**	(2,019)
Cash and cash equivalents as at 30 June	47	**246,082**	202,706
Cash flows from operating activities include:			
Interest received		**158,599**	157,176
Interest paid		**(63,802)**	(58,857)

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

Chapter 9 Notes to the Unaudited Consolidated Interim Financial Statements

For the six months ended 30 June 2022
(Amounts in millions of Renminbi unless otherwise stated)

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 the 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 and Regulatory Commission (the "CBIRC", originally named as 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, financial leasing and other non-banking financial services.

As at 30 June 2022, the Group mainly operates in Mainland China with branches covering 31 provinces, autonomous regions and municipalities, and overseas. In addition, the Bank's subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and other overseas countries and regions.

For the purpose of these consolidated interim financial statements, Mainland China refers to the PRC excluding Hong Kong, Macau and Taiwan. Overseas refers to countries and regions other than Mainland China.

The consolidated interim financial statements were approved by the Board of Directors of the Bank on 25 August 2022.

2 Basis of preparation

The consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 Principal accounting policies

The consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The accounting policies and methods of computation used in preparing the consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

The consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021, which have been audited.

(a) Standards and amendments effective in 2022 relevant to and adopted by the Group

In the current interim 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. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the six months ended 30 June.

The IASB has issued amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The Board has 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.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. 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.

IAS 37 defines an onerous contract as one in which the unavoidable costs of meeting the entity's obligations exceed the economic benefits to be received under that contract. Unavoidable costs are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of "costs to fulfil a contract". "At the same time, it is clarified that before making a separate provision for a loss contract, the entity should recognize the impairment loss incurred by the assets used in the performance of the contract, rather than only recognizing the impairment loss incurred by the assets dedicated to the contract."

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.

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

(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 interim 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.

				Effective for annual periods beginning on or after
(1)	Amendments to IAS 1	(i)	Classification of Liabilities as Current or Non-current	1 January 2023
(2)	Amendments to IFRS 10 and IAS 28	(ii)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.
(3)	Amendments to IAS 8	(iii)	Accounting Estimates	1 January 2023
(4)	Amendments to IAS 1 and IFRS Practice Statement 2	(iv)	Disclosure of Accounting Policies	1 January 2023
(5)	Amendments to IAS 12	(v)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
(6)	IFRS 17	(vi)	Insurance Contracts	1 January 2023

Descriptions of these new standards and amendments were disclosed in the Group's consolidated financial statements for the year ended 31 December 2021. The group anticipates that the adoption of these new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(Amounts in millions of Renminbi unless otherwise stated)

4 Net interest income

	Six months ended 30 June	
	2022	2021
Interest income arising from (Note (i)):		
Deposits with central banks	**2,885**	3,083
Deposits with banks and non-bank financial institutions	**800**	1,065
Placements with and loans to banks and non-bank financial institutions	**2,729**	2,292
Financial assets held under resale agreements	**609**	467
Loans and advances to customers		
– corporate loans	**53,243**	52,769
– personal loans	**60,085**	57,423
– discounted bills	**5,503**	5,515
Financial investments		
– at amortised cost	**20,478**	19,125
– at fair value through other comprehensive income	**8,105**	10,626
Others	**5**	2
Subtotal	**154,442**	152,367
Interest expense arising from:		
Borrowings from central banks	**(2,821)**	(3,426)
Deposits from banks and non-bank financial institutions	**(12,930)**	(14,342)
Placements from banks and non-bank financial institutions	**(754)**	(1,179)
Financial assets sold under repurchase agreements	**(845)**	(896)
Deposits from customers	**(49,231)**	(45,366)
Debt securities issued	**(13,788)**	(12,850)
Lease liabilities	**(221)**	(224)
Others	**(4)**	(2)
Subtotal	**(80,594)**	(78,285)
Net interest income	**73,848**	74,082

Note:

(i) Interest income includes interest income accrued on credit-impaired financial assets of RMB220 million for the six months ended 30 June 2022 (Six months ended 30 June 2021: RMB249 million).

(Amounts in millions of Renminbi unless otherwise stated)

5 Net fee and commission income

	Six months ended 30 June	
	2022	2021
Fee and commission income:		
Bank card fees	**8,040**	7,793
Commission for custodian business and other fiduciary	**5,364**	6,286
Agency fees and commission (Note (i))	**3,091**	3,787
Guarantee and advisory fees	**2,975**	2,586
Settlement and clearance fees	**1,164**	976
Others	**46**	61
Total	**20,680**	21,489
Fee and commission expense	**(1,845)**	(2,140)
Net fee and commission income	**18,835**	19,349

Note:

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

6 Net trading gain

	Six months ended 30 June	
	2022	2021
Debt securities and certificates of interbank deposit	**1,440**	2,419
Foreign currencies	**(2,165)**	1,471
Derivatives and related exposures	**3,864**	(114)
Total	**3,139**	3,776

7 Net gain from investment securities

	Six months ended 30 June	
	2022	2021
Financial investments		
– at fair value through profit or loss	**8,538**	6,123
– at amortised cost	**347**	13
– at fair value through other comprehensive income	**(50)**	14
Revaluation gain on transfer out of equity at disposal	**1,875**	1,193
Net gain from bills rediscounting	**982**	540
Proceeds from the resale of forfaiting	**433**	136
Net gain from securitisation of financial assets	**–**	(6)
Others	**15**	(2)
Total	**12,140**	8,011

(Amounts in millions of Renminbi unless otherwise stated)

8 Operating expenses

	Six months ended 30 June	
	2022	2021
Staff costs		
– salaries and bonuses	**11,759**	11,090
– welfare expenses	**426**	438
– social insurance	**822**	729
– housing fund	**814**	741
– labor union expenses and employee education expenses	**430**	218
– housing allowance	**–**	1
– other short-term benefits	**135**	112
– post-employment benefits – defined contribution plans	**1,353**	1,191
– other long-term benefits	**60**	86
Subtotal	**15,799**	14,606
Property and equipment related expenses		
– depreciation of right-of-use assets	**1,619**	1,638
– depreciation of property, plant and equipment	**1,253**	1,123
– rent and property management expenses	**379**	442
– maintenance	**226**	269
– amortisation expenses	**655**	533
– electronic equipment operating expenses	**133**	122
– others	**159**	157
Subtotal	**4,424**	4,284
Tax and surcharges	**1,058**	1,091
Other general operating and administrative expenses	**6,106**	5,432
Total	**27,387**	25,413

9 Credit impairment losses

	Six months ended 30 June	
	2022	2021
Credit impairment losses		
Impairment reversal of deposits with banks and non-bank financial institutions	**(1)**	(26)
Impairment losses/(reversals) of placements with and loans to banks and non-bank financial institutions	**75**	(5)
Impairment losses of financial assets held under resale agreements	**16**	5
Impairment losses of interest receivables	**2,673**	1,956
Impairment losses of loans and advances to customers	**31,143**	32,093
Impairment losses/(reversals) of financial investments		
– at amortised cost	**3,920**	11,157
– at fair value through other comprehensive income	**53**	(280)
Impairment losses of other receivables	**(239)**	244
Impairment losses of off-balance sheet items	**4,747**	185
Total	**42,387**	45,329

(Amounts in millions of Renminbi unless otherwise stated)

10 Impairment losses on other assets

	Six months ended 30 June	
	2022	2021
Impairment losses of other assets-repossessed assets	**32**	41

11 Income tax

(a) Recognized in the consolidated interim statement of profit and loss and other comprehensive income

		Six months ended 30 June	
	Note	**2022**	2021
Current tax			
– Mainland China		**8,746**	9,565
– Hong Kong		**219**	302
– Overseas		**19**	31
Deferred tax	27(c)	**(3,208)**	(4,455)
Income tax		**5,776**	5,443

Mainland China and Hong Kong income tax have been provided at the rate of 25% and 16.5% respectively. Overseas tax has been provided at the rates of taxation prevailing in the regions in which the Group operates respectively.

(b) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2022	2021
Profit before tax	**38,711**	34,923
Income tax calculated at PRC statutory tax rate	**9,678**	8,731
Effect of different tax rates in other regions	**(149)**	(212)
Tax effect of non-deductible expenses	**1,286**	802
Tax effect of non-taxable income		
– interest income arising from PRC government bonds and local government bonds	**(3,431)**	(3,213)
– dividend income from investment funds	**(1,411)**	(593)
– others	**(197)**	(72)
Income tax	**5,776**	5,443

(Amounts in millions of Renminbi unless otherwise stated)

12 Other comprehensive income, net of tax

	Six months ended 30 June	
	2022	2021
Items that will not be reclassified subsequently to profit or loss		
Fair value changes on financial asset designated at fair value through other comprehensive income, net of tax		
– net changes during the year before tax	**32**	(16)
– income tax	**(1)**	2
Others	**31**	(14)
Subtotal		
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 period	**(29)**	4
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	**(2,496)**	1,775
– net amount transferred to profit or loss	**(1,888)**	(1,187)
– Income tax	**1,053**	(125)
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note (ii))		
– net changes during the period	**(159)**	(292)
– Income tax	**51**	86
Others		
– Pre-tax amount incurred in the current period	**6**	–
Exchange differences on translation of financial statements	**1,882**	(742)
Subtotal	**(1,580)**	(481)
Other comprehensive income, net of tax	**(1,549)**	(495)

Notes:

(i) Fair value changes on financial assets at fair value through other comprehensive income include those of financial investments and loans and advances to customers at fair value through other comprehensive income (Note 19(a)).

(ii) Credit impairment allowance include financial investments and loans and advances to customers at fair value through other comprehensive income (Note 19(b)).

(Amounts in millions of Renminbi unless otherwise stated)

13 Earnings per share

Earnings per share information for the six months ended 30 June 2022 and 2021 is computed by dividing the profit for the period attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the period.

The Bank issued non-cumulative preference shares in 2016 under the terms and conditions as detailed in Note 40. No cash dividend on preference shares was declared during the six months ended 30 June 2022.

The Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in 2021, with terms and conditions disclosed in detail in Note 40(ii) under perpetual Bonds. The Bank declared and paid RMB1,680 million in interests on the perpetual bonds in 2022.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2022, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

The diluted earnings per share are calculated on the assumption that all the Bank's convertible corporate bonds had been converted into ordinary shares at the beginning of the period, by dividing the net profit for the period attributable to ordinary shareholders of the Bank after adjustments for the interest expenses of convertible corporate bonds for the period, by the adjusted weighted average number of outstanding ordinary shares for the period.

	Six months ended 30 June	
	2022	2021
Profit for the period attributable to equity holders of the Bank	**32,524**	29,031
Less: profit for the period attributable to preference shareholders of the Bank	**1,680**	–
Profit for the period attributable to ordinary shareholders of the Bank	**30,844**	29,031
Weighted average number of shares (in million shares)	**48,935**	48,935
Basic earnings per share (in RMB)	**0.63**	0.59
Diluted earnings per share (in RMB)	**0.57**	0.54

(Amounts in millions of Renminbi unless otherwise stated)

14 Cash and balances with central banks

	Notes	**30 June 2022**	31 December 2021
Cash		**5,431**	5,694
Balances with central banks			
– statutory deposit reserve funds	(i)	**366,255**	361,237
– surplus deposit reserve funds	(ii)	**21,249**	65,571
– fiscal deposits	(iii)	**2,780**	2,711
Accrued interest		**157**	170
Total		**395,872**	435,383

Notes:

(i) The Group places statutory deposit reserve funds with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserve funds are not available for use in the Group's daily business.

As at 30 June 2022, the statutory deposit reserve funds placed with the PBOC was calculated at 7.75% (31 December 2021: 8%) of eligible Renminbi deposits for domestic branches of the Bank and at 8% (31 December 2021: 8%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 8% (31 December 2021: 9%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

The statutory RMB deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank"), a subsidiary of the Group, was at 5% (31 December 2021: 5%).

The amounts of statutory deposit reserves 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)

15 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**30 June 2022**	31 December 2021
In Mainland China			
– banks		**64,675**	72,083
– non-bank financial institutions		**5,512**	4,700
Subtotal		**70,187**	76,783
Outside Mainland China			
– banks		**23,233**	22,878
– non-bank financial institutions		**6,861**	7,472
Subtotal		**30,094**	30,350
Accrued interest		**547**	868
Gross balance		**100,828**	108,001
Less: Allowances for impairment losses	29	**(144)**	(145)
Net balance		**100,684**	107,856

(b) Analysed by remaining maturity

	Note	**30 June 2022**	31 December 2021
Demand deposits (Note (i))		**54,581**	54,376
Time deposits with remaining maturity			
– within one month		**5,900**	17,929
– between one month and one year		**39,800**	34,828
Subtotal		**100,281**	107,133
Accrued interest		**547**	868
Gross balance		**100,828**	108,001
Less: Allowances for impairment losses	29	**(144)**	(145)
Net balance		**100,684**	107,856

Note:

(i) As at 30 June 2022, within the demand deposits there were pledged deposits of RMB543 million (as at 31 December 2021: RMB536 million). These deposits were mainly maintenance margins with a regulatory body.

(Amounts in millions of Renminbi unless otherwise stated)

16 Placements with and loans to banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**30 June 2022**	31 December 2021
In Mainland China			
– banks		**33,860**	18,093
– non-bank financial institutions		**124,624**	93,170
Subtotal		**158,484**	111,263
Outside Mainland China			
– banks		**72,623**	31,975
Subtotal		**72,623**	31,975
Accrued interest		**1,083**	769
Gross balance		**232,190**	144,007
Less: Allowances for impairment losses	29	**(164)**	(89)
Net balance		**232,026**	143,918

(b) Analysed by remaining maturity

	Note	**30 June 2022**	31 December 2021
Within one month		**64,730**	55,633
Between one month and one year		**161,177**	79,905
Over one year		**5,200**	7,700
Accrued interest		**1,083**	769
Gross balance		**232,190**	144,007
Less: Allowances for impairment losses	29	**(164)**	(89)
Net balance		**232,026**	143,918

(Amounts in millions of Renminbi unless otherwise stated)

17 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in foreign exchange, interest rate, and precious metals 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 are held for trading. Derivatives classified as held for trading are for trading and customer-initiated transactions purpose, and those for risk management purposes 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.

	30 June 2022			31 December 2021		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Non-Hedging instruments						
– interest rate derivatives	**2,868,741**	**12,433**	**12,330**	2,630,541	8,643	8,539
– currency derivatives	**2,166,676**	**20,453**	**19,408**	1,936,863	13,930	14,217
– precious metal derivatives	**48,000**	**376**	**604**	17,043	148	151
Total	**5,083,417**	**33,262**	**32,342**	4,584,447	22,721	22,907

(a) Nominal amount analysed by remaining maturity

	30 June 2022	31 December 2021
Within three months	**1,976,303**	2,067,349
Between three months and one year	**1,759,110**	1,376,726
Between one year and five years	**1,316,134**	1,109,269
Over five years	**31,870**	31,103
Total	**5,083,417**	4,584,447

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with "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 30 June 2022, the total amount of credit risk weighted amount for counterparty was RMB28,124 million (31 December 2021: RMB22,204 million).

(Amounts in millions of Renminbi unless otherwise stated)

18 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	**30 June 2022**	31 December 2021
In Mainland China			
– banks		**23,136**	64,515
– non-bank financial institutions		**21,042**	26,217
Subtotal		**44,178**	90,732
Outside Mainland China			
– banks		**715**	677
– non-bank financial institutions		**103**	63
Subtotal		**818**	740
Accrued interest		**3**	12
Gross balance		**44,999**	91,484
Less: Allowance for impairment losses	29	**(63)**	(47)
Net balance		**44,936**	91,437

(b) Analysed by types of collateral

	Note	**30 June 2022**	31 December 2021
Debt securities		**43,716**	91,472
Discounted bills		**1,280**	–
Subtotal		**44,996**	91,472
Accrued interest		**3**	12
Gross balance		**44,999**	91,484
Less: Allowance for impairment losses	29	**(63)**	(47)
Net balance		**44,936**	91,437

(c) Analysed by remaining maturity

As at 30 June 2022 and 31 December 2021, the financial assets held under resale agreements of the Group all mature within one month.

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers

(a) Analysed by nature

	Note	30 June 2022	31 December 2021
Loans and advances to customers at amortised cost			
Corporate loans and advances			
– loans		**2,365,941**	2,250,726
– discounted bills		**3,214**	4,523
– finance lease receivables		**48,761**	46,854
Subtotal		**2,417,916**	2,302,103
Personal loans and advances			
– residential mortgages		**983,133**	973,390
– credit cards		**517,473**	528,261
– personal consumption		**241,467**	239,589
– business loans		**352,123**	312,584
Subtotal		**2,094,196**	2,053,824
Accrued interest		**14,392**	13,064
Gross balance		**4,526,504**	4,368,991
Less: Allowances impairment losses on loans	29		
– principal		**(128,660)**	(120,722)
– interest		**(202)**	(235)
Loans and advances to customers at amortised cost, net		**4,397,642**	4,248,034
Loans and advances to customers at fair value through other comprehensive income			
– loans		**48,075**	38,599
– discounted bills		**451,057**	461,443
Carrying amount of loans and advances at fair value through other comprehensive income		**499,132**	500,042
– fair value changes through other comprehensive income		**943**	756
Loans and advances to customers at fair value through profit or loss			
Total		**4,896,774**	4,748,076
Allowances for impairment losses onloans and advances to customers at fair value through other comprehensive income	29	**(512)**	(749)

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses

	30 June 2022			
	Stage one	**Stage two**	**Stage three (Note (i))**	**Total**
Gross loans and advances to customers at amortised costs	**4,341,035**	**96,200**	**74,877**	**4,512,112**
Accrued interest	**12,375**	**1,206**	**811**	**14,392**
Less: Allowance for impairment losses	**(55,026)**	**(22,911)**	**(50,925)**	**(128,862)**
Carrying amount of loans and advances to customers measured at amortised cost	**4,298,384**	**74,495**	**24,763**	**4,397,642**
Carrying amount of loans and advances to customers at fair value through other comprehensive income	**498,175**	**803**	**154**	**499,132**
Total	**4,796,559**	**75,298**	**24,917**	**4,896,774**
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	**(413)**	**(28)**	**(71)**	**(512)**

	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)

19 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses (Continued)

Note:

(i) Stage 3 loans are loans and advances to customers that have incurred credit impairment.

	30 June 2022	31 December 2021
Secured portion	**47,861**	51,803
Unsecured portion	**27,170**	23,305
Gross balance	**75,031**	75,108
Allowance for impairment losses	**(50,996)**	(48,805)

As at 30 June 2022, the maximum exposure covered by pledge and collateral held on secured portion is RMB47,018 million (as at 31 December 2021: RMB50,886 million).

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

(c) Overdue loans analysed by overdue period

	30 June 2022				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**16,135**	**8,645**	**2,382**	**279**	**27,441**
Guaranteed loans	**1,022**	**2,261**	**1,882**	**2,044**	**7,209**
Loans with pledged assets					
– loans secured by collateral	**11,143**	**9,530**	**13,031**	**3,093**	**36,797**
– pledged loans	**5,853**	**2,822**	**1,339**	**352**	**10,366**
Total	**34,153**	**23,258**	**18,634**	**5,768**	**81,813**

	31 December 2021				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	18,654	10,318	896	287	30,155
Guaranteed loans	1,993	1,897	2,093	228	6,211
Loans with pledged assets					
– loans secured by collateral	15,285	9,434	14,324	992	40,035
– pledged loans	7,230	5,501	1,121	120	13,972
Total	43,162	27,150	18,434	1,627	90,373

Overdue loans represent loans of which the principal or interest are overdue one day or more.

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers (Continued)

(d) Finance lease receivables

Finance lease receivables are attributable to the Group's subsidiaries, CITIC Financial Leasing Limited ("CFLL") and CITIC International Finance Holdings Limited ("CIFH"), include net investment in machines and equipment leased to customers under finance lease and hire purchase contracts which have the characteristics of finance leases. The remaining period of these contracts range from 1 to 25 years. The total finance lease receivables under finance lease and hire purchase contracts and their present values are as follows:

	30 June 2022	31 December 2021
Within one year (including one year)	**12,964**	10,369
One year to two years (including two years)	**12,077**	12,606
Two years to three years (including three years)	**7,437**	8,153
Over three years	**16,290**	15,726
Gross balance	**48,768**	46,854
Less: Allowance for impairment losses		
– stage one	**(922)**	(859)
– stage two	**(510)**	(498)
– stage three	**(1,031)**	(728)
Net balance	**46,305**	44,769

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments

(a) Analysed by types

	Note	30 June 2022	31 December 2021
Financial assets at fair value through profit or loss			
Investment funds		**438,046**	397,407
Debt securities		**75,448**	58,584
Certificates of deposit		**33,655**	30,776
Equity instruments		**7,138**	7,432
Wealth management products and investments through structured entities		**3,997**	1,611
Net balance		**558,284**	495,810
Financial assets at amortised cost			
Debt securities		**832,830**	901,375
Trust investment plans		**241,545**	234,770
Investment management products managed by securities companies		**44,104**	50,413
Subtotal		**1,118,479**	1,186,558
Accrued interest		**11,771**	10,398
Less: Allowance for impairment losses	29	**(30,541)**	(26,727)
– principles		**(30,497)**	(26,624)
– accrued interest		**(44)**	(103)
Net balance		**1,099,709**	1,170,229
Financial assets at fair value through other comprehensive income (Note (i))			
Debt securities		**693,605**	642,570
Certificates of deposit		**6,514**	4,306
Designated investment products managed by securities companies		**–**	24
Subtotal		**700,119**	646,900
Accrued interest		**4,247**	4,957
Net balance		**704,366**	651,857
Allowances for impairment losses on financial investments at fair value through other comprehensive income	29	**(2,489)**	(2,387)
Financial assets designated at fair value through other comprehensive income (Note (i))		**5,169**	4,745
Total		**2,367,528**	2,322,641

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments (Continued)

(a) Analysed by types (Continued)

Notes:

(i) Financial investments at fair value through other comprehensive income:

	Note	30 June 2022 Equity instruments	 Debt securities instruments	 Total
Costs/Amortised cost		**6,308**	**701,517**	**707,825**
Accumulated fair value change in other comprehensive income		**(1,139)**	**(1,398)**	**(2,537)**
Fair value		**5,169**	**700,119**	**705,288**
Allowance for impairment losses	29		**(2,489)**	**(2,489)**

	Note	31 Decemeber 2021 Equity instruments	 Debt securities instruments	 Total
Costs/Amortised cost		5,914	643,679	649,593
Accumulated fair value change in other comprehensive income		(1,169)	3,221	2,052
Fair value		4,745	646,900	651,645
Allowance for impairment losses	29		(2,387)	(2,387)

(b) Analysed by location of counterparties

	Note	30 June 2022	31 December 2021
In Mainland China			
– governments		**957,191**	899,116
– policy banks		**79,617**	136,084
– banks and non-bank financial institutions		**1,141,969**	1,114,160
– corporates		**95,050**	87,190
Subtotal		**2,273,827**	2,236,550
Outside Mainland China			
– governments		**32,650**	32,712
– banks and non-bank financial institutions		**39,654**	32,643
– corporates		**33,798**	30,420
– public entities		**2,122**	1,688
Subtotal		**108,224**	97,463
Accrued interest		**16,018**	15,355
Total		**2,398,069**	2,349,368
Less: Impairment allowance for financial assets at amortised cost	29	**(30,541)**	(26,727)
Net balance		**2,367,528**	2,322,641
Listed in Hong Kong		**44,111**	50,012
Listed outside Hong Kong		**1,979,284**	1,947,182
Unlisted		**344,133**	325,447
Total		**2,367,528**	2,322,641

Bonds traded in China's inter-bank bond market are listed outside Hong Kong.

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments (Continued)

(c) Analysed by assessment method of allowance for impairment losses

	30 June 2022			
	Stage one	**Stage two**	**Stage three**	**Total**
Financial assets at amortised costs	**1,054,923**	**–**	**63,556**	**1,118,479**
Accrued interest	**11,344**	**–**	**427**	**11,771**
Less: Allowance for impairment losses	**(3,688)**	**–**	**(26,853)**	**(30,541)**
Net balance	**1,062,579**	**–**	**37,130**	**1,099,709**
Financial assets at fair value through other comprehensive income	**699,472**	**217**	**430**	**700,119**
Accrued interest	**4,222**	**4**	**21**	**4,247**
Net balance	**703,694**	**221**	**451**	**704,366**
Total carrying amount of financial assets affected by credit risk	**1,766,273**	**221**	**37,581**	**1,804,075**
Allowance for impairment losses of other debt instruments included in other comprehensive income	**(1,039)**	**(175)**	**(1,275)**	**(2,489)**

	31 December 2021			
	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	(4,221)	(4,076)	(18,430)	(26,727)
Net balance	1,125,589	11,784	32,856	1,170,229
Financial assets at fair value through other comprehensive income	646,145	334	421	646,900
Accrued interest	4,922	14	21	4,957
Net balance	651,067	348	442	651,857
Total carrying amount of financial assets affected by credit risk	1,776,656	12,132	33,298	1,822,086
Allowance for impairment losses of other debt instruments included in other comprehensive income	(976)	(158)	(1,253)	(2,387)

(Amounts in millions of Renminbi unless otherwise stated)

21 Investments in associates and joint ventures

	Note	30 June 2022	31 December 2021
Investments in joint ventures	(a)	**5,493**	5,220
Investments in associates	(b)	**522**	533
Total		**6,015**	5,753

(a) Investment in joint ventures

The details of the joint ventures as at 30 June 2022 were as follows:

Name of company	Form of business structure	Place of incorporation	Effective percentage of shares	Principal activities	Nominal value of issued shares
CITIC aiBank Corporation Limited ("CITIC aiBank") (Note (i))	Corporation	Mainland China	65.7%	Financial services	RMB5.634 billion
JSC Altyn Bank (Note (ii))	Corporation	Kazakhstan	50.1%	Financial services	KZT 7.05 billion

Notes:

(i) According to the articles of association of CITIC aiBank, major activities of CITIC aiBank must be decided after the unanimous consent of the Bank and Fujian Baidu Borui Network Technology Co., Ltd.

(ii) According to the Articles of Association of JSC Altyn Bank, decisions regarding all major activities of JSC Altyn Bank shall be subject to the joint approval of the Bank and the other shareholder, the JSC Halyk Bank of Kazakhstan.

(Amounts in millions of Renminbi unless otherwise stated)

21 Investments in associates and joint ventures (Continued)

(a) Investment in joint ventures (Continued)

Financial statements of the joint ventures are as follow:

	As at or for the period ended 30 June 2022				
Name of Company	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net gain**
CITIC aiBank	**82,587**	**75,454**	**7,133**	**1,937**	**338**
JSC Altyn Bank	**11,907**	**10,749**	**1,158**	**291**	**159**

	As at or for the year ended 2021				
Name of Company	Total assets	Total liabilities	Total net assets	Operating income	Net (loss)/gain
CITIC aiBank	79,406	72,601	6,805	2,998	263
JSC Altyn Bank	9,420	8,331	1,089	440	250

Movement of the Group's interests in the joint ventures:

	Six months ended 30 June 2022	Year ended 31 December 2021
Initial investment cost	**5,256**	5,256
As at 1 January	**5,220**	5,044
Dividend received	**–**	(100)
Other changes in equity	**(25)**	(14)
Share of net gain/(loss) of the joint ventures for the period	**298**	294
Exchange difference	**–**	(4)
As at 30 June/31 December	**5,493**	5,220

(Amounts in millions of Renminbi unless otherwise stated)

21 Investments in associates and joint ventures (Continued)

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 30 June 2022 was as follows:

Name of Company	Form of business structure	Place of incorporation	Effective percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC International Assets Management Limited ("CIAM")	Corporation	Hong Kong	46%	Investment holding and assets management	HKD2,218 million
Binhai (Tianjin) Financial Assets Exchange Company Limited ("BFAE")	Corporation	Mainland China	20%	Services and investment	RMB500 million

Financial statements of the associates are as follow:

Name of Company	**As at or for the period ended 30 June 2022** Total assets	Total liabilities	Total net assets	Operating income	Net gain
CIAM	**1,010**	**135**	**875**	**39**	**36**
BFAE	**649**	**146**	**503**	**129**	**49**

Name of Company	As at or for the year ended 2021 Total assets	Total liabilities	Total net asset	Operating income	Net (loss)/ gain
CIAM	1,037	142	895	71	(179)
BFAE	637	183	454	335	39

Movement of the Group's interests in associates:

	Six months ended 30 June 2022	Year ended 31 December 2021
Initial investment cost	**1,130**	1,168
As at 1 January	**533**	630
Changes in investment in joint ventures	**(38)**	–
Share of net loss of associates for the period/year	**14**	(82)
Other changes in equity	**(4)**	1
Exchange difference	**17**	(16)
As at 31 December	**522**	533

(Amounts in millions of Renminbi unless otherwise stated)

22 Investments in subsidiaries

	Notes	30 June 2022	31 December 2021
Investment in subsidiaries			
– CIFH	(i)	**16,570**	16,570
– CNCB (Hong Kong) Investment Limited (“CNCB Investment”)	(ii)	**1,577**	1,577
– Lin’an Rural Bank	(iii)	**102**	102
– 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 Group as at 30 June 2022 are as follows:

Name of company	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	HKD7,503 million	Commercial banking and other financial services	100%	–	100%
CNCB Investment (Note (ii))	Hong Kong	Hong Kong	HKD1,889 million	Investment and lending services	99.05%	0.71%	99.76%
Lin’an Rural Bank (Note (iii))	Mainland China	Mainland China	RMB200 million	Commercial banking	51%	–	51%
CFLL (Note (iv))	Mainland China	Mainland China	RMB4,000 million	Financial lease operations	100%	–	100%
CITIC Wealth (Note (v))	Mainland China	Mainland China	RMB5,000 million	Wealth management	100%	–	100%

Notes:

(i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope through its subsidiaries covers commercial banking and other financial services. The Bank holds 100% shareholding in CIFH. CIFH holds 75% shareholding in CITIC Bank International Limited (“CBI”).

(ii) CNCB (Hong Kong) Investment Limited (CNCB Investment), founded in Hong Kong in 1984, formerly China Investment and Finance Limited, incorporated and operating in Hong Kong, holds a money lending licence issued by the Hong Kong Monetary Authority; and also the No.1, 4, 6 and 9 licenses from Hong Kong Securities Regulatory Commission through its wholly owned subsidiary CNCB (Hong Kong) Capital Limited. The business scope of CNCB Investment includes investment banking, capital market investment, lending and other related services. The Bank 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 RMB200 million. Its principal activities are commercial banking and 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 RMB4 billion. Its principal business activity is financial leasing. The Bank holds 100% of its shares and voting rights.

(v) CITIC Wealth was established in 2020 with a registered capital of RMB5 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)

23 Investment properties

	Six months ended 30 June 2022	Year ended 31 December 2021
Fair value as at 1 January	**547**	386
Change in fair value	**(13)**	23
Transfers in/(out)	**–**	153
Exchange difference	**24**	(15)
Fair value as at 30 June/31 December	**558**	547

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties are located and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 30 June 2022.

All investment properties of the Group were revalued at 30 June 2022 by an independent firm of surveyors 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.

The investment properties of the Group are categorised into Level 3.

24 Property, plant and equipment

	Buildings	**Construction in progress**	**Computer equipment and others**	**Total**
Cost or deemed cost:				
As at 1 January 2022	**33,639**	**2,546**	**14,117**	**50,302**
Additions	**10**	**185**	**209**	**404**
Disposals	**(3)**	**–**	**(1,032)**	**(1,035)**
Exchange differences	**20**	**–**	**39**	**59**
As at 30 June 2022	**33,666**	**2,731**	**13,333**	**49,730**
Accumulated depreciation:				
As at 1 January 2022	**(7,306)**	**–**	**(8,812)**	**(16,118)**
Depreciation charges	**(520)**	**–**	**(733)**	**(1,253)**
Disposals	**–**	**–**	**981**	**981**
Exchange differences	**(11)**	**–**	**(33)**	**(44)**
As at 30 June 2022	**(7,837)**	**–**	**(8,597)**	**(16,434)**
Net carrying value:				
As at 1 January 2022	**26,333**	**2,546**	**5,305**	**34,184**
As at 30 June 2022 (Note (i))	**25,829**	**2,731**	**4,736**	**33,296**

(Amounts in millions of Renminbi unless otherwise stated)

24 Property, plant and equipment (Continued)

	Buildings	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2021	33,547	2,178	12,890	48,615
Additions	270	368	2,178	2,816
Transfer out in current year	(154)	–	–	(154)
Disposals	(9)	–	(923)	(932)
Exchange differences	(15)	–	(28)	(43)
As at 31 December 2021	33,639	2,546	14,117	50,302
Accumulated depreciation:				
As at 1 January 2021	(6,318)	–	(8,429)	(14,747)
Depreciation charges	(1,019)	–	(1,283)	(2,302)
Transfer out in current year	16	–	–	16
Disposals	6	–	877	883
Exchange differences	9	–	23	32
As at 31 December 2021	(7,306)	–	(8,812)	(16,118)
Net carrying value:				
As at 1 January 2021	27,229	2,178	4,461	33,868
As at 31 December 2021 (Note (i))	26,333	2,546	5,305	34,184

Note:

(i) As at 30 June 2022, the registration of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB10,957 million (as at 31 December 2021: RMB11,396 million). The Group believes the incomplete registration does not affect the rights of the Group as the legal successor to these buildings.

25 Right-of-use assets

	Buildings	**Land use right**	**Equipment**	**Vehicles and others**	**Total**
Cost or deemed cost:					
As at 1 January 2022	**17,145**	**1,221**	**92**	**53**	**18,511**
Additions	**1,403**	**–**	**1**	**3**	**1,407**
Reductions	**(397)**	**–**	**(3)**	**–**	**(400)**
Exchange differences	**35**	**–**	**–**	**–**	**35**
As at 30 June 2022	**18,186**	**1,221**	**90**	**56**	**19,553**
Accumulated depreciation:					
As at 1 January 2022	**(7,464)**	**(328)**	**(57)**	**(24)**	**(7,873)**
Accrual	**(1,586)**	**(15)**	**(12)**	**(6)**	**(1,619)**
Reductions	**393**	**–**	**3**	**–**	**396**
Exchange differences	**(22)**	**–**	**–**	**–**	**(22)**
As at 30 June 2022	**(8,679)**	**(343)**	**(66)**	**(30)**	**(9,118)**
Net carrying value:					
As at 1 January 2022	**9,681**	**893**	**35**	**29**	**10,638**
As at 30 June 2022	**9,507**	**878**	**24**	**26**	**10,435**

(Amounts in millions of Renminbi unless otherwise stated)

25 Right-of-use assets (Continued)

	Buildings	Land use rights	Equipment	Vehicles and others	Total
Cost or deemed cost:					
As at 1 January 2021	16,146	1,221	113	53	17,533
Additions	2,567	–	4	4	2,575
Disposals	(1,426)	–	(25)	(4)	(1,455)
Exchange differences	(142)	–	–	–	(142)
As at 31 December 2021	17,145	1,221	92	53	18,511
Accumulated depreciation:					
As at 1 January 2021	(5,606)	(298)	(57)	(16)	(5,977)
Depreciation	(3,181)	(30)	(25)	(12)	(3,248)
Disposals	1,207	–	25	4	1,236
Exchange differences	116	–	–	–	116
As at 31 December 2021	(7,464)	(328)	(57)	(24)	(7,873)
Net carrying value:					
As at 1 January 2021	10,540	923	56	37	11,556
As at 31 December 2021	9,681	893	35	29	10,638

As at 30 June 2022, the balance of the Group's lease liabilities amounted to RMB9,820 million (31 December 2021: RMB9,816 million), including RMB3,031 million of lease liabilities that will mature within a year (31 December 2021: RMB5,153 million).

As at 30 June 2022, lease payments relating to lease contracts signed but to be executed amounted to RMB190 million (31 December 2021: RMB167 million).

For the six months ended 30 June 2022, the lease expense of short-term leases with a lease term of no more than 12 months and leases of assets with low values amounted to RMB60 million (for the six months ended 30 June 2021: RMB83 million).

(Amounts in millions of Renminbi unless otherwise stated)

26 Goodwill

	Six months ended 30 June 2022	Year ended 31 December 2021
As at 1 January	**833**	860
Exchange difference	**37**	(27)
As at 30 June/31 December	**870**	833

Based on the result of impairment test, no impairment losses on goodwill were recognized as at 30 June 2022 (31 December 2021: Nil).

27 Deferred tax assets/(liabilities)

	30 June 2022	31 December 2021
Deferred tax assets	**51,246**	46,905
Deferred tax liabilities	**(2)**	(8)
Net	**51,244**	46,897

(a) Analysed by nature and jurisdiction

	30 June 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets				
– allowance for impairment losses	**196,800**	**49,028**	180,860	45,076
– fair value adjustments	**(5,915)**	**(1,578)**	(7,505)	(1,882)
– employee retirement benefits and salaries payable	**10,107**	**2,527**	10,206	2,552
– others	**5,082**	**1,269**	4,497	1,159
Subtotal	**206,074**	**51,246**	188,058	46,905
Deferred tax liabilities				
– fair value adjustments	**(13)**	**(2)**	(48)	(8)
Subtotal	**(13)**	**(2)**	(48)	(8)
Total	**206,061**	**51,244**	188,010	46,897

(Amounts in millions of Renminbi unless otherwise stated)

27 Deferred tax assets/(liabilities) (Continued)

(b) Offsetting of deferred tax assets and deferred tax liabilities

As at 30 June 2022, the deferred tax assets/liabilities offset by the Group were RMB2,148 million (31 December 2021: RMB2,260 million).

(c) Movement of deferred tax

	Allowance for impairment losses	Fair value adjustments	Employee retirement benefits and accrued staff cost	Others	Total deferred tax
As at 1 January 2022	**45,076**	**(1,890)**	**2,552**	**1,159**	**46,897**
Recognized in profit or loss	**3,938**	**(752)**	**(25)**	**47**	**3,208**
Recognized in other comprehensive income	**–**	**1,052**	**–**	**64**	**1,116**
Exchange differences	**14**	**10**	**–**	**(1)**	**23**
As at 30 June 2022	**49,028**	**(1,580)**	**2,527**	**1,269**	**51,244**
As at 1 January 2021	39,870	(1,114)	2,579	567	41,902
Recognized in profit or loss	5,214	214	(27)	601	6,002
Recognized in other comprehensive income	–	(992)	–	(9)	(1,001)
Exchange differences	(8)	2	–	–	(6)
As at 31 December 2021	45,076	(1,890)	2,552	1,159	46,897

(Amounts in millions of Renminbi unless otherwise stated)

28 Other assets

	Notes	**30 June 2022**	31 December 2021
Advanced payments and settlement accounts		**52,291**	24,169
Fee and commission receivables		**9,699**	7,454
Assets with continuing involvement		**11,128**	10,878
Precious metal leasing		**5,041**	3,114
Interest receivables	(i)	**4,703**	5,167
Repossessed assets	(ii)	**1,273**	1,330
Prepayments for properties and equipment		**748**	988
Leasehold improvements		**670**	767
Prepaid rent		**21**	7
Others	(iii)	**9,316**	5,548
Total		**94,890**	59,422

Notes:

(i) Interest receivable

Interest receivable represents interest on financial instruments due and receivable but not yet received as at the balance sheet date and is stated net of corresponding impairment allowances. The impairment allowance on the Group's interest receivable is RMB4,480 million (as at 31 December 2021: RMB3,628 million).

(ii) Repossessed assets

	30 June 2022	31 December 2021
Premises	**2,516**	2,611
Others	**5**	5
Gross balance	**2,521**	2,616
Less: Allowance for impairment losses	**(1,248)**	(1,286)
Net balance	**1,273**	1,330

As at 30 June 2022, the Group intended to dispose all the repossessed assets and had no plan to transfer the repossessed assets for own use (as at 31 December 2021: Nil).

(iii) Others

Others include prepaid legal costs for lawyers, other prepayments, other receivables, etc.

(Amounts in millions of Renminbi unless otherwise stated)

29 Movements of allowance for impairment losses

	Notes	Six months ended 30 June 2022				
		As at 1 January	**Charge/ (Reversal) for the period)**	**Write-offs/ transfer out**	**Others Notes(i)**	**As at 30 June**
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	15	**145**	**(1)**	**–**	**–**	**144**
Placements with and loans to banks and non-bank financial institutions	16	**89**	**75**	**–**	**–**	**164**
Financial assets held under resale agreements	18	**47**	**16**	**–**	**–**	**63**
Loans and advances to customers	19	**121,471**	**31,143**	**(30,136)**	**6,694**	**129,172**
Financial investments						
– at amortised cost	20	**26,624**	**3,920**	**(45)**	**(2)**	**30,497**
– at fair value through other comprehensive income	20	**2,387**	**53**	**–**	**49**	**2,489**
Other financial assets and accrued interest		**5,134**	**2,434**	**(2,289)**	**447**	**5,726**
Off balance sheet credit assets	37	**11,428**	**4,747**	**–**	**30**	**16,205**
Subtotal		**167,325**	**42,387**	**(32,470)**	**7,218**	**184,460**
Allowance for impairment losses on other assets						
Other assets – repossessed assets		**1,286**	**32**	**(103)**	**33**	**1,248**
Subtotal		**1,286**	**32**	**(103)**	**33**	**1,248**

(Amounts in millions of Renminbi unless otherwise stated)

29 Movements of allowance for impairment losses (Continued)

		Year ended 31 December 2021				
	Notes	As at 1 January	Charge/ (Reversal) for the year	Write-offs/ transfer out	Others Notes(i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	15	130	16	–	(1)	145
Placements with and loans to banks and non-bank financial institutions	16	97	(7)	–	(1)	89
Financial assets held under resale agreements	18	56	(9)	–	–	47
Loans and advances to customers	19	126,100	50,228	(64,161)	9,304	121,471
Financial investments	20					
– at amortised cost		13,737	18,917	(6,971)	941	26,624
– at fair value through other comprehensive income	20	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	37	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

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”.

Notes:

(i) Others include recovery of loans written off, and effect of exchange differences during the period.

(Amounts in millions of Renminbi unless otherwise stated)

30 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2022	31 December 2021
In Mainland China		
– banks	**218,843**	279,849
– non-bank financial institutions	**788,909**	885,347
Subtotal	**1,007,752**	1,165,196
Outside Mainland China		
– banks	**6,497**	4,610
– non-bank financial institutions	**124**	19
Subtotal	**6,621**	4,629
Accrued interest	**4,620**	4,938
Total	**1,018,993**	1,174,763

31 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2022	31 December 2021
In Mainland China		
– banks	**45,245**	44,375
– non-bank financial institutions	**4,850**	8,360
Subtotal	**50,095**	52,735
Outside Mainland China		
– banks	**16,254**	25,316
– non-bank financial institutions	**47**	40
Subtotal	**16,301**	25,356
Accrued interest	**208**	240
Total	**66,604**	78,331

(Amounts in millions of Renminbi unless otherwise stated)

32 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	30 June 2022	31 December 2021
In Mainland China		
– PBOC	**93,402**	67,372
– Banks	**22,298**	30,243
Subtotal	**115,700**	97,615
Outside Mainland China		
– Banks	**3,285**	719
– Non-bank financial institutions	**20**	–
Subtotal	**3,305**	719
Accrued interest	**10**	5
Total	**119,015**	98,339

(b) Analysed by type of collateral

	30 June 2022	31 December 2021
Discounted bills	**64,429**	54,191
Debt securities	**54,576**	44,143
Accrued interest	**10**	5
Total	**119,015**	98,339

The Group did not derecognize financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 30 June 2022, no legal title of the collateral has been transferred to counterparties. The above information of collateral is included in the Note 49.

(Amounts in millions of Renminbi unless otherwise stated)

33 Deposits from customers

Analysed by nature

	30 June 2022	31 December 2021
Demand deposits		
– corporate customers	**2,076,518**	1,963,640
– personal customers	**347,038**	310,054
Subtotal	**2,423,556**	2,273,694
Time and call deposits		
– corporate customers	**1,903,885**	1,789,956
– personal customers	**760,837**	662,255
Subtotal	**2,664,722**	2,452,211
Outward remittance and remittance payables	**12,073**	10,679
Accrued interest	**54,348**	53,385
Total	**5,154,699**	4,789,969

Guarantee deposits included in above deposits:

	30 June 2022	31 December 2021
Bank acceptances	**306,420**	247,946
Guarantees	**16,897**	14,063
Letters of credit	**20,255**	19,615
Others	**75,126**	81,308
Total	**418,698**	362,932

(Amounts in millions of Renminbi unless otherwise stated)

34 Accrued staff costs

	Notes	**Six months ended 30 June 2022**			
		As at 1 January	**Additions during the period**	**Reductions during the period**	**As at 30 June**
Short-term employee benefits	(a)	**19,134**	**14,386**	**(16,056)**	**17,464**
Post-employment benefits – defined contribution plans	(b)	**19**	**1,353**	**(1,355)**	**17**
Post-employment benefits – defined benefit plans	(c)	**18**	**–**	**–**	**18**
Other long-term benefits		**82**	**60**	**(68)**	**74**
Total		**19,253**	**15,799**	**(17,479)**	**17,573**

	Notes	Year ended 31 December 2021			
		As at 1 January	Additions during the year	Reductions 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

(Amounts in millions of Renminbi unless otherwise stated)

34 Accrued staff costs (Continued)

(a) Short-term employee benefits

	Notes	Six months ended 30 June 2022 As at 1 January	Additions during the period	Payments during the period	As at 30 June
Salaries and bonuses	(i)	**18,248**	**11,759**	**(13,592)**	**16,415**
Social insurance		**9**	**822**	**(813)**	**18**
Welfare expenses		**4**	**426**	**(427)**	**3**
Housing fund		**7**	**814**	**(814)**	**7**
Labor union expenses and employee education expenses		**750**	**430**	**(282)**	**898**
Housing allowance		**54**	**–**	**–**	**54**
Others		**62**	**135**	**(128)**	**69**
Total		**19,134**	**14,386**	**(16,056)**	**17,464**

	Notes	Year ended 31 December 2021 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

Note:

(i) As at 30 June 2022, the deferred salaries, and bonuses in relation to services provided to the Group and to be paid as planned amounted to RMB7,641 million (31 December 2021: RMB7,885 million).

(Amounts in millions of Renminbi unless otherwise stated)

34 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 has joined 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 CITIC Group. For six months ended 30 June 2022, the Bank has made annuity contributions at 7% (31 December 2021: 7%) of its employees' gross wages. For six months ended 30 June 2022, the Bank made annuity contribution amounted to RMB382 million (year ended 31 December 2021: RMB1,395 million).

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

(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).

Except for the aforementioned contributions, the Group has no other material obligations for payment of retirement benefits.

35 Taxes payable

	30 June 2022	31 December 2021
Income tax	**1,270**	5,830
VAT and surcharges	**4,326**	4,913
Others	**8**	10
Total	**5,604**	10,753

(Amounts in millions of Renminbi unless otherwise stated)

36 Debt securities issued

	Notes	**30 June 2022**	31 December 2021
Long-term debt securities issued	(a)	**91,693**	61,125
Subordinated bonds issued:		**93,322**	113,148
– by the Bank	(b)	**89,986**	109,974
– by CBI	(c)	**3,336**	3,174
Certificates of deposit issued	(d)	**1,272**	1,211
Certificates of interbank deposit issued	(e)	**690,931**	739,857
Convertible corporate bonds	(f)	**39,762**	39,497
Accrued interest		**4,038**	3,365
Total		**921,018**	958,203

(a) Long-term debt securities issued by the Group as at 30 June 2022:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	**30 June 2022 Nominal Value RMB**	31 December 2021 Nominal Value RMB
Floating rate bond	14 December 2017	15 December 2022	Three-month Libor +1%	**3,682**	3,504
Fixed rate bond	14 December 2017	15 December 2022	3.125%	**1,673**	1,593
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**	20,000
Fixed rate bond	2 February 2021	2 February 2024	0.875%	**1,339**	1,274
Fixed rate bond	2 February 2021	2 February 2026	1.250%	**2,343**	2,230
Fixed rate bond	17 November 2021	17 November 2024	1.750%	**3,347**	3,185
Fixed rate bond	28 April 2022	28 April 2025	2.800%	**30,000**	–
Total nominal value				**92,384**	61,786
Less: Unamortised issuance cost				**(22)**	(24)
Less: offset				**(669)**	(637)
Carrying value				**91,693**	61,125

(Amounts in millions of Renminbi unless otherwise stated)

36 Debt securities issued (Continued)

(b) The carrying value of the Bank's subordinated bonds issued:

	Notes	**30 June 2022**	31 December 2021
Subordinated fixed rate bonds maturing:			
– in June 2027	(i)	**–**	19,989
– in September 2028	(ii)	**29,996**	29,995
– in October 2028	(iii)	**19,997**	19,997
– in August 2030	(iv)	**39,993**	39,993
Total		**89,986**	109,974

Notes:

(i) The Bank issued fixed-rate subordinated bonds on 21 June 2012 with a coupon rate of 5.15% per annum. The Bank has redeemed the bonds on 21 June 2022.

(ii) The Bank issued fixed-rate subordinated bonds on 13 September 2018 with a coupon rate of 4.96% per annum. The Bank has the option to redeem the bonds on 13 September 2023. If the Bank does not exercise this option, the coupon rate will remain 4.96% per annum for the next five years.

(iii) The Bank issued fixed-rate subordinated bonds on 22 October 2018 with a coupon rate of 4.80% per annum. The Bank has the option to redeem the bonds on 22 October 2023. If the Bank does not exercise this option, the coupon rate will remain 4.80% per annum for the next five years.

(iv) The Bank issued fixed-rate subordinated bonds on 14 August 2020 with a coupon rate of 3.87% per annum. The Bank has the option to redeem the bonds on 14 August 2025. If the Bank does not exercise this option, the coupon rate will remain 3.87% per annum for the next five years.

(c) The carrying value of CBI's subordinated bonds issued:

	Notes	**30 June 2022**	31 December 2021
Subordinated fixed rate notes maturing:			
– in February 2029	(i)	**3,336**	3,174
Total		**3,336**	3,174

Notes:

(i) CBI issued USD500 million subordinated notes at a coupon rate of 4.625% per annum on 28 February 2019. CBI has an option to redeem these notes on each coupon payment date on and after 28 February 2024. If CBI does not exercise the redemption option, the coupon rate per annum will be the 5-year US treasury bond rate on 28 February 2024, plus 2.25%. The notes are listed on the Hong Kong Stock Exchange.

(d) These certificates of deposit were issued by CBI with interest rate ranging from 0.35% to 2.76% per annum.

(e) As at 30 June 2022, the Bank's outstanding large transferable certificates of interbank deposits amounted to RMB690,931 million (31 December 2021: RMB739,857 million), with reference yields ranging from 1.81% to 2.82% per annum (31 December 2021: 2.60% to 3.18%). Their original expiry terms range from three months to one year.

(Amounts in millions of Renminbi unless otherwise stated)

36 Debt securities issued (Continued)

(f) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB40 billion A-shares 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 RMB7.45 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances. On 29 July 2022, the conversion price of the convertible corporate bonds has been adjusted to RMB6.43 per share. During the conversion period (from 4 March 2019 to 3 March 2025), if the closing price of the Bank's A shares is lower than 80% of the current conversion price for at least 15 trading days in any 30 consecutive trading days, the Board of Directors of the Bank has the right to propose to lower the conversion price and submit the proposal to the shareholders' meeting for deliberation.

These convertible corporate bonds are subject to conditional redemptions. During their conversion period, if the closing prices of the Bank's A-shares are no less than 130% (inclusive) of the current conversion price for at least 15 trading days in 30 consecutive trading days, the Bank has the right to redeem all or part of the outstanding convertible corporate bonds at their par value plus the current accrued interest, upon approval of the relevant regulatory authorities (if required). In addition, when the total amount of the outstanding convertible corporate bonds is less than RMB30 million, the Bank has the right to redeem all outstanding convertible corporate bonds at their par value plus the current accrued interest.

As at 30 June 2022, convertible corporate bonds of RMB335,000 were converted to 47,084 A shares.

	Note	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
Accumulated amortisation as at 1 January 2022		2,712	–	2,712
Accumulated conversion amount as at 1 January 2022		–	–	–
Balance as at 1 January 2022		39,497	3,135	42,632
Amortisation during this period		265	–	265
Conversion amount during this period		–	–	–
Balance as at 30 June 2022		**39,762**	**3,135**	**42,897**

(Amounts in millions of Renminbi unless otherwise stated)

37 Provisions

	30 June 2022	31 December 2021
Allowance for impairment losses on off balance sheet items	**16,205**	11,428
Litigation provisions	**500**	499
Total	**16,705**	11,927

The movement of off-balance sheet allowance for impairment losses is included in the Note 29.

Movement of provisions:

	Six months ended 30 June 2022	Year ended 31 December 2021
As at 1 January	**499**	483
Accruals	**1**	16
As at 30 June/31 December	**500**	499

38 Other liabilities

	30 June 2022	31 December 2021
Dividends payable	**14,778**	–
Settlement and clearing accounts	**13,135**	5,342
Continuing involvement liabilities	**11,128**	10,878
Advances and deferred expenses	**8,486**	5,087
Payment and collection accounts	**3,315**	4,349
Leasing deposits	**618**	880
Accrued expenses	**209**	688
Others	**7,498**	8,403
Total	**59,167**	35,627

39 Share capital

	30 June 2022 and 31 December 2021	
	Number of shares (millions)	**Nominal Value**
Ordinary shares		
Registered, issued and fully paid:		
A-Share	**34,053**	**34,053**
H-Share	**14,882**	**14,882**
Total	**48,935**	**48,935**

	Note	**Six months ended 30 June 2022**	Year ended 31 December 2021
As at 1 January		**48,935**	48,935
Convertible bond settlement	(i)	**–**	–
As at 30 June/31 December		**48,935**	48,935

Note:

(i) For the six months ended 30 June 2022, convertible corporate bonds of RMB8000 were converted to 1,188 A-shares (In 2021, convertible corporate bonds of RMB27,000 were converted to 3,900 A-shares).

(Amounts in millions of Renminbi unless otherwise stated)

40 Other equity instruments

	30 June 2022	31 December 2021
Preference shares (Note (i))	**34,955**	34,955
Perpetual bonds (Note (ii))	**79,986**	79,986
Equity of convertible corporate bonds (Note 36(f))	**3,135**	3,135
Total	**118,076**	118,076

(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% per annum for the first five years after issuance, and re-priced every five years	100	350	35,000	No maturity date	No conversion during the period

35,000 million preference shares of RMB100 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 RMB34,955 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 53). 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 RMB7.07 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.

These preference shares are classified as equity instruments and presented as equity in the consolidated interim 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)

40 Other equity instruments (Continued)

(ii) Perpetual bonds

The Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 11 December 2019, the carrying amount of the bonds, net of direct issuance expenses, was RMB39,993 million. On 26 April 2021, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market, the carrying amount of the bonds, net of direct issuance expenses, was RMB39,997 million. The denomination of these Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 4.20%, resetting every 5 years.

The duration of these Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilize the proceeds from the cancelled distribution to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

These perpetual bonds are classified as equity instruments, and presented as equity in the consolidated statement of financial position; and are qualified as Additional Tier-One Capital Instruments in accordance with the CBIRC requirements.

Interests attributable to equity instruments' holder:

	30 June 2022	31 December 2021
Total equity attributable to equity holders of the parent company	**641,020**	626,303
Equity attributable to ordinary equity holders of the parent company	**522,944**	508,227
Equity attributable to other equity instruments holders of the parent company	**118,076**	118,076
– Dividend distribution for the period	**1,680**	3,010
Total equity attributable to non-controlling interests	**20,269**	16,323
Equity attribute to non-controlling interests of ordinary shares	**9,152**	9,121
Equity attributable to non-controlling interests of other equity instruments	**11,117**	7,202

During the six months ended 30 June 2022, no dividends payment was paid to the preference shareholders (2021: RMB1,330 million), 1,680 million was paid to to holders of perpetual bonds (2021: RMB1,680 million).

(Amounts in millions of Renminbi unless otherwise stated)

41 Capital reserves

	30 June 2022	31 December 2021
Share premium	**58,896**	58,896
Other reserves	**320**	320
Total	**59,216**	59,216

42 Other comprehensive income

Other comprehensive income comprises items that will not be reclassified subsequently to profit or loss, such as net changes on the measurement of defined benefit plans (Note 34) 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.

43 Surplus reserve

	Six months ended 30 June 2022	Year ended 31 December 2021
As at 1 January	**48,937**	43,786
Appropriations	**–**	5,151
As at 30 June/31 December	**48,937**	48,937

Under the relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are required to appropriate 10% of its profit for the year, as determined under regulations issued by the regulatory bodies of the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year to the discretionary surplus reserve upon approval by ordinary shareholders at the Annual General Meeting. The Bank makes its appropriation on an annual basis.

Subject to the approval of ordinary shareholders, statutory surplus reserves may be used for replenishing accumulated losses, if any, and may be converted into share capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before the process.

(Amounts in millions of Renminbi unless otherwise stated)

44 General reserve

	Six months ended 30 June 2022	Year ended 31 December 2021
As at 1 January	**95,490**	90,819
Appropriations	**292**	4,671
As at 30 June/31 December	**95,782**	95,490

Pursuant to relevant Ministry of Finance ("MOF") notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. The Bank and the Group make its appropriation on an annual basis.

CITIC Wealth shall draw operational risk reserves on a monthly basis according to the Administrative Measures for Financial Subsidiaries of Commercial Banks. CNCBI Macau shall draw down its regulatory reserves on a monthly basis according to the requirements of the Monetary Authority of Macau. During the six months ended June 30 2022, a total of RMB292 million of corresponding risk provisions was drawn.

45 Profit appropriations and retained earnings

(a) The proposal of cash dividend of RMB3.02 per ten ordinary shares related to 2021, amounting to RMB14,778 million in total was approved at the Annual General Meeting held on 23 June 2022. The cash dividends were recognized as dividends payable as at 30 June 2022.

(b) As at 30 June 2022, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB563 million (31 December 2021: RMB563 million). Such statutory surplus reserves cannot be distributed.

(Amounts in millions of Renminbi unless otherwise stated)

46 Non-controlling interests

As at 30 June 2022, non-controlling interests included ordinary shares held by non-controlling interest in subsidiaries and other equity instrument holders' interests. Other equity instrument holders' interest amounted to RMB11,117 million (31 December 2021: RMB7,202 million) representing other equity instruments issued by CBI on 11 October 2016 and 6 November 2018, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier-One capital securities (the "Capital Securities").

Financial instruments in issue	Issue Date	Nominal Value	First Call Date	Coupon Rate	Payment Frequency
Capital Securities	6 November 2018	USD500 million	6 November 2023	7.10% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus 4.151% per annum	Semi-annually
Capital Securities	29 July 2021	USD600 million	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 plus 2.53% per annum	Semi-annually
Capital Securities	22 April 2022	USD600 million	22 April 2027	4.80% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus 2.104% per annum	Semi-annually

CBI may, at its sole discretion, elect to cancel any payment of coupon, in whole or in part, or redeem Capital Securities in whole on the first call date and any subsequent coupon distribution date, where the holders of these Capital Securities have no right to require CBI to redeem. These Capital Securities listed above are classified as other equity instruments.

A distribution of RMB180 million was paid to the holders of the Capital Securities mentioned above during the six months ended 30 June 2022 (During the six months ended 30 June 2021: RMB185 million).

(Amounts in millions of Renminbi unless otherwise stated)

47 Notes to consolidated interim statement of cash flows

Cash and cash equivalents

	Six months ended 30 June	
	30 June 2021	31 December 2021
Cash	**5,431**	5,745
Cash equivalents		
– Surplus deposit reserve funds	**21,192**	40,770
– Deposits with banks and non-bank financial institutions due within three months when acquired	**58,901**	39,911
– Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**65,132**	48,918
– Investment securities due within three months when acquired	**95,426**	67,362
Subtotal	**240,651**	196,961
Total	**246,082**	202,706

48 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 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.

	30 June 2022	31 December 2021
Contractual amount		
Loan commitments		
– with an original maturity within one year	**14,004**	13,725
– with an original maturity of one year or above	**41,684**	39,748
Subtotal	**55,688**	53,473
Bank acceptances	**811,252**	669,736
Credit card commitments	**722,482**	708,741
Letters of guarantee issued	**153,442**	128,866
Letters of credit issued	**236,455**	214,958
Total	**1,979,319**	1,775,774

(Amounts in millions of Renminbi unless otherwise stated)

48 Commitments and contingent liabilities (Continued)

(b) Credit commitments analysed by credit risk weighted amount

	30 June 2022	31 December 2021
Credit risk weighted amount of credit commitments	**543,266**	471,734

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

(c) Capital commitments

(i) The Group had the following authorised capital commitments in respect of property, plant and equipment at the reporting date:

	30 June 2022	31 December 2021
For the purchase of property and equipment – contracted for	**2,474**	1,541

(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 30 June 2022, the Group was involved in certain potential and pending litigation as defendant with gross claims of RMB1,414 million (as at 31 December 2021: RMB1,026 million). Based on the opinion of internal and external legal counsels, the Group has made litigation provisions of RMB0.9 million for the six months ended 30 June 2022 (Six months ended 30 June 2021: 3.32 million) against these litigation (Note 37). Such contingencies, including litigation and disputes, are not expected to have material impact on the financial position and operations of the Bank.

(Amounts in millions of Renminbi unless otherwise stated)

48 Commitments and contingent liabilities (Continued)

(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:

	30 June 2022	31 December 2021
Redemption commitment for PRC treasury bonds	**2,981**	3,249

The original maturities of these bonds vary from one to five years. Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(f) Underwriting obligations

As at 30 June 2022 and 31 December 2021, the Group did not have unfulfilled commitment in respect of securities underwriting business.

(Amounts in millions of Renminbi unless otherwise stated)

49 Collateral

(a) Assets pledged

(i) 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:

	30 June 2022	31 December 2021
Debt securities	**354,311**	341,978
Discounted bills	**64,704**	54,401
Others	**174**	178
Total	**419,189**	396,557

As at 30 June 2022 and 31 December 2021, the Group's liabilities related to the above collateral were due within 12 months from the effective dates of these agreements and title of these collateral was not transferred to counterparties.

(ii) In addition, as at 30 June 2022, the Group pledged deposits with banks and other financial institutions with carrying amount totalling RMB533 million (31 December 2021: RMB527 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 18. 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 30 June 2022, the Group held no collateral that can be resold or re-pledged (31 December 2021: Nil). During the six months ended 30 June 2022, the Group did not resell or re-pledge any of these collateral (Six months ended 30 June 2021: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

50 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals, as well as entrusted provident housing fund mortgage business services. All entrusted loans are made under the instruction or at the direction of these corporations, individuals or provident housing fund centre and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group does not expose to credit risk in relation to these transactions, but acts as an agent to hold and manage these assets and liabilities at the instruction of the entrusting parties and receives fee income for the services provided.

Entrusted assets are not assets of the Group and are not recognized on the consolidated statement of financial position. Income received and receivable for providing these services is included in the consolidated statement of profit or loss as fee income.

At the reporting date, the entrusted assets and liabilities were as follows:

	30 June 2022	31 December 2021
Entrusted loans	**298,832**	306,515
Entrusted funds	**298,833**	306,516

(b) Wealth management services

As at 30 June 2022, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 56(b).

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is recognized in the interim 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 56 (b)).

As at 30 June 2022, the total investment of non-principal guaranteed wealth management products managed by the Group that was not included in the Group's consolidated financial statements was disclosed in Note 56(b).

51 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.

(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.

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(a) Business segments (Continued)

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.

	Six months ended 30 June 2022				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/ (expense)	20,642	51,736	16,968	(15,498)	73,848
Internal net interest income/ (expense)	19,177	(22,005)	(13,588)	16,416	–
Net interest income	39,819	29,731	3,380	918	73,848
Net fee and commission income/(expense)	5,688	11,514	644	989	18,835
Other net income (Note (i))	2,218	780	13,417	(880)	15,535
Operating income	47,725	42,025	17,441	1,027	108,218
Operating expenses					
– depreciation and amortisation	(1,026)	(856)	(1,138)	(507)	(3,527)
– others	(9,378)	(13,494)	(608)	(380)	(23,860)
Credit impairment losses	(19,885)	(19,876)	(2,451)	(175)	(42,387)
Impairment (losses)/gains on other assets	(65)	–	–	33	(32)
Revaluation loss on investment properties	–	–	–	(13)	(13)
Share of profits of associates and joint ventures	–	–	–	312	312
Profit before tax	17,371	7,799	13,244	297	38,711
Income tax					(5,776)
Profit for the period					32,935
Capital expenditure	118	110	130	118	476

	30 June 2022				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	2,630,265	2,087,959	2,903,409	599,122	8,220,755
Interest in associates and joint ventures	–	–	–	6,015	6,015
Deferred tax assets					51,246
Total asset					8,278,016
Segment liabilities	4,050,042	1,167,533	1,163,471	1,235,679	7,616,725
Deferred tax liabilities					2
Total liabilities					7,616,727
Off-balance sheet credit commitments	1,256,837	722,482	–	–	1,979,319

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(a) Business segments (Continued)

	Six months ended 30 June 2021				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	25,585	51,461	15,233	(18,197)	74,082
Internal net interest income/(expense)	14,885	(23,592)	(11,215)	19,922	–
Net interest income	40,470	27,869	4,018	1,725	74,082
Net fee and commission income/(expense)	7,589	11,416	469	(125)	19,349
Other net income (Note (i))	2,054	264	9,495	412	12,225
Operating income	50,113	39,549	13,982	2,012	105,656
Operating expenses					
– depreciation and amortisation	(1,075)	(817)	(807)	(595)	(3,294)
– others	(9,055)	(11,970)	(360)	(734)	(22,119)
Credit impairment losses	(26,697)	(16,645)	(733)	(1,254)	(45,329)
Impairment (losses)/gains on other assets	(52)	–	–	11	(41)
Revaluation gains on investment properties	–	–	–	22	22
Share of gains of associates and joint ventures	–	–	–	28	28
Profit before tax	13,234	10,117	12,082	(510)	34,923
Income tax					(5,443)
Profit for the period					29,480
Capital expenditure	246	200	189	176	811

	31 December 2021				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
Segment assets	2,725,565	2,124,792	2,357,324	782,545	7,990,226
Interest in associates and joint ventures	–	–	121	5,632	5,753
Deferred tax assets					46,905
Total asset					8,042,884
Segment liabilities	3,847,443	1,025,781	1,032,526	1,494,500	7,400,250
Deferred tax liabilities	–	–	–	–	8
Total liabilities					7,400,258
Off-balance sheet credit commitments	1,067,033	708,741	–	–	1,775,774

Note:

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

51 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities. The Bank's principal subsidiaries, CNCB Investment and CIFH are registered and operating in Hong Kong. The other subsidiaries, Lin'an Rural Bank, CITIC Wealth and CFLL are registered and operating in Mainland China.

In presenting information by geographical segments, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments, as defined for management reporting purposes, are as follows:

– "Yangtze River Delta" refers to the following areas where Tier-One branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank and CITIC Wealth;

– "Pearl River Delta and West Strait" refers to the following areas where Tier-One branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;

– "Bohai Rim" refers to the following areas where Tier-One branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;

– "Central" region refers to the following areas where Tier-One branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

– "Western" region refers to the following areas where Tier-One branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

– "North-eastern" region refers to the following areas where Tier-One branches of the Group is located: Shenyang, Changchun and Harbin;

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

– "Overseas" includes all the operations of London branch, CNCB Investment, CIFH and its subsidiaries.

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2022									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	17,676	10,509	95	11,485	10,007	1,122	20,449	2,505	–	73,848
Internal net interest (expense)/income	(3,017)	(3,244)	10,050	(2,795)	(4,247)	(146)	3,273	126	–	–
Net interest income	14,659	7,265	10,145	8,690	5,760	976	23,722	2,631	–	73,848
Net fee and commission income	2,774	909	1,793	922	648	96	10,917	776	–	18,835
Other net income (Note (i))	1,254	291	425	308	157	27	12,308	765	–	15,535
Operating income	18,687	8,465	12,363	9,920	6,565	1,099	46,947	4,172	–	108,218
Operating expense										
– depreciation and amortisation	(492)	(381)	(443)	(319)	(361)	(99)	(1,133)	(299)	–	(3,527)
– others	(4,552)	(2,580)	(3,601)	(2,853)	(2,415)	(510)	(5,945)	(1,404)	–	(23,860)
Credit impairment losses	(8,345)	(4,900)	(1,777)	(1,711)	(3,456)	(235)	(21,313)	(650)	–	(42,387)
Impairment (losses)/gains on other assets	–	–	1	(11)	(55)	–	–	33	–	(32)
Revaluation loss on investment properties	–	–	–	–	–	–	–	(13)	–	(13)
Share of gains/(loss) of associates and joint ventures	–	–	–	–	–	–	298	14	–	312
Profit before tax	5,298	604	6,543	5,026	278	255	18,854	1,853	–	38,711
Income tax										(5,776)
Profit for the period										32,935
Capital expenditure	48	60	46	41	40	1	140	100	–	476

	30 June 2022									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,911,535	977,198	1,806,676	809,534	655,642	114,003	3,255,023	419,190	(1,728,046)	8,220,755
Interest in associates and joint ventures	–	–	–	–	–	–	5,615	400	–	6,015
Deferred tax assets										51,246
Total assets										8,278,016
Segment liabilities	1,681,974	780,460	1,526,204	742,494	618,048	75,111	3,559,340	378,193	(1,745,099)	7,616,725
Deferred tax liabilities										2
Total liabilities										7,616,727
Off-balance sheet credit commitments	366,478	237,733	215,810	259,504	137,845	17,805	713,824	30,320	–	1,979,319

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2021									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	18,551	11,078	238	11,898	10,717	1,594	17,480	2,526	–	74,082
Internal net interest (expense)/income	(2,590)	(1,762)	10,361	(3,020)	(4,014)	(345)	1,403	(33)	–	–
Net interest income	15,961	9,316	10,599	8,878	6,703	1,249	18,883	2,493	–	74,082
Net fee and commission income	1,811	1,152	2,166	971	693	147	11,521	888	–	19,349
Other net income (Note (i))	743	228	283	170	66	17	9,169	1,549	–	12,225
Operating income	18,515	10,696	13,048	10,019	7,462	1,413	39,573	4,930	–	105,656
Operating expense										
– depreciation and amortisation	(488)	(366)	(442)	(309)	(375)	(101)	(927)	(286)	–	(3,294)
– others	(4,308)	(2,548)	(3,591)	(2,426)	(2,234)	(509)	(5,165)	(1,338)	–	(22,119)
Credit impairment losses	(6,426)	(3,310)	(3,992)	(4,759)	(2,911)	(219)	(22,985)	(727)	–	(45,329)
Impairment (losses)/gains on other assets	(42)	–	(4)	(3)	(3)	–	–	11	–	(41)
Revaluation gains on investment properties	–	–	–	–	–	–	–	22	–	22
Share of gains/(losses) of associates and joint ventures	–	–	–	–	–	–	128	(100)	–	28
Profit before tax	7,251	4,472	5,019	2,522	1,939	584	10,624	2,512	–	34,923
Income tax										(5,443)
Profit for the period										29,480
Capital expenditure	49	60	66	49	34	14	432	107	–	811

	31 December 2021									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,786,736	936,397	1,827,646	773,844	645,367	117,419	3,306,611	379,810	(1,783,604)	7,990,226
Interest in associates and joint ventures	–	–	–	–	–	–	5,220	533	–	5,753
Deferred tax assets										46,905
Total assets										8,042,884
Segment liabilities	1,608,600	841,308	1,659,295	720,486	574,805	110,552	3,322,858	318,701	(1,756,355)	7,400,250
Deferred tax liabilities										8
Total liabilities										7,400,258
Off-balance sheet credit commitments	305,914	194,418	177,211	232,769	113,579	21,679	700,673	29,531	–	1,775,774

Note:

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

52 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

– **Credit risk** Credit risk represents the potential loss that may arise from the failure of a customer or counterparty to meet its contractual obligations or commitments to the Group.

– **Market risk** Market risk arises from unfavourable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance sheet or off-balance sheet business in the Group.

– **Liquidity risk** Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

– **Operational risk** Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategic risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

(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 loans, and monitoring of non-performing loans. Through strictly standardised credit business process, strengthening the whole process management of pre-lending investigation, credit rating and credit granting, examination and approval, loan review and post-lending monitoring, improving risk mitigating impact of collateral, accelerating the collection and disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

The Group writes off financial asset when it cannot reasonably expect to recover all or part of the asset. Signs indicating that the recoverable amount cannot be reasonably expected to recover include: (1) the enforcement has been terminated, and (2) the Group's recovery method is to confiscate and dispose of the collateral, but the expected value of the collateral cannot cover the entire principal and interest.

In addition to the credit risk caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting 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.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses ("ECL")

The Group adopts the "expected credit loss model" on its debt instruments which are classified as financial assets measured at amortised cost and at fair value through other comprehensive income and off-balance sheet credit assets in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses, the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The "three-stage" impairment model is used to measure their allowances for impairment losses respectively to recognise expected credit losses and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since initial recognition will be classified as "stage 1" and the Group continuously monitors their credit risk. The loss allowance 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 are 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 are measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

The Group measures the 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.

The Group has established models including different key economic indicators is established with the new actual default rate of regression model, and uses the prediction results and historic default information adjustment coefficient calculation, then adjusts 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 averages to obtain the present value of the future cash inflows.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses ("ECL") (Continued)

The Group estimates the ECL in accordance with 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 quantitative or qualitative threshold, or pre-set upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

By setting quantitative and qualitative thresholds, 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 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.

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.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses ("ECL") (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 concession that would not be offered otherwise, considering for economic or contractual reasons relating to the debtor's financial difficulties;
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses ("ECL") (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 owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of ECL, including the PD and the change in the value of collateral over time.

The Group separates exposures with similar risk characteristics into groups and collectively estimates their risk parameters, including PDs, LGDs, and EADs. In the first half of 2022, 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.

(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 determines the possible scenarios and their weightings by a combination of statistical analysis and expert judgment. The Group measures expected credit losses as either a probability weighted 12 months expected credit losses (stage 1) or a probability weight lifetime expected credit losses (stage 2 and stage 3). These probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit losses model and multiplying it by the appropriate scenario weighting.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses ("ECL") (Continued)

(4) Forward-looking information (Continued)

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 represent 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 consumer confidence index, are basically consistent with the forecast of research institutions.

For the six months ended 30 June 2022, 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%-4.00%
Narrow Money Supply (M1)	2.00%-10.00%
Consumer Confidence Index	95-110

Currently, the weighting of neutral scenario is equal to the sum of the weightings of other scenarios. Following this assessment, the Group measures ECL as a weighted average probability of ECL in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

Considering the portfolios that cannot be modeled by regression, such as those with extremely low default rate or without appropriate internal rating data, the Group mainly adopts the expected loss ratio of similar portfolios with established regression models, in order to expand the coverage of the existing ECL model.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses ("ECL") (Continued)

(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 30 June 2022, assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the Group's credit impairment losses will be reduced by no more than 5% of the current credit impairment losses; assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the Group's credit impairment losses will increase by no more than 5% of the current credit impairment losses.

As at 30 June 2022, 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 models, 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.

	30 June 2022	31 December 2021
Performing loans and advances to customers		
Allowance of impairment losses assuming performing loans and advances to customers are in Stage 1	**74,921**	69,220
Impact of stage transfers	**3,255**	3,446
Current allowance for impairment losses	**78,176**	72,666

(Amounts in millions of Renminbi unless otherwise stated)

52 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 interim statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	30 June 2022				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	395,872	–	–	–	395,872
Deposits with bank and non-bank financial institutions	100,684	–	–	–	100,684
Placements with and loans to banks and non-bank financial institutions	232,026	–	–	–	232,026
Derivative financial assets	–	–	–	33,262	33,262
Financial assets held under resale agreements	44,936	–	–	–	44,936
Loans and advances to customers	4,796,559	75,298	24,917	–	4,896,774
Financial investments					
– at fair value through profit or loss	–	–	–	558,284	558,284
– at amortised cost	1,062,579	–	37,130	–	1,099,709
– at fair value through other comprehensive income	703,694	221	451	–	704,366
– designated at fair value through other comprehensive income	–	–	–	5,169	5,169
Other financial assets	18,977	4,701	1,484	–	25,162
Subtotal	7,355,327	80,220	63,982	596,715	8,096,244
Credit commitments	1,977,667	1,183	469	–	1,979,319
Maximum credit risk exposure	9,332,994	81,403	64,451	596,715	10,075,563

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	435,383	–	–	–	435,383
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)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

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.

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.

	30 June 2022						
	Risk level 1	Risk level 2	Risk level 3	Default	Subtotal	Allowance for impairment losses	Net balance
Loans and advances to customers (Note (i))							
Stage 1	3,831,022	930,448	90,115	–	4,851,585	(55,026)	4,796,559
Stage 2	1,091	15,996	81,122	–	98,209	(22,911)	75,298
Stage 3	–	–	–	75,842	75,842	(50,925)	24,917
Financial investments at amortised cost							
Stage 1	755,415	291,199	19,653	–	1,066,267	(3,688)	1,062,579
Stage 2	–	–	–	–	–	–	–
Stage 3 (Note (ii))	–	–	–	63,963	63,983	(26,853)	37,130
Financial investments at fair value through other comprehensive income							
Stage 1	366,474	337,220	–	–	703,694	(1,039)	703,694
Stage 2	156	50	15	–	221	(175)	221
Stage 3	–	–	–	451	451	(1,275)	451
Maximum credit risk exposure	4,954,158	1,574,913	190,905	140,276	6,860,252	(161,892)	6,700,849

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

	31 December 2021						
	Risk level 1	Risk level 2	Risk level 3	Default	Subtotal	Allowance for impairment losses	Net balance
Loans and advances to customers (Note (i))							
Stage 1	3,724,604	897,755	86,299	–	4,708,658	(50,663)	4,657,995
Stage 2	1,220	16,044	67,782	–	85,046	(21,657)	63,389
Stage 3	–	–	–	75,329	75,329	(48,637)	26,692
Financial investments at amortised cost							
Stage 1	810,282	313,915	5,613	–	1,129,810	(4,221)	1,125,589
Stage 2	3,225	2,554	10,081	–	15,860	(4,076)	11,784
Stage 3 (Note (ii))	–	810	676	49,800	51,286	(18,430)	32,856
Financial investments at fair value through other comprehensive income							
Stage 1	353,764	297,303	–	–	651,067	(976)	651,067
Stage 2	–	189	159	–	348	(158)	348
Stage 3	–	431	–	11	442	(1,253)	442
Maximum credit risk exposure	4,893,095	1,529,001	170,610	125,140	6,717,846	(150,071)	6,570,162

Note:

(i) Loans and advances to customers include loans and advances to customers measured at fair value through other comprehensive income, and its corresponding impairment are not included 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 52(a)(viii)).

(Amounts in millions of Renminbi unless otherwise stated)

52 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:

	Six months ended 30 June 2022		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2022	**4,708,658**	**85,046**	**75,329**
Movements			
Net transfers out from Stage 1	**(80,537)**	**–**	**–**
Net transfers into Stage 2	**–**	**28,727**	**–**
Net transfers into Stage 3	**–**	**–**	**51,810**
Net transactions incurred during the period (Note(i))	**221,435**	**(15,561)**	**(21,795)**
Write-off	**–**	**–**	**(30,136)**
Others (Note (ii))	**2,029**	**(3)**	**634**
As at 30 June 2022	**4,851,585**	**98,209**	**75,842**

	Year ended 31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	4,296,618	103,565	78,592
Movements			
Net transfers out from Stage 1	(74,178)	–	–
Net transfers into Stage 2	–	862	–
Net transfers into Stage 3	–	–	73,316
Net transactions incurred during the year (Note (i))	489,006	(17,357)	(13,132)
Write-off	–	–	(64,161)
Others (Note (ii))	(2,788)	(2,024)	714
As at 31 December 2021	4,708,658	85,046	75,329

(Amounts in millions of Renminbi unless otherwise stated)

52 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:

	Six months ended 30 June 2022		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2022	**1,780,877**	**16,208**	**51,728**
Movements			
Net transfers out from Stage 1	**(3,778)**	**–**	**–**
Net transfers out from Stage 2	**–**	**(12,484)**	**–**
Net transfers into Stage 3	**–**	**–**	**16,262**
Net transactions during the period (Note (i))	**(11,804)**	**(3,173)**	**(3,917)**
Write-off	**–**	**–**	**(45)**
Others (Note (ii))	**4,666**	**(330)**	**406**
As at 30 June 2022	**1,769,961**	**221**	**64,434**

	Year ended 31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	1,664,435	4,450	28,425
Movements			
Net transfers out from Stage 1	(21,955)	–	–
Net transfers into Stage 2	–	13,928	–
Net transfers into Stage 3	–	–	8,027
Net transactions during the year (Note (i))	142,085	(2,109)	22,305
Write-off	–	–	(7,042)
Others (Note (ii))	(3,688)	(61)	13
As at 31 December 2021	1,780,877	16,208	51,728

Notes:

(i) Net transactions during the period/year mainly include changes in carrying amount due to purchase, origination, or de-recognition (excluding write-offs).

(ii) Others include interest receivables and effect of exchange differences.

(Amounts in millions of Renminbi unless otherwise stated)

52 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:

	Six months ended 30 June 2022		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2022	**51,215**	**21,686**	**48,805**
Movements (Note (i))			
Net transfers out from Stage 1	**(2,262)**	**–**	**–**
Net transfers into Stage 2	**–**	**3,209**	**–**
Net transfers into Stage 3	**–**	**–**	**22,181**
Net transactions during the period (Note (ii))	**6,248**	**(3,666)**	**(8,077)**
Changes in parameters for the period (Note (iii))	**232**	**1,695**	**11,583**
Write-off	**–**	**–**	**(30,136)**
Others (Note (iv))	**6**	**15**	**6,640**
As at 30 June 2022	**55,439**	**23,939**	**50,996**

The following table shows the movement in allowance for impairment of loans and advances to customers in previous reporting period:

	Year ended 31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	43,734	29,527	52,990
Movements (Note(i))			
Net transfers out from Stage 1	(925)	–	–
Net transfers out from Stage 2	–	(4,157)	–
Net transfers into Stage 3	–	–	45,597
Net transactions during the year (Note (ii))	7,492	(5,892)	(10,568)
Changes in parameters for the year (Note (iii))	583	2,330	15,768
Write-off	–	–	(64,161)
Others (Note (iv))	331	(122)	9,179
As at 31 December 2021	51,215	21,686	48,805

(Amounts in millions of Renminbi unless otherwise stated)

52 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:

	Six months ended 30 June 2022		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2022	**5,197**	**4,234**	**19,683**
Movements (Note (i))			
Net transfers out from Stage 1	**(147)**	**–**	**–**
Net transfers out from Stage 2	**–**	**(3,446)**	**–**
Net transfers into Stage 3	**–**	**–**	**6,520**
Net transactions during the period (Note (ii))	**(106)**	**(609)**	**(533)**
Changes in parameters for the period (Note (iii))	**(197)**	**(12)**	**2,503**
Write-off	**–**	**–**	**(45)**
Others (Note (iv))	**(20)**	**8**	**–**
As at 30 June 2022	**4,727**	**175**	**28,128**

The following table shows the movement in allowance for impairment of financial investment in previous reporting period:

	Year ended 31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	4,881	501	11,039
Movements (Note(i))			
Net transfers out from Stage 1	(764)	–	–
Net transfers into Stage 2	–	3,669	–
Net transfers into Stage 3	–	–	2,516
Net transactions during the year (Note (ii))	293	119	15,092
Changes in parameters for the year (Note (iii))	(201)	(55)	(1,917)
Write-off	–	–	(7,042)
Others (Note (iv))	988	–	(5)
As at 31 December 2021	5,197	4,234	19,683

Notes:

(i) Movements in allowance for impairment during the period/year mainly include the impact of stage changes on the measurement of ECLs.

(ii) Net transactions during the period/year mainly includes changes in allowance for impairment due to financial assets newly originated, purchased or centralized (excluding write-offs).

(iii) Changes in parameters mainly include changes in risk exposures and 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)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers analysed by industry sector:

	30 June 2022			31 December 2021		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
– rental and business services	**477,776**	**9.5**	**192,500**	456,182	9.4	190,503
– water, environment and public utility management	**405,784**	**8.1**	**135,016**	381,182	7.8	139,983
– manufacturing	**377,884**	**7.5**	**167,937**	356,129	7.3	157,536
– real estate	**291,608**	**5.8**	**249,253**	284,801	5.7	250,846
– wholesale and retail	**184,751**	**3.7**	**105,307**	163,489	3.4	96,194
– transportation, storage and postal services	**138,236**	**2.8**	**71,917**	144,053	3.0	82,216
– construction	**106,545**	**2.1**	**55,450**	105,633	2.2	61,730
– production and supply of electric power, gas and water	**90,053**	**1.8**	**46,548**	84,351	1.7	44,461
– public management and social organisations	**7,963**	**0.2**	**1,544**	7,898	0.2	3,284
– others	**382,177**	**7.5**	**124,490**	352,461	7.2	118,173
Subtotal	**2,462,777**	**49.0**	**1,149,962**	2,336,179	47.9	1,144,926
Personal loans	**2,094,196**	**41.7**	**1,409,744**	2,053,824	42.2	1,366,920
Discounted bills	**454,271**	**9.0**	**–**	465,966	9.6	–
Accrued interest	**14,392**	**0.3**	**–**	13,064	0.3	–
Gross loans and advances to customers	**5,025,636**	**100.0**	**2,559,706**	4,869,033	100.0	2,511,846

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers analysed by geographical sector:

	30 June 2022			31 December 2021		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Yangtze River Delta	**1,343,626**	**26.7**	**724,623**	1,256,155	25.8	701,187
Bohai Rim (including Head Office)	**1,327,331**	**26.4**	**440,937**	1,325,105	27.2	437,932
Pearl River Delta and West Strait	**754,447**	**15.0**	**519,940**	733,840	15.1	527,719
Central	**698,019**	**13.9**	**384,828**	672,083	13.8	370,042
Western	**583,291**	**11.6**	**332,970**	573,221	11.8	325,598
Northeastern	**87,291**	**1.7**	**60,250**	92,254	1.9	61,529
Outside Mainland China	**217,239**	**4.4**	**96,158**	203,311	4.1	87,839
Accrued interest	**14,392**	**0.3**	**–**	13,064	0.3	–
Total	**5,025,636**	**100.0**	**2,559,706**	4,869,033	100.0	2,511,846

(v) Loans and advances to customers analysed by type of security

	30 June 2,022	31 December 2021
Unsecured loans	**1,330,704**	1,292,209
Guaranteed loans	**666,563**	585,948
Secured loans	**2,559,706**	2,511,846
– loans secured by collateral	**2,024,838**	1,963,710
– pledged loans	**534,868**	548,136
Subtotal	**4,556,973**	4,390,003
Discounted bills	**454,271**	465,966
Accrued interest	**14,392**	13,064
Gross loans and advances to customers	**5,025,636**	4,869,033

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(vi) Rescheduled loans and advances to customers

	30 June 2022		31 December 2021	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**15,391**	**0.31%**	16,182	0.33%
– rescheduled loans and advances overdue more than 3 months	**6,643**	**0.13%**	5,795	0.12%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated because of deterioration in the financial position of the borrowers, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider. As of 30 June 2022, the Group's concession given under renegotiation with borrowers or court rulings as a result of deterioration in financial position of borrowers is not significant.

(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. As at 30 June 2022 and 31 December 2021, debt instruments investments analysed by rating are as follows:

	30 June 2022					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
– governments	**757,024**	**222,056**	**15,460**	**4,463**	**1**	**999,004**
– policy banks	**75,157**	**–**	**–**	**4,599**	**–**	**79,756**
– public entities	**–**	**–**	**2,128**	**–**	**–**	**2,128**
– banks and non-bank financial institutions	**77,361**	**341,660**	**7,313**	**24,505**	**6,068**	**456,907**
– corporates	**65,482**	**16,883**	**9,375**	**12,394**	**10,391**	**114,525**
Investment management products managed by securities companies	**35,702**	**–**	**–**	**–**	**–**	**35,702**
Trust investment plans	**225,156**	**–**	**–**	**–**	**–**	**225,156**
Total	**1,235,882**	**580,599**	**34,276**	**45,961**	**16,460**	**1,913,178**

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(vii) Debt securities analysed by credit rating (Continued)

	31 December 2021					
	Unrated (Note (i))	AAA	AA	A	Below A	Total
Debt securities issued by:						
– governments	711,168	200,214	22,602	6,308	10	940,302
– policy banks	130,839	–	–	7,046	–	137,885
– public entities	–	–	1,690	1	–	1,691
– banks and non-bank financial institutions	76,984	351,851	5,525	23,478	6,535	464,373
– corporates	59,823	14,722	9,310	12,329	7,306	103,490
Investment management products managed by securities companies	42,884	–	–	–	–	42,884
Trust investment plans	220,821	–	–	–	–	220,821
Total	1,242,519	566,787	39,127	49,162	13,851	1,911,446

Note:

(i) Unrated debt securities held by the Group are primarily bonds issued by the Chinese government, policy banks, banks, non-bank financial institutions, investment management products managed by securities companies and trust investment plans.

(viii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	30 June 2022	31 December 2021
Investment management products managed by securities companies and trust investment plans		
– credit assets	**285,649**	285,183
– rediscounted bills	**–**	24
Total	**285,649**	285,207

The Group puts investment management products managed by securities companies and trust investment plans into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of security of credit assets includes guarantee, secured by collateral, and pledge.

52 Financial risk management (Continued)

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance sheet and off-balance sheet businesses for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has established a market risk management system that formulates procedures to identify, measure, supervision and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Risk and Internal Control Committee of the Group is responsible for approving market risk management policies, establishing appropriate organisational 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 authorisation 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 optimise 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.

The following tables summaries 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.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

	30 June 2022						
	Average interest rate (Note (i))	**Total**	**Non-interest bearing**	**Less than three months**	**Between three months and one year**	**Between one and five years**	**More than five years**
Assets							
Cash and balances with central banks	**1.45%**	**395,872**	**8,365**	**387,507**	**–**		**–**
Deposits with banks and non-bank financial institutions	**1.83%**	**100,684**	**2,322**	**67,152**	**31,210**	**–**	**–**
Placements with and loans to banks and non-bank financial institutions	**2.23%**	**232,026**	**1,083**	**114,018**	**109,256**	**7,669**	**–**
Financial assets held under resale agreements	**1.59%**	**44,936**	**3**	**44,933**	**–**	**–**	**–**
Loans and advances to customers (Note (ii))	**4.88%**	**4,896,774**	**17,834**	**3,372,982**	**1,303,411**	**176,536**	**26,011**
Financial investment							
– at fair value through profit or loss		**558,284**	**438,128**	**43,400**	**51,294**	**13,189**	**12,273**
– at amortised cost	**3.54%**	**1,099,709**	**–**	**110,282**	**211,927**	**532,411**	**245,089**
– at fair value through other comprehensive income	**2.73%**	**704,366**	**394**	**100,591**	**95,838**	**382,095**	**125,448**
– designated at fair value through other comprehensive income		**5,169**	**5,169**	**–**	**–**	**–**	**–**
Others		**240,196**	**240,196**	**–**	**–**	**–**	**–**
Total assets		**8,278,016**	**713,494**	**4,240,865**	**1,802,936**	**1,111,900**	**408,821**
Liabilities							
Borrowings from central banks	**2.98%**	**189,713**	**3,602**	**50,000**	**136,111**	**–**	**–**
Deposits from banks and non-bank financial institutions	**2.24%**	**1,018,993**	**6,320**	**630,324**	**382,349**	**–**	**–**
Placements from banks and non-bank financial institutions	**2.19%**	**66,604**	**208**	**51,961**	**12,883**	**1,552**	**–**
Financial liabilities at fair value through profit or loss		**5,472**	**3,064**	**–**	**26**	**825**	**1,557**
Financial assets sold under repurchase agreements	**2.01%**	**119,015**	**10**	**60,172**	**58,833**	**–**	
Deposits from customers	**2.04%**	**5,154,699**	**80,990**	**3,490,732**	**952,828**	**630,122**	**27**
Debt securities issued	**2.96%**	**921,018**	**3,993**	**174,807**	**552,791**	**99,441**	**89,986**
Lease liabilities	**4.54%**	**9,820**	**–**	**809**	**2,222**	**5,653**	**1,136**
Others		**131,393**	**131,393**	**–**	**–**	**–**	**–**
Total liabilities		**7,616,727**	**229,580**	**4,458,805**	**2,098,043**	**737,593**	**92,706**
Interest rate gap		**661,289**	**483,914**	**(217,940)**	**(295,107)**	**374,307**	**316,115**

(Amounts in millions of Renminbi unless otherwise stated)

52 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
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
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

Notes:

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category includes overdue amounts (net of allowance for impairment losses) of RMB31,561 million as at 30 June 2022 (as at 31 December 2021: RMB40,153 million).

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

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 30 June 2022 and 31 December 2021.

	30 June 2022		31 December 2021	
	Net interest Income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(4,393)**	**(5,288)**	(5,556)	(5,765)
– 100 basis points	**4,393**	**5,288**	5,556	5,765

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 annualised interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within the three months bracket, and the beyond three months but within one year bracket both are repriced or mature at the beginning of the respective periods, (ii) it does not reflect the potential impact of unparalleled yield curve movements, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income and other comprehensive income resulted from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance sheet and off-balance sheet business of the Group. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial instruments, mainly foreign exchange swaps, to manage its exposure.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The exposures at the reporting date were as follows:

	30 June 2022				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	345,701	49,278	711	182	395,872
Deposits with banks and non-bank financial institutions	60,367	24,419	10,161	5,737	100,684
Placements with and loans to banks and non-bank financial institutions	122,302	88,549	5,955	15,220	232,026
Financial assets held under resale agreements	44,118	818	–	–	44,936
Loans and advances to customers	4,589,519	168,969	117,799	20,487	4,896,774
Financial investments					
– at fair value through profit or loss	545,504	9,586	3,145	49	558,284
– at amortised cost	1,094,332	1,333	–	4,044	1,099,709
– at fair value through other comprehensive income	594,833	78,708	19,448	11,377	704,366
– designated at fair value through other comprehensive income	4,821	141	207	–	5,169
Others	211,851	13,682	13,303	1,360	240,196
Total assets	7,613,348	435,483	170,729	58,456	8,278,016
Liabilities					
Borrowings from central banks	189,713	–	–	–	189,713
Deposits from banks and non-bank financial institutions	1,010,149	7,526	931	387	1,018,993
Placements from banks and non-bank financial institutions	46,514	17,503	1,732	855	66,604
Financial liabilities at fair value through profit or loss	4,672	800	–	–	5,472
Financial assets sold under repurchase agreements	115,706	3,309	–	–	119,015
Deposits from customers	4,692,756	276,158	160,132	25,653	5,154,699
Debt securities issued	899,269	21,749	–	–	921,018
Lease liability	9,289	5	393	133	9,820
Others	120,719	6,906	2,975	793	131,393
Total liabilities	7,088,787	333,956	166,163	27,821	7,616,727
Net on-balance sheet position	524,561	101,527	4,566	30,635	661,289
Credit commitments	1,871,312	90,079	6,035	10,893	1,979,319
Derivatives (Note (i))	21,871	(56,704)	372,893	(2,468)	592

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

	31 December 2021				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	382,871	51,510	804	198	435,383
Deposits with banks and non-bank financial institutions	70,143	23,915	11,180	2,618	107,856
Placements with and loans to banks and non-bank financial institutions	100,185	28,129	12,172	3,432	143,918
Financial assets held under resale agreements	90,698	739	–	–	91,437
Loans and advances to customers	4,446,030	163,882	114,163	24,001	4,748,076
Financial investments					
– at fair value through profit or loss	482,979	10,065	2,715	51	495,810
– at amortised cost	1,165,064	903	–	4,262	1,170,229
– at fair value through other comprehensive income	553,366	70,127	18,369	9,995	651,857
– designated at fair value through other comprehensive income	4,371	188	186	–	4,745
Others	185,921	1,405	3,795	2,452	193,573
Total assets	7,481,628	350,863	163,384	47,009	8,042,884
Liabilities					
Borrowings from central banks	189,198	–	–	–	189,198
Deposits from banks and non-bank financial institutions	1,164,797	8,726	888	352	1,174,763
Placements from banks and non-bank financial institutions	48,645	26,434	2,113	1,139	78,331
Financial liabilities at fair value through profit or loss	531	632	1	–	1,164
Financial assets sold under repurchase agreements	97,620	719	–	–	98,339
Deposits from customers	4,383,814	232,064	151,483	22,608	4,789,969
Debt securities issued	938,154	20,049	–	–	958,203
Lease liabilities	9,265	8	398	145	9,816
Others	95,541	2,383	2,278	273	100,475
Total liabilities	6,927,565	291,015	157,161	24,517	7,400,258
Net on-balance sheet position	554,063	59,848	6,223	22,492	642,626
Credit commitments	1,667,967	90,203	6,718	10,886	1,775,774
Derivatives (Note (i))	21,592	(43,585)	27,912	(5,001)	918

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.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

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 30 June 2022 and 31 December 2021, the results of the Group's foreign exchange rate sensitivity analysis.

	30 June 2022		31 December 2021	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**5,784**	**(28)**	3,390	4
5% depreciation	**(5,784)**	**28**	(3,390)	(4)

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain assumptions as follows: (i) the foreign exchange sensitivity is the gain and loss realised as a result of 500 basis point fluctuation in the foreign currency exchange rates against RMB at the reporting date, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously and does not take into account the correlation effect of changes in different foreign currencies, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, foreign exchange derivative instruments, and; all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's profit and other comprehensive income resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis. Precious metal is included in foreign currency for the purpose of this sensitivity analysis.

52 Financial risk management (Continued)

(c) Liquidity risk

Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities and customers may concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the entire Group's liquidity risk policies, strategies, and implements centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The tools that the Group uses to measure and monitor liquidity risk mainly include:

– Liquidity gap analysis;

– Liquidity indicators (including but not limited to regulated and internal managed indicators, such as liquidity coverage ratio, net stable funding ratio, loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring;

– Scenario analysis;

– Stress testing.

On this basis, the Group establishes regular reporting mechanisms for liquidity risk to report the latest situation of liquidity risk to the senior management on a timely basis.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities

	30 June 2022						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Assets							
Cash and balances with central banks	27,168	–	–	–	–	368,704	395,872
Deposits with banks and non-bank financial institutions	54,590	14,536	31,558	–	–	–	100,684
Placements with and loans to banks and non-bank financial institutions	–	114,322	109,985	7,719	–	–	232,026
Financial assets held under resale agreements	–	44,936	–	–	–	–	44,936
Loans and advances to customers (Note (ii))	12,223	962,634	1,111,080	1,003,218	1,790,139	17,480	4,896,774
Financial investments							
– at fair value through profit or loss	–	43,491	48,232	13,213	4,180	449,168	558,284
– at amortised cost	–	94,765	203,583	522,181	241,481	37,699	1,099,709
– at fair value through other comprehensive income	–	93,532	98,521	386,412	125,451	450	704,366
– designated at fair value through other comprehensive income	–	–	–	–	–	5,169	5,169
Others	95,602	17,170	12,511	55,886	19	59,008	240,196
Total assets	185,583	1,385,386	1,615,470	1,988,629	2,161,270	937,678	8,278,016
Liabilities							
Borrowings from central banks	–	53,602	136,111	–	–	–	189,713
Deposits from banks and non-bank financial institutions	594,495	38,323	386,175	–	–	–	1,018,993
Placements from banks and non-bank financial institutions	–	52,168	12,884	1,552	–	–	66,604
Financial liabilities at fair value through profit or loss	3,062	–	27	825	1,558	–	5,472
Financial assets sold under repurchase agreements	–	59,809	59,206	–	–	–	119,015
Deposits from customers	2,546,346	1,025,224	953,116	629,981	32	–	5,154,699
Debt securities issued	–	176,816	550,998	100,007	93,197	–	921,018
Lease liabilities	–	809	2,222	5,653	1,136	–	9,820
Others	63,018	17,661	13,641	17,916	671	18,486	131,393
Total liabilities	3,206,921	1,424,412	2,114,380	755,934	96,594	18,486	7,616,727
(Short)/Long position	(3,017,338)	(39,026)	(489,910)	1,232,695	2,064,676	919,192	661,289

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities (Continued)

	31 December 2021						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Assets							
Cash and balances with central banks	71,923	–	–	–	–	363,460	435,383
Deposits with banks and non-bank financial institutions	54,374	23,341	30,141	–	–	–	107,856
Placements with and loans to banks and non-bank financial institutions	–	72,103	64,116	7,699	–	–	143,918
Financial assets held under resale agreements	–	91,437	–	–	–	–	91,437
Loans and advances to customers (Note (ii))	11,426	997,671	992,765	904,343	1,780,784	61,087	4,748,076
Financial investments							
– at fair value through profit or loss	–	32,650	43,014	9,115	4,462	406,569	495,810
– at amortised cost	–	56,286	221,575	592,111	265,848	34,409	1,170,229
– at fair value through other comprehensive income	–	97,555	132,045	286,462	135,362	433	651,857
– designated at fair value through other comprehensive income	–	–	–	–	–	4,745	4,745
Others	66,020	9,705	5,786	52,585	116	59,361	193,573
Total assets	203,743	1,380,748	1,489,442	1,852,315	2,186,572	930,064	8,042,884
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)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group's financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow

	30 June 2022						
	Repayable on demand	Within 3 months	Three months and one year	One and five years	More than five years	Undated (Note (i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	27,168	1,308	4,070	–	–	368,704	401,250
Deposits with banks and non-bank financial institutions	54,590	14,789	32,419	–	–	–	101,798
Placements with and loans to banks and non-bank financial institutions	–	114,445	110,181	7,719	–	–	232,345
Financial assets held under resale agreements	–	44,942	–	–	–	–	44,942
Loans and advances to customers (Note (ii))	12,223	1,007,612	1,219,283	1,323,651	2,286,962	23,812	5,873,543
Financial investments							
– at fair value through profit or loss	–	44,339	52,611	14,581	7,035	446,148	564,714
– at amortised cost	–	106,258	229,604	597,841	291,146	39,941	1,264,790
– at fair value through other comprehensive income	–	96,847	112,175	430,338	144,943	874	785,177
– designated at fair value through other comprehensive income	–	–	–	–	–	5,268	5,268
Others	95,602	17,170	12,511	55,886	19	59,008	240,196
Total assets	189,583	1,447,710	1,772,854	2,430,016	2,730,105	943,755	9,514,023
Liabilities							
Borrowings from central banks	–	53,602	327,597	–	–	–	381,199
Deposits from banks and non-bank financial institutions	594,495	43,907	386,844	–	–	–	1,037,246
Placements from banks and non-bank financial institutions	–	52,451	12,972	1,585	–	–	67,008
Financial liabilities at fair value through profit or loss	3,062	2	37	876	1,628	–	5,605
Financial assets sold under repurchase agreements	–	60,133	59,385	–	–	–	119,518
Deposits from customers	2,546,897	1,044,906	1,008,240	693,956	33	–	5,294,032
Debt securities issued	–	176,895	587,035	115,692	101,088	–	980,710
Lease liability	–	813	2,277	6,256	1,503	–	10,849
Others	63,018	17,661	13,641	17,916	671	18,486	131,393
Total liabilities	3,207,472	1,450,370	2,410,028	836,281	104,923	18,486	8,027,560
(Short)/Long position	(3,017,889)	(2,660)	(637,174)	1,593,735	2,625,182	925,269	1,486,463
Derivative cash flow							
Derivative financial instrument settled on a net basis	–	(564)	6,111	64	(23)	–	5,588
Derivative financial instruments settled on a gross	–	47	122	175	(13)	–	331
basis	–	(611)	5,989	(111)	(10)	–	5,257
– cash inflow	–	995,356	860,455	180,432	1,471	–	2,037,714
– cash outflow	–	(995,967)	(854,466)	(180,543)	(1,481)	–	(2,032,457)

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group's financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued)

	31 December 2021						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	71,923	1,286	4,148	–	–	363,460	440,817
Deposits with banks and non-bank financial institutions	54,374	23,957	31,010	–	–	–	109,341
Placements with and loans to banks and non-bank financial institutions	–	72,123	64,129	7,699	–	–	143,951
Financial assets held under resale agreements	–	91,468	–	–	–	–	91,468
Loans and advances to customers (Notes(ii))	11,426	1,040,780	1,097,625	1,228,371	2,309,717	66,897	5,754,816
Financial investments							
– at fair value through profit or loss	–	33,112	44,400	10,454	7,009	406,593	501,568
– at amortised cost	–	65,128	252,269	675,564	323,042	37,911	1,353,914
– at fair value through other comprehensive income	–	102,219	149,224	320,419	157,797	457	730,116
– designated at fair value through other comprehensive income	–	–	–	–	–	4,745	4,745
Others	66,020	9,705	5,786	52,585	116	59,361	193,573
Total assets	203,743	1,439,778	1,648,591	2,295,092	2,797,681	939,424	9,324,309
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	–	(583)	4,478	51	(49)	–	3,897
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)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group's financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued)

Credit commitments include bank acceptances, credit card commitments, guarantees, loan commitments and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	30 June 2022			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank acceptances	**811,252**	**–**	**–**	**811,252**
Credit card commitments	**722,482**	**–**	**–**	**722,482**
Guarantees	**99,001**	**52,765**	**1,676**	**153,442**
Loan commitments	**4,321**	**17,228**	**34,139**	**55,688**
Letters of credit	**235,557**	**898**	**–**	**236,455**
Total	**1,872,312**	**70,891**	**35,815**	**1,979,319**

	31 December 2021			
	Less than 1 year	1-5 years	Over 5 years	Total
Bank acceptances	669,711	20	5	669,736
Credit card commitments	702,361	6,007	373	708,741
Guarantees	80,216	47,379	1,271	128,866
Loan commitments	4,096	18,677	30,700	53,473
Letters of credit	213,911	1,047	–	214,958
Total	1,670,295	73,130	32,349	1,775,774

Notes:

(i) For cash and balances with central banks, the undated period amount represented statutory deposit reserve funds and fiscal deposits maintained with the PBOC. For loans and advances to customers and investments, the undated period amount represented the balances being credit-impaired or overdue for more than one month. Equity investments were also reported under undated period.

(ii) The balances of loans and advances to customers which were overdue within one month but not impaired are included in repayable on demand.

52 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 our 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 back-office operations in order to minimise 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.

53 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.

(Amounts in millions of Renminbi unless otherwise stated)

53 Capital Adequacy Ratio (Continued)

The Group's ratios calculated based on the relevant requirements promulgated by the CBIRC are listed as below.

	30 June 2022	31 December 2021
Core Tier-One capital adequacy ratio	**8.56%**	8.85%
Tier-One capital adequacy ratio	**10.49%**	10.88%
Capital adequacy ratio	**13.05%**	13.53%
Components of capital base		
Core Tier-One capital:		
Share capital	**48,935**	48,935
Capital reserve	**59,216**	59,177
Other comprehensive income and qualified portion of other equity instruments	**3,095**	4,639
Surplus reserve	**48,937**	43,783
General reserve	**95,782**	90,889
Retained earnings	**270,136**	263,936
Qualified portion of non-controlling interests	**7,484**	6,588
Total core Tier-One capital	**533,561**	517,947
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	**(870)**	(833)
Other intangible assets other than land use right (net of related deferred tax liability)	**(2,665)**	(3,036)
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	**530,026**	514,078
Other Tier-One capital (Note (i))	**509**	117,961
Tier-One capital	**649,535**	632,039
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**89,986**	94,372
Surplus allowance for loan impairment	**65,874**	58,107
Qualified portion of non-controlling interests	**2,056**	1,293
Net capital base	**807,450**	785,811
Total risk-weighted assets	**6,189,303**	5,809,523

Note:

(i) As at 30 June 2022, the Group's other Tier-One capital included preference shares, perpetual bonds issued by the Bank (Note 40) and non-controlling interests (Note 46).

54 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 part of the bills rediscounting and forfeiting in loans and advances, part of the investment management products managed by securities companies and trust investment plans, as well as a majority of over-the-counter derivative contracts. Foreign exchange forward and swaps, interest rate swap, and foreign exchange options use discount cash flow evaluation method and the valuation model of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Bills rediscounting, forfeiting, investment management products managed by securities companies and trust investment plans use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the open market such as Bloomberg and Reuters.

Level 3: Inputs for assets or liabilities are based on unobservable parameters. This level includes equity instruments and debt instruments with one or more than one significant unobservable parameter. Management determines the fair value through inquiring from counterparties or using the valuation techniques. The model incorporates unobservable parameters such as discount rate and market price volatilities.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

– If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

– If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty are used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Market Department, the Financial Institution Department, and the Investment Bank Department are responsible for the valuation of financial assets and financial liabilities. The Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items according to the result generated from the valuation process and accounting policies. The Finance and Accounting Department prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the period ended 30 June 2022, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(Amounts in millions of Renminbi unless otherwise stated)

54 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**	
	30 June 2022	31 December 2021	**30 June 2022**	31 December 2021
Financial assets:				
Financial investments				
– at amortised cost	**1,099,709**	1,170,229	**1,106,277**	1,177,877
Financial liabilities:				
Debt securities issued				
– certificates of deposit (not for trading purpose) issued	**1,276**	1,212	**1,276**	1,212
– debt securities issued	**92,145**	62,163	**98,956**	60,184
– subordinated bonds issued	**96,586**	114,974	**98,997**	117,956
– certificates of interbank deposit issued	**690,943**	739,857	**692,227**	740,605
– convertible corporate bonds	**40,068**	39,997	**43,758**	43,185

(Amounts in millions of Renminbi unless otherwise stated)

54 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:

	30 June 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial investments				
– at amortised cost	**5,308**	**833,009**	**267,960**	**1,106,277**
Financial liabilities:				
Debt securities issued				
– certificates of deposit (not for trading purpose) issued	**–**	**–**	**1,276**	**1,276**
– debt securities issued	**9,417**	**89,539**	**–**	**98,956**
– subordinated bonds issued	**–**	**98,997**	**–**	**98,997**
– certificates of interbank deposit issued	**–**	**692,227**	**–**	**692,227**
– convertible corporate bonds issued	**–**	**–**	**43,758**	**43,758**

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial investment				
– at amortised cost	5,189	902,704	269,984	1,177,877
Financial liabilities:				
Debt securities issued				
– certificates of deposit (not for trading purpose) issued	–	–	1,212	1,212
– debt securities issued	8,965	51,219	–	60,184
– subordinated bonds issued	–	117,956	–	117,956
– certificates of interbank deposit issued	–	740,605	–	740,605
– convertible corporate bonds	–	–	43,158	43,158

(Amounts in millions of Renminbi unless otherwise stated)

54 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 30 June 2022				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
– loans	–	48,075	–	48,075
– discounted bills	–	451,057	–	451,057
Loans and advances to customers at fair value through current profit or loss				
– personal loans	–	–	–	–
Financial investments at fair value through profit or loss				
– investment funds	156,968	272,436	8,642	438,046
– debt securities	8,102	59,209	8,137	75,448
– certificates of deposit	–	33,655	–	33,655
– wealth management products and investments through structured entities	3,828	–	169	3,997
– equity instruments	2,490	–	4,648	7,138
Financial investments at fair value through other comprehensive income				
– debt securities	101,023	592,160	422	693,605
– certificates of deposit	236	6,278	–	6,514
– investments management products managed by securities companies	–	–	–	–
Financial investments designated at fair value through other comprehensive income				
– equity instruments	257	–	4,912	5,169
Derivative financial assets				
– interest rate derivatives	8	12,425	–	12,433
– currency derivatives	299	20,154	–	20,453
– precious metals derivatives	–	376	–	376
Total financial assets measured at fair value	273,211	1,495,825	26,930	1,795,966
Liabilities				
Financial liabilities at fair value through profit or loss				
– short position in debt securities	453	1,957	–	2,410
– structured products	–	–	3,062	3,062
Derivative financial liabilities				
– interest rate derivatives	29	12,301	–	12,330
– currency derivatives	95	19,313	–	19,408
– precious metals derivatives	–	604	–	604
Total financial liabilities measured at fair value	577	34,175	3,062	37,814

(Amounts in millions of Renminbi unless otherwise stated)

54 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 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	134,725	256,473	6,209	397,407
– debt securities	2,943	46,532	9,109	58,584
– certificates of deposit	–	30,776	–	30,776
– wealth management products and investments through structured entities	1,458	–	153	1,611
– equity instruments	1,709	–	5,723	7,432
Financial investments at fair value through other comprehensive income				
– debt securities	87,146	555,011	413	642,570
– certificates of deposit	602	3,704	–	4,306
– investments management products managed by securities companies	–	24	–	24
Financial investments designated at fair value through other comprehensive income				
– equity instruments	253	–	4,492	4,745
Derivative financial assets				
– interest rate derivatives	–	8,643	–	8,643
– currency derivatives	89	13,841	–	13,930
– precious metals derivatives	–	148	–	148
Total financial assets measured at fair value	228,925	1,415,194	26,099	1,670,218
Liabilities				
Financial liabilities at fair value through profit or loss				
– short position in debt securities	633	506	–	1,139
– structured products	–	–	25	25
Derivative financial liabilities				
– interest rate derivatives	3	8,536	–	8,539
– currency derivatives	20	14,197	–	14,217
– precious metals derivatives	–	151	–	151
Total financial liabilities measured at fair value	656	23,390	25	24,071

Notes:

(i) During the current period/year, there were no significant transfers amongst Level 1, Level 2 and Level 3 of the fair value hierarchy.

(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:

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (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 2022	21,194	413	4,492	–	26,099	(25)	–	(25)
Total gains or losses								
– in profit or loss	40	–	–	–	40	–	–	–
– in comprehensive income	–	2	(62)	–	(60)	–	–	–
Purchases	2,198	–	527	–	2,725	(3,037)	–	(3,037)
Settlements	(2,367)	–	(50)	–	(2,417)	–	–	–
Transfer in/out	–	7	–	–	7	–	–	–
Exchange effect	531	–	5	–	536	–	–	–
As at 30 June 2022	21,596	422	4,912	–	26,930	(3,062)	–	(3,062)

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.

55 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.

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(b) Related party transactions

The Group entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e., issuance of asset-backed securities in the form of public placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale, and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

The major related party transaction between the Group and related parties are submitted in turn to the board of directors for deliberation, and the relevant announcements have been posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank.

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Six months ended 30 June 2022		
	Ultimate holding company and affiliates	**Other major equity holders and subsidiaries**	**Associates and joint ventures**
Profit and loss			
Interest income	**1,275**	**590**	**520**
Fee and commission income and other operating income/expense	**77**	**64**	**3**
Interest expense	**(1,084)**	**(1,736)**	**(18)**
Net trading (losses)/gains	**54**	**113**	**–**
Other service fees	**(1,198)**	**(476)**	**(1)**

	Six months ended 30 June 2021		
	Ultimate holding company and affiliates	Other major equity holders and subsidiaries	Associates and joint ventures
Profit and loss			
Interest income	335	348	351
Fee and commission income and other operating income/expense	291	55	–
Interest expense	(919)	(1,427)	(19)
Net trading (losses)/gains	530	15	–
Other service fees	(1,325)	(49)	–

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(b) Related party transactions (Continued)

	30 June 2022		
	Ultimate holding company and affiliates	Other major equity holders and subsidiaries	Associates and joint ventures
Assets			
Gross loans and advances to customers	39,792	18,623	–
Less: allowance for impairment losses on loans and advances	(1,017)	(320)	–
Loans and advances to customers (net)	38,775	18,303	–
Deposits with banks and non-bank financial institutions	–	1,683	31,500
Placements with and loans to banks and non-bank financial institutions	29,902	9,121	–
Derivative financial assets	533	–	–
Financial assets held under resale agreement	5,279	–	–
Investment in financial assets			
– at fair value through profit or loss	436	12,887	–
– at amortised cost	16,624	4,300	–
– at fair value through other comprehensive income	1,897	6,382	–
– designated at fair value through other comprehensive income	450	–	–
Investments in associates and joint ventures	–	–	6,015
Right-of-use assets	–	–	–
Other assets	330	1	–
Liabilities			
Deposits from banks and non-bank financial institutions	53,774	543	1,797
Placements from banks and non-bank financial institutions	–	5,529	–
Trading financial liabilities	–	–	–
Derivative financial liabilities	386	–	–
Deposits from customers	58,836	198,687	128
Employee benefits payable	–	–	–
Lease liabilities	37	1	–
Other liabilities	9,853	–	–
Off-balance sheet items			
Guarantees and letters of credit	2,175	1,901	–
Acceptances	3,286	257	–
Nominal amount of derivatives financial instruments	119,729	–	–

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(b) Related party transactions (Continued)

	31 December 2021		
	Ultimate holding company and affiliates	Other major equity holders Note (i)	Associates and joint ventures
Assets			
Gross loans and advances to customers	40,297	14,731	–
Less: allowance for impairment losses on loans and advances	(893)	(296)	–
Loans and advances to customers (net)	39,404	14,435	–
Deposits with banks and non-bank financial institutions	–	–	31,911
Placements with and loans to banks and non-bank financial institutions	36,089	–	–
Derivative financial assets	934	–	–
Investment in financial assets			
– at fair value through profit or loss	1,506	–	–
– at amortised cost	971	50	–
– at fair value through other comprehensive income	3,340	250	–
– designated at fair value through other comprehensive income	–	–	–
Investments in associates and joint ventures	–	–	5,753
Other assets	2,128	2	–
Liabilities			
Deposits from banks and non-bank financial institutions	51,721	447	3,130
Placements from banks and non-bank financial institutions	–	–	–
Derivative financial liabilities	609	–	–
Deposits from customers	61,980	129,672	328
Employee benefits payable	–	–	–
Lease liability	64	4	–
Other liabilities	102	6	–
Off-balance sheet items			
Guarantees and letters of credit	2,628	730	–
Acceptances	2,827	206	–
Nominal amount of derivatives	151,647	1,230	–

Note:

(i) Other major equity holders include CNTC and Xinhu Zhongbao Co., Ltd.

The related party transactions and balances between the Group and China National Tobacco Corporation, Xinhu Zhongbao disclosed above fell into the period when related party relationship exists. During the six-month period ended 30 June 2022, the transactions between the Group and the subsidiaries of China National Tobacco Corporation were not significant.

55 Related parties (Continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

The aggregate amount of relevant loans outstanding as at 30 June 2022 to directors, supervisors and executive officers amounted to RMB0.86 million (as at 31 December 2021: RMB0.99 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank during the six months ended 30 June 2022 amounted to RMB13.98 million (Six months ended 30 June 2021: RMB13.10 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 34(b)).

(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)

56 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 30 June 2022 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated interim statement of financial position under which relevant assets are recognized:

	30 June 2022				
	Carrying amount				**Maximum loss exposure**
	Investments in financial assets at fair value through profit or loss	**Investments in financial assets at amortised costs**	**Investments in financial assets at fair value through other comprehensive income**	**Total**	
Wealth management product of other banks	**935**	**–**	**–**	**935**	**935**
Investment management products managed by securities companies	**–**	**44,104**	**–**	**44,104**	**44,104**
Trust investment plans	**–**	**241,545**	**–**	**241,545**	**241,545**
Asset-backed securities	**1,627**	**269,083**	**70,130**	**340,840**	**340,840**
Investment funds	**438,046**	**–**	**–**	**438,046**	**438,046**
Total	**440,608**	**554,732**	**70,130**	**1,065,470**	**1,065,470**

	31 December 2021				
	Carrying amount				Maximum loss exposure
	Investments in financial assets at fair value through profit or loss	Investments in financial assets at amortised costs	Investments in financial assets at fair value through other comprehensive income	Total	
Wealth management product of other banks	1,586	–	–	1,586	1,586
Investment management products managed by securities companies	–	50,413	24	50,437	50,437
Trust management plans	–	234,770	–	234,770	234,770
Asset-backed securities	4,955	261,418	94,086	360,459	360,459
Investment funds	397,407	–	–	397,407	397,407
Total	403,948	546,601	94,110	1,044,659	1,044,659

The maximum exposures to risk in the above wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities managed by securities companies and trust investment funds are the carrying value of the assets held by the Group at the reporting date. The maximum exposures to risk in the asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items under which these assets are presented in the consolidated interim statement of financial position.

56 Structured entities (Continued)

(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.

As at 30 June 2022, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB1,703,983 million (31 December 2021: RMB1,456,405 million).

During the six months ended 30 June 2022, the Group's interest in these wealth management products included fee and commission income of RMB3,637 million (Six months ended 30 June 2021: RMB4,592 million); interest income of RMB22million (Six months ended 30 June 2021: RMB568 million) and interest expense of RMB0 million (Six months ended 30 June 2021: RMB317 million).

As at 30 June 2022, the placements from the Group with these wealth management products sponsored by the Group amounted to RMB0 million (31 December 2021: RMB20,000 million). During the six months ended 30 June 2022, the amount of maximum exposure of the placements from the Group with these wealth management products sponsored by the Group was RMB0 million (31 December 2021: RMB59,450 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 the first half of 2022, in accordance with the requirements of the "Guiding Opinions on Regulating the Asset Management Business of Financial Institutions", the Group continues to promote net-value-based reporting of its asset management products and dispose of existing portfolios.

As at 30 June 2022, assets of these wealth management products amounting to RMB105,370 million (31 December 2021: RMB190,428 million) were invested in investments in which certain subsidiaries and associates of the CITIC Group acted as trustees.

57 Transfers of financial assets

For the six months ended 30 June 2022, the Group entered into transactions which involved securitisation transactions and transfers of non-performing financial assets.

These transactions were entered into in the normal course of business by which recognized financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial derecognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 32. Details of securitisation transactions and non-performing financial assets transfer transactions conducted by the Group for the six months ended 30 June 2022 totaled RMB11,663 million (Six months ended 30 June 2021: RMB30,719 million) are set forth below.

Securitisation transactions

During the six months ended 30 June 2022, the Group, through securitisation, transferred financial assets at the original cost of RMB6,648 million (Six months ended 30 June 2021: RMB28,828 million), which qualified for full de-recognition (During the six months ended 30 June 2021, for RMB21,028 million securitization, the Group recognized other assets and other liabilities of RMB2,228 million arising from such continuing involvement).

Loan and other Financial assets transfers

During the six months ended 30 June 2022, the Group also transferred loan and other financial assets of book value before impairment of RMB4,979 million through other types of transactions (Six months ended 30 June 2021: RMB1,890 million). RMB4,472 million of this balance (Six months ended 30 June 2021: RMB1,890 million) was non-performing loans. RMB507 million of this balance (Six months ended 30 June 2021: RMB0 million) was non-performing financial investments. The Group carried out assessment based on the transfer of risks and rewards of ownership and concluded that these transferred assets qualified for full de-recognition.

58 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated interim 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 30 June 2022, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank

Statement of financial position

	30 June 2022	31 December 2021
Assets		
Cash and balances with central banks	**393,407**	430,496
Deposits with banks and non-bank financial institutions	**75,969**	80,828
Precious metals	**7,086**	9,645
Placements with and loans to banks and non-bank financial institutions	**208,222**	136,693
Derivative financial assets	**18,189**	15,826
Financial assets held under resale agreements	**42,087**	89,469
Loans and advances to customers	**4,626,150**	4,492,419
Financial investments	**2,271,598**	2,230,652
– at fair value through profit or loss	**549,375**	489,457
– at amortised cost	**1,100,077**	1,171,414
– at fair value through other comprehensive income	**617,799**	565,879
– designated at fair value through other comprehensive income	**4,347**	3,902
Investments in subsidiaries and joint ventures	**32,742**	32,469
Property, plant and equipment	**32,778**	33,660
Right-of-use assets	**9,922**	10,077
Intangible assets	**2,045**	2,398
Deferred tax assets	**49,617**	45,600
Other assets	**80,639**	55,895
Total assets	**7,850,451**	7,666,127
Liabilities		
Borrowings from central banks	**189,553**	189,042
Deposits from banks and non-bank financial institutions	**1,017,120**	1,174,317
Placements from banks and non-bank financial institutions	**23,852**	31,811
Financial liabilities at fair value through profit or loss	**1,937**	506
Derivative financial liabilities	**18,255**	16,237
Financial assets sold under repurchase agreements	**115,706**	97,620
Deposits from customers	**4,866,582**	4,521,331
Accrued staff costs	**16,529**	18,069
Taxes payable	**4,653**	9,546
Debt securities issued	**913,669**	951,213
Lease liabilities	**9,273**	9,228
Provisions	**16,588**	11,805
Other liabilities	**39,778**	29,016
Total liabilities	**7,233,495**	7,059,741
Equity		
Share capital	**48,935**	48,935
Other equity instruments	**118,076**	118,076
Capital reserve	**61,598**	61,598
Other comprehensive income	**1,700**	4,524
Surplus reserve	**48,937**	48,937
General reserve	**94,430**	94,430
Retained earnings	**243,280**	229,886
Total equity	**616,956**	606,386
Total liabilities and equity	**7,850,451**	7,666,127

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank (Continued)

Statement of changes in equity

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2022	**48,935**	**118,076**	**61,598**	**4,524**	**48,937**	**94,430**	**229,886**	**606,386**
(i) Profit for the period	–	–	–	–	–	–	**29,852**	**29,852**
(ii) Other comprehensive income	–	–	–	**(2,824)**	–	–	–	**(2,824)**
Total comprehensive income	–	–	–	**(2,824)**	–	–	**29,852**	**27,028**
(iii) Profit appropriations								
– Dividend distribution to ordinary shareholders of the Bank	–	–	–	–	–	–	**(14,778)**	**(14,778)**
– Dividend distributions to holders of other equity instruments	–	–	–	–	–	–	**(1,680)**	**(1,680)**
As at 30 June 2022	**48,935**	**118,076**	**61,598**	**1,700**	**48,937**	**94,430**	**243,280**	**616,956**

	Share capital	Other equity instruments	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) Profit for the period	–	–	–	–	–	–	26,256	26,256
(ii) Other comprehensive income	–	–	–	215	–	–	–	215
Total comprehensive income	–	–	–	215	–	–	26,256	26,471
(iii) Investor capital								
– Issuance perpetual bonds	–	39,997	–	–	–	–	–	39,997
(iv) Profit appropriations								
– Dividend distribution to ordinary shareholders of the Bank	–	–	–	–	–	–	(12,429)	(12,429)
As at 30 June 2021	48,935	118,080	61,598	1,792	43,786	89,856	217,363	581,410

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank (Continued)

Statement of changes in equity (Continued)

	Share capital	Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2021	48,935	78,083	61,598	1,577	43,786	89,856	203,536	527,371
(i) Net profit	–	–	–	–	–	–	51,514	51,514
(ii) Other comprehensive income	–	–	–	2,947	–	–	–	2,947
Total comprehensive income	–	–	–	2,947	–	–	51,514	54,461
(iii) Investor capital								
– Insurance of perpetual bonds	–	39,993	–	–	–	–	–	39,993
(iv) Profit appropriations								
– Appropriations to surplus reserve	–	–	–	–	5,151	–	(5,151)	–
– Appropriations to general reserve	–	–	–	–	–	4,574	(4,574)	–
– Dividend distribution to ordinary shareholders of the bank	–	–	–	–	–	–	(12,429)	(12,429)
– Dividend distribution to preference shareholders	–	–	–	–	–	–	(1,330)	(1,330)
– Interest paid to holders of perpetual bonds	–	–	–	–	–	–	(1,680)	(1,680)
As at 31 December 2021	48,935	118,076	61,598	4,524	48,937	94,430	229,886	606,386

60 Events after the reporting period

On 25 August 2022, Board of Directors of the Bank concluded a resolution to distribute cash dividend of RMB4.08 per share to preferred shareholders on the basis of the agreed par dividend rate of 4.08%, amounting to about RMB1,428 million. The dividend distribution was accounted for as a non-adjusting event subsequent to the balance sheet date and was not recognized in the liabilities for the period ended 30 June 2022.

Chapter 9 Unaudited Supplementary Financial Information

For the six months ended 30 June 2022
(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the interim 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 interim financial statements, 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 interim financial statements for the six months ended 30 June 2022 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the profit for the six months ended 30 June 2022 or total equity as at 30 June 2022 between the Group's consolidated interim financial statements prepared in accordance with IFRSs and those prepared in accordance with PRC GAAP respectively.

2 Liquidity coverage ratio

	30 June 2022	31 December 2021
Liquidity coverage ratio	**130.21%**	146.59%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional) issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

3 Currency concentrations

	30 June 2022			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**435,157**	**170,729**	**58,455**	**664,341**
Spot liabilities	**333,956**	**166,163**	**27,821**	**527,940**
Forward purchases	**993,262**	**154,097**	**135,601**	**1,282,960**
Forward sales	**(1,050,364)**	**(116,296)**	**(138,518)**	**(1,305,178)**
Options	**398**	**92**	**471**	**961**
Net long position	**712,409**	**374,785**	**83,830**	**1,171,024**

	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

For the six months ended 30 June 2022
(Expressed 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.

	30 June 2022			
	Banks	**Official sector**	**Non-bank private sector**	**Total**
Asia Pacific excluding Mainland China	**57,126**	**621**	**71,290**	**129,037**
– of which attributed to Hong Kong	**36,539**	**617**	**62,781**	**99,937**
Europe	**17,123**	**2**	**9,377**	**26,502**
North and South America	**12,909**	**56,290**	**82,494**	**151,693**
Africa	**57**	**–**	**–**	**57**
Others	**37**	**–**	**–**	**37**
Total	**87,252**	**56,913**	**163,161**	**307,326**

	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 attributed 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

For the six months ended 30 June 2022
(Expressed in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	30 June 2022		
	Gross loans and advances	**Loans and advances overdue over 3 months**	**Credit-impaired loans**
Bohai Rim (include Head Office)	**1,327,331**	**20,112**	**26,957**
Yangtze River Delta	**1,343,626**	**8,195**	**9,720**
Pearl River Delta and West Strait	**754,447**	**6,458**	**15,478**
Central	**698,019**	**5,961**	**7,811**
Western	**583,291**	**4,195**	**11,656**
Northeastern	**87,291**	**1,006**	**1,383**
Outside Mainland China	**217,239**	**1,733**	**2,026**
Accrued interest	**14,392**	**–**	**–**
Total	**5,025,636**	**47,660**	**75,031**

	31 December 2021		
	Gross loans and advances	Loans and advances overdue over 3 months	Credit-impaired loans
Bohai Rim (include 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

For the six months ended 30 June 2022
(Expressed in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(a) Gross overdue amounts due from banks and other financial institutions

As at 30 June 2022, the Group had no overdue amounts due from banks and other financial institutions (31 December 2021: Nil).

(b) Gross amounts of overdue loans and advances to customers

	30 June 2022	31 December 2021
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months	**13,545**	8,849
– between 6 and 12 months	**10,761**	19,011
– over 12 months	**23,354**	19,351
Total	**47,660**	47,211
As a percentage of total gross loans and advances to customers:		
– between 3 and 6 months	**0.27%**	0.18%
– between 6 and 12 months	**0.21%**	0.39%
– over 12 months	**0.46%**	0.40%
Total	**0.95%**	0.97%

The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

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 30 June 2022, the loans and advances to customers of RMB47,660 million of the above overdue loans and advances were credit-impaired (As at 31 December 2021,the loans and advances to customers of RMB47,211 million of the above overdue loans and advances were credit-impaired).

For the six months ended 30 June 2022
(Expressed 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 (Continued)

(b) Gross amounts of overdue loans and advances to customers (Continued)

Loans and advances to customers overdue for more than 3 months:

	30 June 2022	31 December 2021
Secured portion	**30,167**	31,492
Unsecured portion	**17,493**	15,719
Total	**47,660**	47,211
Allowance for impairment losses	**(45,300)**	(45,052)
Net balance	**2,360**	2,159
Maximum exposure covered by pledge and collateral held	**40,229**	39,477

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation 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 30 June 2022, the majority of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the consolidated interim financial statements.

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