中信银行
CHINA CITIC BANK

中 信 銀 行 股 份 有 限 公 司

China CITIC Bank Corporation Limited

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

(Stock Code: 998)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the "**Board of Directors**") of China CITIC Bank Corporation Limited (the "**Bank**") is pleased to announce the interim results of the Bank and its subsidiaries (the "**Group**") for the six months ended 30 June 2023. This interim results announcement contains the interim report of the Bank for the six months ended 30 June 2023, the contents of which were prepared in accordance with the applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"). The interim financial information of the Group for the six months ended 30 June 2023 has been reviewed by KPMG in accordance with Hong Kong Review Standard. The interim results have also been reviewed by the Audit and Related Party Transactions Control Committee under the Board of Directors. This interim results announcement is published on the websites of the Bank (www.citicbank.com) and The Stock Exchange of Hong Kong Limited (the "**SEHK**") (www.hkexnews.hk). The interim report of the Bank for the six months ended 30 June 2023 will be dispatched to shareholders and will also be available at the above-mentioned websites in due course.

By Order of the Board of Directors
China CITIC Bank Corporation Limited
Fang Heying
Chairman

Beijing, the PRC
24 August 2023

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

IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management of the Bank guarantee that the information contained in the 2023 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 Board of Directors of the Bank adopted the full text and summary of the Bank's 2023 Interim Report on 24 August 2023. Ten of the ten directors attended the meeting. The supervisors and senior management of the Bank attended the meeting as non-voting delegates.

In the first half of 2023, the Bank neither distributed any profit nor converted capital reserve to share capital.

The 2023 interim financial reports prepared by the Bank in accordance with the PRC Accounting Standards and International Financial Reporting Standards (IFRS) were reviewed respectively by KPMG Huazhen LLP and KPMG in accordance with review standards of the Chinese mainland and Hong Kong SAR respectively.

Mr. Fang Heying as Chairman and executive director of the Bank, Mr. Liu Cheng as executive director and President of the Bank, Mr. Wang Kang as Vice President and Chief Financial Officer of the Bank and Mr. Xue Fengqing as General Manager of the Finance and Accounting Department of the Bank hereby declare and guarantee the truthfulness, accuracy and completeness of the financial report contained in the Bank's 2023 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 disclosed in this report the major risks that it was and may be exposed to in its operation and management and its countermeasures thereof. For relevant information thereof, please refer to related parts in Chapter 2 "Management Discussion and Analysis" of this report.

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

CONTENTS

DEFINITIONS

the reporting period	From 1 January 2023 to 30 June 2023
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
NAFR	National Administration of Financial Regulation
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
former CBIRC	former China Banking and Insurance Regulatory Commission
China Tobacco	China National Tobacco Corporation
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	Fang Heying
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)

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

Websites for Information Disclosure	Shanghai Stock Exchange (abbreviated as "SSE") website publishing A-share interim report: www.sse.com.cn Stock Exchange of Hong Kong Limited (abbreviated as "SEHK") website publishing 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	KPMG Huazhen LLP 8th Floor, Office Building Tower 2, Oriental Plaza East, No. 1 East Chang An Avenue, Beijing, China (Postal code: 100738) Domestic Signing CPAs: Shi Jian and Ye Hongming
Overseas Auditor	KPMG 8th Floor, Prince's Building, No. 10 Chater Road, Central Hong Kong, China Overseas Signing CPA: Elise Wong
Sponsor 1 for Continuous Supervision and Guidance	CITIC Securities Co., Ltd.
Office Address and Telephone	23/F, CITIC Securities Mansion, No. 48 Liangmaqiao Road, Chaoyang District, Beijing +86-10-60838888
Signing Sponsor Representatives	Ma Xiaolong and Hu Yan
Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion or redemption upon maturity, whichever is earlier)
Sponsor 2 for Continuous Supervision and Guidance	China International Capital Corporation Limited
Office Address and Telephone	27-28/F, China World Office 2, No. 1 Jianguomen Waidajie, Beijing +86-10-65051166

Signing Sponsor Representatives

Ai Yu and Zhou Yinbin

Duration of Continuous Supervision and Guidance

From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion or redemption upon maturity, whichever is earlier)

A-share Registrar

China Securities Depository and Clearing Corporation Limited Shanghai Branch
188 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone

H-share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Listing Venue, Stock Name and Stock Code

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

Credit Ratings

Standard & Poor's:
(1) Long-term issuer credit rating: BBB+;
(2) Short-term rating: A-2;
(3) Outlook: Positive.

Moody's:
(1) Deposit rating: Baa2/P-2;
(2) Baseline credit assessment: ba2;
(3) Outlook: Stable.

Fitch Ratings:
(1) Default rating: BBB;
(2) Viability rating: bb-;
(3) Outlook: Stable.

Dagong:
(1) Issuer rating: AAA;
(2) Outlook: Stable.

CCX:
(1) Issuer rating: AAA;
(2) Outlook: Stable.

1.2 Contact Persons and Contact Details

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

1.3 Financial Highlights

1.3.1 Operating Performance

Unit: RMB million

Items	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Growth rate *(%)*	Six months ended 30 June 2021
Operating income	**105,885**	108,218	(2.16)	105,656
Profit before tax	**42,367**	38,711	9.44	34,923
Net profit attributable to the equity holders of the Bank	**36,067**	32,524	10.89	29,031
Net cash flow from/(used in) operating activities	**(123,018)**	36,219	(439.65)	(188,288)
Per share				
Basic earnings per share *(RMB)*	**0.70**	0.63	11.11	0.59
Diluted earnings per share *(RMB)*	**0.63**	0.57	10.53	0.54
Net cash flows from/(used in) operating activities per share *(RMB)*	**(2.51)**	0.74	(439.19)	(3.85)

1.3.2 Profitability Indicators

Items	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Increase/ (decrease) in percentage point	Six months ended 30 June 2021
Return on average assets (ROAA)(1)	**0.85%**	0.81%	0.04	0.78%
Return on average equity (ROAE, not including non-controlling equity)(2)	**12.32%**	11.99%	0.33	12.26%
Cost-to-income ratio (excluding tax and surcharges)(3)	**26.64%**	24.33%	2.31	23.02%
Credit cost(4)	**1.05%**	1.28%	(0.23)	1.40%
Net interest spread(5)	**1.81%**	1.94%	(0.13)	2.03%
Net interest margin(6)	**1.85%**	1.99%	(0.14)	2.09%

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

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

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

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

1.3.3 Scale Indicators

Unit: RMB million

Items	**30 June 2023**	31 December 2022	Growth rate *(%)*	31 December 2021
Total assets	**8,833,297**	8,547,543	3.34	8,042,884
Total loans and advances to customers(1)	**5,380,101**	5,152,772	4.41	4,855,969
– Corporate loans	**2,740,286**	2,524,016	8.57	2,336,179
– Discounted bills	**428,524**	511,846	(16.28)	465,966
– Personal loans	**2,211,291**	2,116,910	4.46	2,053,824
Total liabilities	**8,122,284**	7,861,713	3.31	7,400,258
Total deposits from customers(1)	**5,534,683**	5,099,348	8.54	4,736,584
– Corporate demand deposits(2)	**2,235,307**	1,951,555	14.54	1,974,319
– Corporate time and call deposits	**1,849,158**	1,855,977	(0.37)	1,789,956
– Personal demand deposits	**350,579**	349,013	0.45	310,054
– Personal time and call deposits	**1,099,639**	942,803	16.64	662,255
Deposits from banks and non-bank financial institutions	**1,030,141**	1,143,776	(9.94)	1,174,763
Placements from banks and non-bank financial institutions	**74,285**	70,741	5.01	78,331
Total equity attributable to the equity holders of the Bank	**690,336**	665,418	3.74	626,303
Total equity attributable to the ordinary shareholders of the Bank	**575,395**	550,477	4.53	511,362
Net asset per share attributable to the ordinary shareholders of the Bank *(RMB)*	**11.75**	11.25	4.44	10.45

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. 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

Items	**30 June 2023**	31 December 2022	Increase/ (decrease) in percentage point	31 December 2021
NPL ratio[(1)]	**1.21%**	1.27%	(0.06)	1.39%
Allowance coverage ratio[(2)]	**208.28%**	201.19%	7.09	180.07%
Allowance for loan impairment losses to total loans[(3)]	**2.51%**	2.55%	(0.04)	2.50%

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

Items[(note)]	**Regulatory value**	**30 June 2023**	31 December 2022	Increase/ (decrease) in percentage point	31 December 2021
Capital adequacy profile					
Core tier-one capital adequacy ratio	≥8.00%	**8.85%**	8.74%	0.11	8.85%
Tier-one capital adequacy ratio	≥9.00%	**10.68%**	10.63%	0.05	10.88%
Capital adequacy ratio	≥11.00%	**13.22%**	13.18%	0.04	13.53%
Leverage profile					
Leverage ratio	≥4.25%	**6.70%**	6.59%	0.11	6.78%
Liquidity risk profile					
Liquidity coverage ratio	≥100%	**136.16%**	168.03%	(31.87)	146.59%
Liquidity ratio					
Including: Local and foreign currencies	≥25%	**59.62%**	62.61%	(2.99)	59.09%
Renminbi	≥25%	**59.31%**	62.18%	(2.87)	59.99%
Foreign currencies	≥25%	**65.76%**	69.24%	(3.48)	58.98%

Notes: 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 net assets on 30 June 2023 and the net profit for the reporting period of the Group 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, cash and deposits with central banks. As at the end of the reporting period, the aforesaid assets accounted for 96.7% of the Group's total assets, down by 0.7 percentage point from the end of last year. For relevant information of changes in the Group's major assets, please refer to related parts in Chapter 2 "Management Discussion and Analysis – Analysis of the Financial Statements" of this report.

CHAPTER 2 MANAGEMENT DISCUSSION AND ANALYSIS

2.1 Overview of the Industry in Which the Company Operates

In 2023, 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 building 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 and the wealth management business developed vibrantly. They further improved the capabilities for endogenous risk prevention and control. The quality of assets was steadily improved.

From the macroeconomic point of view, since the beginning of this year, as the economy and society have fully returned to normal operations, the sustained effects of the policies aimed at ensuring stable economic growth, employment and prices have become increasingly evident. Production and demands were gradually recovering, overall stability was observed in employment and consumer prices, and the economic trajectory remained on a positive recovery trend. The enhancement of development quality continued to progress. However, influenced by the persistently complex and challenging international environment, as well as factors like insufficient domestic market demand, further efforts were still required to propel high-quality economic development. In the first half of 2023, GDP grew by 5.5% year on year, and three industries witnessed a year-on-year growth of 3.7%, 4.3% and 6.4% respectively. The basic characteristics of strong resilience, ample potential, significant room for maneuver 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 grew steadily, while the quality of assets was basically stable and the ability to resist risks was strong. As at the end of June 2023, total assets of China's financial institutions in the banking industry were RMB398.64 trillion[2], a rise of 7.14% from the beginning of the year. The balance of NPLs stood at RMB4 trillion, up by RMB202.1 billion compared with the beginning of this year, and NPL ratio was 1.68%, up by 0.05 percentage point from the beginning of this year. The allowance coverage ratio stood at 206.1% and capital adequacy ratio was 14.66%.

Regarding policies and measures, the financial regulators diligently seized the key task of revitalizing and expanding effective demand, consistently improved financial services, and continuously enhanced the effectiveness in serving the real economy. They effectively supported the expansion of domestic demand, fostered an improved consumer environment, and promoted a healthy economic cycle. They adopted targeted policies tailored to different cities to address both essential and improvement-oriented housing needs. They earnestly ensured the delivery of housing projects, safeguarded livelihoods, and maintained stability, all of which contributed to a stable and healthy development of the real estate market. They expedited the refinement of the financial policy framework for housing rental, and pushed for the establishment of innovative models for real estate industry development. Furthermore, they reinforced the financing safeguard for investment, lending support to significant projects like

[2] Data source: Official website of NAFR.

the transformation of urban villages in big and mega cities and the construction of "dual-use" public infrastructure. They enhanced trade credit and export credit insurance services for foreign trade, and facilitated enterprises to acquire orders and expand market. They deepened the structural reform on the financial supply side, guided large banks to focus on primary-level services, urged small and medium-sized banks to concentrate on their core responsibilities and business, and provided support for banks to replenish their capital, collectively ensuring the stable and steady development of financial markets. In step with the ongoing wave of technological revolution, they increased support for achieving self-reliance and self-strengthening in advanced technology, which fostered a positive cycle between "technology–industry–finance". They seized the new opportunities arising from emerging fields and sectors, consistently increased financial supply for key areas including advanced manufacturing, strategic emerging industries, and the transformation and upgrading of traditional industries, and robustly supported the acceleration of building a modern industrial system. They worked unswervingly both to consolidate and develop the public sector and to encourage, support and guide development of the non-public sector, and optimized the environment for private investment and financing. They reinforced financial services for private enterprises, and nurtured the passion for entrepreneurial development among private businesses. 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, caring, unique and valuable provider of the best comprehensive financial services. 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.

2.3 Core Competitiveness Analysis

Standardized and highly efficient corporate governance. The Bank made great headway in boosting the building of a modern enterprise with Chinese characteristics, and persisted to implement the Party leadership over state-owned enterprises as a significant political principle and the establishment of a modern enterprise system as the direction of the reform of state-owned enterprises. It adhered to market-oriented operation, and constantly improved its modern corporate governance structure 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 general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management, and integrated Party leadership into its corporate governance. According to the principle of separating the front, middle and back offices, the Bank established a matrix management model with the Head Office departments as the lines and the branches and sub-branches as the arrays. The general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management of the Bank functioned according to rules and performed duties effectively.

Significant edges in synergy. Following the development principle of "One CITIC, One Customer", the Bank upheld the synergy philosophy of "Altruism and Win-win Cooperation", and consistently fortified the main platform of collaboration across the Group. It established customer service systems centering on government, enterprises and individuals by adhering to the customer-centric principle. Focusing on development, the Bank delved into finance and finance cooperation, industry and finance cooperation, regional cooperation, parent company and subsidiary cooperation, cross-border cooperation and other multi-layered integrated ecosystems. With a mission centered around serving the real economy, the Bank concentrated on key areas such as the capital market, technological innovation, green development and rural revitalization, and built the "Two-circles and One Community"[3] of CITIC Synergy in-depth. The Bank achieved continuous enhancement of collaborative quality and efficiency by promoting market-oriented mechanisms, leveraging resources from CITIC Think Tank, integrating and exchanging talent pools, iterating and upgrading digital systems, and conducting collaborative brand promotion. These efforts injected new momentum into the Bank's high-quality development.

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

Effective risk prevention and control. The Bank continued to improve the risk management system in which risks can be put under control and development can be boosted, and improved the quality and efficiency of risk management. It strengthened the overall management of risk appetite, and effectively transmitted sound risk appetite. It pushed forward the combination of Five Policies[4] in depth, invested resources in key areas and high-quality customers of national need and with promising markets, kept improving its credit structure, and endeavored to raise risk-adjusted return. With consistent efforts in controlling new risks and resolving old ones, the Bank enhanced the risk control capacity of all institutions, all products, all customers and all processes, and consolidated the fundamentals of risk management. It accelerated the building of the smart risk control system, continued to build a smart management platform for comprehensive risk, propelled the multi-level application of digital risk control instruments, developed risk management tools based on big data, comprehensively enhanced the online risk control capacity of the business, and made risk prevention and control more forward-looking and targeted.

[3] To expand the circles of friends, build the circles of synergy and form the community for synergistic development.

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

All-around empowerment by financial technology. Adhering to enabling advancement through technology and driving development with innovation, the Bank comprehensively empowered business development and strove to be a top notch technology-driven bank. It continued to increase its investment in technology, make its products and services more competitive, and drive the digitalization of business and operation models. It established a cloud-native technology and capability framework, with innovative technologies such as artificial intelligence, big data, blockchain and the Internet of Things deeply integrated into various business domains. The comprehensive empowerment capabilities of financial technology saw a substantial boost, becoming a crucial productive and driving force for development.

Distinctive brand and corporate culture. By refining the cultural elements over the past 30 plus years, the Bank fostered a distinctive corporate culture. It aspires to become a responsible, caring unique and valuable provider of the best comprehensive financial services. Moreover, it adheres to the core values of customer orientation, integrity, innovation, collaboration and excellence, and assumes missions to create value for customers, seek happiness for employees, make profit for shareholders and perform responsibility for society. It upheld and actively disseminated the brand premise “the more we care, the more you gain” to repay stakeholders with actions. In February 2023, the Bank ranked 20th on the list of the “Top 500 Global Bank Brands” rated by *The Banker* magazine of the United Kingdom with a brand value of USD12.6 billion.

Professional and brilliant talent team. Talent is the foremost resource for the Bank, and it steadfastly implemented the “Talent-Driven” strategy, and upheld a talent concept of “uniting those men in progression, inspiring men of action and promoting men with achievement”. The Bank vigorously advanced the “Sailing a Hundred Ships” exemplary talent project, comprehensively enhanced the systematic, targeted and effective talent development approach. It established a stratified and categorized “N+X” capability assessment model, refining the talent evaluation system and enabling more precise identification. The Bank expedited the creation of an online talent management platform, and employed digital and information technology to empower precise and science-based talent management.

2.4 Overview of the Operating Results

During the reporting period, in the face of complicated and severe external environment, the Group fully implemented the decisions and plans of the CPC Central Committee and the State Council, strictly implemented regulatory requirements, and firmly implemented the “three business orientations” and “four business themes”. It spared no effort to promote transformation and development, and achieved pretty good operating results.

Operating income and return to shareholders increased steadily. During the reporting period, the Group realized RMB36.067 billion of net profit attributable to shareholders of the Bank, up by 10.89% year on year; return on average assets of 0.85%, up by 0.04 percentage point year on year; and return on average equity of 12.32%, a year-on-year increase of 0.33 percentage point. The Group realized RMB105.885 billion operating income, representing a year-on-year decrease of 2.16% against the backdrop of declining net interest margin and downward pressure of income in the banking industry.

Business scale grew steadily, and the quality and efficiency of services for the real economy were enhanced. As at the end of the reporting period, the Group recorded total assets of RMB8,833.297 billion, an increase of 3.34% over the end of the previous year; its total loans and advances to customers (excluding accrued interest) stood at RMB5,380.101 billion, a growth of 4.41% over the end of the previous year; and its total deposits from customers (excluding accrued interest) recorded RMB5,534.683 billion, marking a 8.54% increase from the end of last year. The Group vigorously supported the real economy, and extended more credit supports to key fields and regions, with loans granted to green industries, strategic emerging industries, manufacturing and inclusive finance growing relative fast. The Bank attained further improvement in its business structure while improving the quality and efficiency of services for the real economy.

Asset quality continued to improve and risk resistance capacity was enhanced. The Group's non-performing loans (NPL) continued to decline in both balance and ratio. As at the end of the reporting period, the balance of NPLs stood at RMB64.850 billion, a decrease of RMB363 million or 0.56% from the end of the previous year. The NPL ratio was 1.21%, down by 0.06 percentage point from the end of last year. The allowance coverage ratio registered 208.28%, up by 7.09 percentage points from the end of the previous year.

2.5 Analysis of the Financial Statements

2.5.1 Income Statement Analysis

During the reporting period, the Group realized RMB36.067 billion net profit attributable to the equity holders of the Bank, increased by 10.89% 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

Items	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Increase/ (decrease)	Growth rate *(%)*
Operating income	**105,885**	108,218	(2,333)	(2.16)
– Net interest income	**73,206**	73,848	(642)	(0.87)
– Net non-interest income	**32,679**	34,370	(1,691)	(4.92)
Operating expenses	**(29,247)**	(27,387)	(1,860)	6.79
Credit and other asset impairment losses	**(34,706)**	(42,419)	7,713	(18.18)
Profit before tax	**42,367**	38,711	3,656	9.44
Income tax	**(5,660)**	(5,776)	116	(2.01)
Profit for the year	**36,707**	32,935	3,772	11.45
Including: Net profit attributable to the equity holders of the Bank	**36,067**	32,524	3,543	10.89

2.5.1.1 Operating Income

During the reporting period, the Group realized operating income of RMB105.885 billion, decreased by 2.16% year on year, of which net interest income accounted for 69.1%, increased by 0.9 percentage point year on year and net non-interest income accounted for 30.9%, decreased by 0.9 percentage point year on year.

Unit: %

Items	**Six months ended 30 June 2023**	Six months ended 30 June 2022
Share of net interest income	**69.1**	68.2
Share of net non-interest income	**30.9**	31.8
Total	**100.0**	100.0

2.5.1.2 *Net Interest Income*

During the reporting period, the Group realized RMB73.206 billion of net interest income, a decrease of RMB642 million or 0.87% 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

Items	**Six months ended 30 June 2023**			Six months ended 30 June 2022		
	Average balance	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	**5,286,731**	**122,213**	**4.66**	4,908,004	118,831	4.88
Financial investments[1]	**1,873,251**	**28,540**	**3.07**	1,765,483	28,588	3.27
Deposits with central banks	**409,023**	**3,220**	**1.59**	402,616	2,885	1.45
Deposits and placements with, and loans to banks and non- bank financial institutions	**347,821**	**4,802**	**2.78**	334,970	3,529	2.12
Financial assets held under resale agreements	**61,560**	**462**	**1.51**	77,153	609	1.59
Subtotal	**7,978,386**	**159,237**	**4.02**	7,488,226	154,442	4.16
Interest-bearing liabilities						
Deposits from customers	**5,408,159**	**57,407**	**2.14**	4,865,342	49,231	2.04
Deposits and placements from banks and non-bank financial institutions	**1,205,284**	**12,801**	**2.14**	1,232,299	13,684	2.24
Debt securities issued	**960,493**	**12,287**	**2.58**	938,933	13,788	2.96
Borrowings from central banks	**144,639**	**1,904**	**2.65**	190,967	2,821	2.98
Financial assets sold under repurchase agreements	**125,752**	**1,373**	**2.20**	84,727	845	2.01
Others	**10,915**	**259**	**4.79**	10,523	225	4.31
Subtotal	**7,855,242**	**86,031**	**2.21**	7,322,791	80,594	2.22
Net interest income		**73,206**			73,848	
Net interest spread[2]			**1.81**			1.94
Net interest margin[3]			**1.85**			1.99

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 (annualized)/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

Items	Comparison between the six months ended 30 June 2023 and the six months ended 30 June 2022		
	Scale factor	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	**9,165**	**(5,783)**	**3,382**
Financial investments	**1,748**	**(1,796)**	**(48)**
Deposits with central banks	**46**	**289**	**335**
Deposits and placements with, and loans to banks and non-bank financial institutions	**135**	**1,138**	**1,273**
Financial assets held under resale agreements	**(123)**	**(24)**	**(147)**
Changes in interest income	**10,971**	**(6,176)**	**4,795**
Liabilities			
Deposits from customers	**5,491**	**2,685**	**8,176**
Deposits and placements from banks and non-bank financial institutions	**(300)**	**(583)**	**(883)**
Debt certificates issued	**316**	**(1,817)**	**(1,501)**
Borrowings from central banks	**(685)**	**(232)**	**(917)**
Financial assets sold under repurchase agreements	**409**	**119**	**528**
Others	**8**	**26**	**34**
Changes in interest expense	**5,239**	**198**	**5,437**
Changes in net interest income	**5,732**	**(6,374)**	**(642)**

Net Interest Margin and Net Interest Spread

In the first half of 2023, as the interest rates of new and re-priced loans declined, return on assets decreased and net interest margin of the banking sector generally narrowed due to multiple LPR cuts in the previous year and other factors. The Group proactively and prudently increased asset investments, continuously strengthened liability cost control, and kept optimizing its asset and liability structure to stabilize interest margin. During the reporting period, the Group's net interest margin and net interest spread registered 1.85% and 1.81% respectively, representing a year-on-year decrease of 0.14 percentage point and 0.13 percentage point. The Group's yield of interest-earning assets was 4.02%, down by 0.14 percentage point year on year; the cost rate of interest-bearing liabilities was 2.21%, down by 0.01 percentage point year on year.

2.5.1.3 *Interest Income*

During the reporting period, the Group realized an interest income of RMB159.237 billion, an increase of RMB4.795 billion or 3.10% 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 RMB122.213 billion interest income from loans and advances to customers, a growth of RMB3.382 billion or 2.85% year on year, primarily because the average balance of loans and advances to customers increased by RMB378.727 billion or 7.72%. Specifically, the average balance of corporate loans and personal loans increased by RMB302.900 billion and RMB76.387 billion respectively.

Classification by Maturity Structure

Unit: RMB million

	Six months ended 30 June 2023			Six months ended 30 June 2022		
Items	**Average balance**	**Interest income**	**Average yield** *(%)*	Average balance	Interest income	Average yield *(%)*
Short-term loans	**1,846,972**	**43,184**	**4.71**	1,625,871	40,620	5.04
Medium to long-term loans	**3,439,759**	**79,029**	**4.63**	3,282,133	78,211	4.81
Total	**5,286,731**	**122,213**	**4.66**	4,908,004	118,831	4.88

Classification by Business

Unit: RMB million

	Six months ended 30 June 2023			Six months ended 30 June 2022		
Items	**Average balance**	**Interest income**	**Average yield** *(%)*	Average balance	Interest income	Average yield *(%)*
Corporate loans	**2,700,314**	**59,686**	**4.46**	2,397,414	53,243	4.48
Discounted loans	**444,584**	**4,034**	**1.83**	445,144	5,503	2.49
Personal loans	**2,141,833**	**58,493**	**5.51**	2,065,446	60,085	5.87
Total	**5,286,731**	**122,213**	**4.66**	4,908,004	118,831	4.88

Interest Income from Financial Investments

During the reporting period, the Group's interest income from financial investments amounted to RMB28.540 billion, a decrease of RMB48 million or 0.17% year on year, mainly attributable to a fall of 0.20 percentage point in the average yield of financial investments which more than offset the income growth due to an increase of RMB107.768 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 RMB3.220 billion, an increase of RMB335 million or 11.61% year on year, mainly due to an increase of the yield from deposits with foreign central banks by the Group's overseas subsidiaries.

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 RMB4.802 billion, an increase of RMB1.273 billion or 36.07% year on year, mainly due to an increase of RMB12.851 billion in the average balance and 0.66 percentage point in the average yield of deposits and placements with, and loans to banks and non-bank financial institutions.

Interest Income from Financial Assets Held under Resale Agreements

During the reporting period, the Group recorded RMB462 million interest income from financial assets held under resale agreements, a decrease of RMB147 million or 24.14% year on year, mainly attributable to a drop of RMB15.593 billion in the average balance of financial assets held under resale agreements and a decrease of 0.08 percentage point in the yield.

2.5.1.4 *Interest expense*

During the reporting period, the Group's interest expense was RMB86.031 billion, an increase of RMB5.437 billion or 6.75% year on year, mainly attributable to the growth in the size of interest-bearing liabilities.

Interest Expense on Deposits from Customers

During the reporting period, the Group's interest expense on deposits from customers was RMB57.407 billion, an increase of RMB8.176 billion or 16.61% year on year, mainly because deposits from customers increased in the first half of 2023, with the average balance rising by RMB542.817 billion, and the cost rate of deposits increased by 0.10 percentage point due to the rising cost rate of deposits of the Group's overseas subsidiaries.

Unit: RMB million

	Six months ended 30 June 2023			Six months ended 30 June 2022		
Items	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time and call deposits	**1,870,428**	**26,534**	**2.86**	1,893,012	25,637	2.73
Demand deposits	**2,167,278**	**15,297**	**1.42**	1,959,086	12,747	1.31
Subtotal	**4,037,706**	**41,831**	**2.09**	3,852,098	38,384	2.01
Personal deposits						
Time and call deposits	**1,044,809**	**15,039**	**2.90**	720,212	10,454	2.93
Demand deposits	**325,644**	**537**	**0.33**	293,032	393	0.27
Subtotal	**1,370,453**	**15,576**	**2.29**	1,013,244	10,847	2.16
Total	**5,408,159**	**57,407**	**2.14**	4,865,342	49,231	2.04

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 RMB12.801 billion, a decrease of RMB883 million or 6.45% year on year. Mainly because the average balance of deposits and placements from banks and non-bank financial institutions declined by RMB27.015 billion, and the average cost rate dropped by 0.10 percentage point.

Interest Expense on Debt Certificates Issued

During the reporting period, the Group's interest expense on debt certificates issued stood at RMB12.287 billion, a decrease of RMB1.501 billion or 10.89% year on year. Mainly because the average balance of debt certificates issued increased by RMB21.560 billion, and the average cost rate fell by 0.38 percentage point.

Interest Expense on Borrowings from Central Banks

During the reporting period, the Group's interest expense on borrowings from central banks reached RMB1.904 billion, a decrease of RMB917 million or 32.51% year on year. Mainly because the average balance of the Group's borrowings from central banks dropped by RMB46.328 billion, and the average cost rate of declined by 0.33 percentage point.

Interest Expense on Financial Assets Sold under Repurchase Agreements

During the reporting period, the Group's interest expense on financial assets sold under repurchase agreements was RMB1.373 billion, an increase of RMB528 million or 62.49% year on year, primarily due to an increase of RMB41.025 billion in the average balance and 0.19 percentage point in the average cost rate of financial assets sold under repurchase agreements.

Other Interest Expense

During the reporting period, the Group's other interest expense stood at RMB259 million, an increase of RMB34 million year on year.

2.5.1.5 *Net Non-interest Income*

During the reporting period, the Group realized RMB32.679 billion of net non-interest income, a decrease of RMB1.691 billion or 4.92% year on year.

Unit: RMB million

Items	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Increase/ (decrease)	Growth rate *(%)*
Net fee and commission income	**19,063**	18,835	228	1.21
Net trading gain	**3,344**	3,139	205	6.53
Net gain from investment securities	**9,783**	12,140	(2,357)	(19.42)
Other net operating income	**489**	256	233	91.02
Total	**32,679**	34,370	(1,691)	(4.92)

2.5.1.6 *Net Fee and Commission Income*

During the reporting period, net fee and commission income of the Group reached RMB19.063 billion, an increase of RMB228 million or 1.21% year on year, which accounted for 18.00% of the operating net income, an increase of 0.60 percentage point year on year. Among these, agency fees and commissions increased by RMB467 million or 15.11% year on year; bank card fees increased by RMB160 million or 1.99% year on year; settlement and clearing fees increased by RMB49 million or 4.21% year on year; commissions for custodian and other fiduciary business went up by RMB35 million or 0.65% year on year; guarantee and consulting fees went down by RMB496 million or 16.67% year on year. For analysis of changes in net fee and commission income, please refer to 2.6.4 "Non-interest income" in this chapter.

Unit: RMB million

Items	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Increase/ (decrease)	Growth rate *(%)*
Bank card fees	**8,200**	8,040	160	1.99
Agency fees and commissions	**3,558**	3,091	467	15.11
Commissions for custodian and other fiduciary business	**5,399**	5,364	35	0.65
Guarantee and consulting fees	**2,479**	2,975	(496)	(16.67)
Settlement and clearing fees	**1,213**	1,164	49	4.21
Other fees and commissions	**100**	46	54	117.39
Subtotal of fees and commissions	**20,949**	20,680	269	1.30
Fee and commission expense	**(1,886)**	(1,845)	(41)	2.22
Net fee and commission income	**19,063**	18,835	228	1.21

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 RMB13.127 billion in total, a year-on-year decrease of RMB2.152 billion, mainly because of the decreased gain from investment in debt securities.

2.5.1.8 *Operating Expenses*

During the reporting period, the Group incurred RMB29.247 billion operating expenses, an increase of RMB1.860 billion or 6.79% year on year. During the reporting period, the Group's cost-to-income ratio (excluding tax and surcharges) stood at 26.64%, up by 2.31 percentage points year on year.

Unit: RMB million

Items	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease)	Growth rate (%)
Staff costs	**16,179**	15,799	380	2.41
Property and equipment expenses and amortization	**4,913**	4,424	489	11.05
Other general and administrative expense	**7,119**	6,106	1,013	16.59
Subtotal	**28,211**	26,329	1,882	7.15
Taxes and surcharges	**1,036**	1,058	(22)	(2.08)
Total	**29,247**	27,387	1,860	6.79
Cost-to-income ratio	**27.62%**	25.31%	Up 2.31 percentage points	
Cost-to-income ratio (excluding tax and surcharges)	**26.64%**	24.33%	Up 2.31 percentage points	

2.5.1.9 *Credit and Other Asset Impairment Losses*

During the reporting period, due to effective control of non-performing assets and declined risk consumption, the Group's credit impairment losses and other asset impairment losses totaled RMB34.706 billion, a decrease of RMB7.713 billion or 18.18% year on year. Specifically, allowance for impairment losses on loans and advances to customers was RMB27.535 billion, representing a decrease of RMB3.608 billion or 11.59% year on year. Impairment losses for financial investments was RMB3.269 billion, down by RMB704 million or 17.72% 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 2023	Six months ended 30 June 2022	Increase/ (decrease)	Growth rate (%)
Loans and advances to customers	**27,535**	31,143	(3,608)	(11.59)
Financial investments	**3,269**	3,973	(704)	(17.72)
Interbank business (Note)	**11**	90	(79)	(87.78)
Other financial assets and accrued interest	**3,751**	2,434	1,317	54.11
Off-balance-sheet items	**(102)**	4,747	(4,849)	(102.15)
Repossessed assets	**242**	32	210	656.25
Total	**34,706**	42,419	(7,713)	(18.18)

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 RMB5.660 billion, representing a decrease of RMB116 million or 2.01% year on year. Effective tax rate during the reporting period stood at 13.36%, down by 1.56 percentage points year on year.

Unit: RMB million

Items	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease)	Growth rate (%)
Profit before tax	**42,367**	38,711	3,656	9.44
Income tax expense	**5,660**	5,776	(116)	(2.01)
Effective tax rate	**13.36%**	14.92%	Down 1.56 percentage points	

2.5.2 Balance Sheet Analysis

2.5.2.1 Assets

As at the end of the reporting period, the Group recorded total assets of RMB8,833.297 billion, an increase of 3.34% from the end of the previous year, mainly because the Group increased its loans and advances to customers.

Unit: RMB million

Items	**30 June 2023** Balance	**30 June 2023** Proportion (%)	31 December 2022 Balance	31 December 2022 Proportion (%)
Total loans and advances to customers	**5,380,101**	**60.9**	5,152,772	60.3
Accrued interest of loans and advances to customers	**18,858**	**0.2**	17,180	0.2
Less: Allowance for impairment losses on loans and advances to customers(1)	**(135,224)**	**(1.5)**	(130,985)	(1.5)
Net loans and advances to customers	**5,263,735**	**59.6**	5,038,967	59.0
Total financial investments	**2,504,020**	**28.3**	2,515,295	29.4
Accrued interest of financial investments	**16,653**	**0.2**	16,140	0.2
Less: Allowance for impairment losses on financial investments(2)	**(30,448)**	**(0.3)**	(28,566)	(0.3)
Net financial investments	**2,490,225**	**28.2**	2,502,869	29.3
Investment in associates and joint ventures	**6,664**	**0.1**	6,341	0.1
Cash and deposits with central banks	**440,425**	**5.0**	477,381	5.6
Deposits and placements with, and loans to banks and non-bank financial institutions	**282,886**	**3.2**	296,998	3.4
Financial assets held under resale agreements	**60,247**	**0.7**	13,730	0.1
Others(3)	**289,115**	**3.2**	211,257	2.5
Total	**8,833,297**	**100.0**	8,547,543	100.0

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

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

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

Loans and Advances to Customers

As at the end of the reporting period, the Group recorded RMB5,380.101 billion total loans and advances to customers (excluding accrued interest), up by 4.41% over the end of the previous year. Net loans and advances to customers accounted for 59.6% of total assets, up by 0.6 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 90.9% of total loans and advances to customers. The table below sets out the classification of the Group's loans and advances to customers by measurement attribute.

Unit: RMB million

Item	**30 June 2023** Balance	**30 June 2023** Proportion (%)	31 December 2022 Balance	31 December 2022 Proportion (%)
Loans and advances to customers measured at amortized cost	**4,888,075**	**90.9**	4,585,898	89.0
Loans and advances to customers measured at fair value through other comprehensive income	**486,642**	**9.0**	562,993	10.9
Loans and advances to customers measured at fair value through profit or loss	**5,384**	**0.1**	3,881	0.1
Total loans and advances to customers	**5,380,101**	**100.0**	5,152,772	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 RMB2,504.020 billion total financial investments (excluding accrued interest), down by RMB11.275 billion or 0.45% over the end of the previous year, mainly because of the decrease in the Group's investments in debt securities.

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

Unit: RMB million

Items	**30 June 2023** Balance	Proportion (%)	31 December 2022 Balance	Proportion (%)
Investments in debt securities	**1,700,161**	**67.9**	1,745,891	69.4
Investment funds	**458,082**	**18.3**	431,958	17.2
Trust management plans	**214,864**	**8.6**	222,819	8.8
Certificates of deposit and interbank certificates of deposit	**79,497**	**3.2**	60,468	2.4
Directional asset management plan	**36,109**	**1.4**	39,628	1.6
Investment in equity instruments	**12,190**	**0.5**	13,015	0.5
Investment in wealth management products and through structured entities	**3,117**	**0.1**	1,516	0.1
Total financial investments	**2,504,020**	**100.0**	2,515,295	100.0

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

Unit: RMB million

Items	**30 June 2023** Balance	Proportion (%)	31 December 2022 Balance	Proportion (%)
Financial investments measured at fair value through profit or loss	**636,463**	**25.4**	557,594	22.2
Financial investments measured at amortized cost	**1,183,428**	**47.3**	1,153,634	45.8
Financial investments measured at fair value through other comprehensive income	**679,423**	**27.1**	798,939	31.8
Financial investments designated to be measured at fair value through other comprehensive income	**4,706**	**0.2**	5,128	0.2
Total financial investments	**2,504,020**	**100.0**	2,515,295	100.0

Investment in Debt Securities

As at the end of the reporting period, the Group registered RMB1,700.161 billion investments in debt securities, a decrease of RMB45.730 billion or 2.62% over the end of the previous year.

Classification of Debt Securities Investment by Issuers

Unit: RMB million

Items	**30 June 2023** Balance	**Proportion (%)**	31 December 2022 Balance	Proportion (%)
Banks and non-bank financial institutions	**314,530**	**18.5**	387,299	22.2
Government	**1,195,426**	**70.3**	1,155,492	66.2
Policy banks	**68,173**	**4.0**	81,210	4.6
Business entities	**118,131**	**7.0**	120,582	6.9
Public entities	**3,901**	**0.2**	1,308	0.1
Total	**1,700,161**	**100.0**	1,745,891	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 2023.

Unit: RMB million

Name of debt securities	**Book value**	**Maturity date (DD/MM/YY)**	**Coupon rate (%)**	**Impairment allowance**
2020 Policy Bank Debt Securities	5,124	7/8/2023	3.00%	–
2020 Policy Bank Debt Securities	4,517	22/12/2023	0.65%	–
2021 Policy Bank Debt Securities	3,822	21/7/2024	2.78%	–
2019 Policy Bank Debt Securities	3,624	2/7/2024	3.42%	–
2019 Policy Bank Debt Securities	3,564	14/8/2024	3.24%	–
2022 Policy Bank Debt Securities	3,351	24/10/2032	2.77%	–
2020 Policy Bank Debt Securities	3,293	5/8/2023	3.06%	–
2023 Policy Bank Debt Securities	3,210	11/1/2028	2.73%	–
2022 Policy Bank Debt Securities	2,649	16/6/2027	2.69%	–
2023 Policy Bank Debt Securities	2,554	6/3/2033	3.02%	–
Total	35,708			–

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 RMB6.664 billion investments in associates and joint ventures, an increase of 5.09% over the end of the previous year. As at the end of the reporting period, the Group's allowance for impairment losses 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

Items	**30 June 2023**	31 December 2022
Investments in joint ventures	**6,175**	5,811
Investments in associates	**489**	530
Allowance for impairment losses	**–**	–
Net investments in associates and joint ventures	**6,664**	6,341

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 2023			31 December 2022		
	Nominal	**Fair value**		Nominal	Fair value	
Items	**principal**	**Assets**	**Liabilities**	principal	Assets	Liabilities
Interest rate derivatives	**3,636,052**	**18,976**	**18,810**	3,083,802	14,959	14,887
Currency derivatives	**3,308,639**	**51,133**	**51,365**	2,506,299	29,173	28,780
Other derivatives	**45,910**	**197**	**1,055**	35,553	251	598
Total	**6,990,601**	**70,306**	**71,230**	5,625,654	44,383	44,265

Repossessed Assets

As at the end of the reporting period, the Group recorded repossessed assets of RMB2.360 billion, and charged RMB1.189 billion allowances for impairment losses on repossessed assets. The book value stood at RMB1.171 billion.

Unit: RMB million

Items	30 June 2023	31 December 2022
Original value of repossessed assets	**2,360**	2,728
– Land, premises and buildings	**2,355**	2,722
– Others	**5**	6
Allowances for impairment losses on repossessed assets	**(1,189)**	(1,250)
– Land, premises and buildings	**(1,189)**	(1,250)
Total book value of repossessed assets	**1,171**	1,478

Changes in Impairment Allowances

Unit: RMB million

Items	31 December 2022	Accruals/ reversals during the current period	Write-offs/ transfer out during the current period	Others[1]	30 June 2023
Loans and advances to customers[2]	131,202	27,535	(30,297)	6,632	**135,072**
Financial investments[3]	31,245	3,269	(616)	93	**33,991**
Interbank business[4]	238	11	–	4	**253**
Other financial assets and accrued interests	7,349	3,751	(2,497)	395	**8,998**
Off-balance-sheet items	8,957	(102)	–	18	**8,873**
Subtotal of allowances for credit impairment	**178,991**	**34,464**	**(33,410)**	**7,142**	**187,187**
Repossessed assets	1,250	242	(303)	–	**1,189**
Subtotal of allowances for other asset impairments	**1,250**	**242**	**(303)**	**–**	**1,189**
Total	**180,241**	**34,706**	**(33,713)**	**7,142**	**188,376**

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.

2.5.2.2 *Liabilities*

As at the end of the reporting period, the Group recorded total liabilities of RMB8,122.284 billion, up by 3.31% from the end of the previous year, primarily due to the increase in deposits from customers.

Unit: RMB million

	30 June 2023		31 December 2022	
Items	**Balance**	**Proportion *(%)***	Balance	Proportion *(%)*
Borrowings from central banks	**155,251**	**1.9**	119,422	1.5
Deposits from customers	**5,591,493**	**68.8**	5,157,864	65.6
Deposits and placements from banks and non-bank financial institutions	**1,104,426**	**13.6**	1,214,517	15.4
Financial assets sold under repurchase agreements	**119,081**	**1.5**	256,194	3.3
Debt certificates issued	**975,004**	**12.0**	975,206	12.4
Others[(Note)]	**177,029**	**2.2**	138,510	1.8
Total	**8,122,284**	**100.0**	7,861,713	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 RMB5,534.683 billion, representing an increase of RMB435.335 billion or 8.54% over the end of the previous year; and deposits from customers accounted for 68.8% of total liabilities, an increase of 3.2 percentage points from the end of the previous year. The Group's balance of corporate deposits was RMB4,084.465 billion, representing an increase of RMB276.933 billion or 7.27% over the end of the previous year; and balance of personal deposits stood at RMB1,450.218 billion, representing an increase of RMB158.402 billion or 12.26% over the end of the previous year.

Unit: RMB million

	30 June 2023		31 December 2022	
Items	**Balance**	**Proportion *(%)***	Balance	Proportion *(%)*
Corporate deposits				
Demand deposits	**2,235,307**	**40.0**	1,951,555	37.8
Time and call deposits	**1,849,158**	**33.1**	1,855,977	36.0
Subtotal	**4,084,465**	**73.1**	3,807,532	73.8
Personal deposits				
Demand deposits	**350,579**	**6.3**	349,013	6.8
Time and call deposits	**1,099,639**	**19.6**	942,803	18.3
Subtotal	**1,450,218**	**25.9**	1,291,816	25.1
Total deposits from customers	**5,534,683**	**99.0**	5,099,348	98.9
Accrued interest	**56,810**	**1.0**	58,516	1.1
Total	**5,591,493**	**100.0**	5,157,864	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	30 June 2023		31 December 2022	
Items	**Balance**	**Proportion *(%)***	Balance	Proportion *(%)*
Renminbi	**5,172,170**	**92.5**	4,721,203	91.5
Foreign currencies	**419,323**	**7.5**	436,661	8.5
Total	**5,591,493**	**100.0**	5,157,864	100.0

Breakdown of Deposits by Geographical Region

Unit: RMB million

Items	30 June 2023 Balance	Proportion (%)	31 December 2022 Balance	Proportion (%)
Head Office	**2,750**	**0.1**	2,857	0.1
Bohai Rim	**1,442,145**	**25.8**	1,320,402	25.6
Yangtze River Delta	**1,555,419**	**27.8**	1,393,987	27.0
Pearl River Delta and West Strait	**909,203**	**16.3**	828,772	16.1
Central China	**735,588**	**13.1**	689,136	13.4
Western China	**535,006**	**9.6**	515,272	10.0
Northeastern China	**108,985**	**1.9**	105,107	2.0
Overseas	**302,397**	**5.4**	302,331	5.8
Total	**5,591,493**	**100.0**	5,157,864	100.0

2.5.3 Shareholders' Equity

As at the end of the reporting period, the Group's shareholders' equity was RMB711.013 billion, an increase of 3.67% 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 2023							
Items	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve and general reserve	Retained earnings	Non-controlling interest	Total
31 December 2022	48,935	118,076	59,216	(1,621)	155,307	285,505	20,412	685,830
i. Profit for the period	–	–	–	–	–	36,067	640	36,707
ii. Other comprehensive income	–	–	–	6,443	–	–	(82)	6,361
iii. Capital contributed OR reduced by shareholders	32	(16)	192	–	–	–	–	208
iv. Profit distribution	–	–	–	–	116	(17,906)	(303)	(18,093)
v. Internal transfer of owner's equity	–	–	(4)	186	–	(192)	10	–
30 June 2023	48,967	118,060	59,404	5,008	155,423	303,474	20,677	711,013

2.5.4 Loan Quality Analysis

During the reporting period, both the NPL balance and NPL ratio of the Group declined, and the overall loan quality and allowance coverage ratio stayed sound. As at the end of the reporting period, the Group registered RMB5,380.101 billion total loans, up by RMB227.329 billion over the end of the previous year; an NPL ratio of 1.21%, down by 0.06 percentage point over the end of the previous year; a allowance coverage ratio of 208.28%, up by 7.09 percentage points over the end of the previous year.

Concentration of Loans by Product

As at the end of the reporting period, the Group's balance of corporate loans (excluding discounted bills) recorded RMB2,740.286 billion, an increase of RMB216.270 billion or 8.57% over the end of the previous year; and its balance of personal loans reached RMB2,211.291 billion, an increase of RMB94.381 billion or 4.46% over the end of the previous year. The balance of discounted bills decreased by RMB83.322 billion or 16.28% over the end of last year to RMB428.524 billion. The Group's balance of corporate non-performing loans (excluding discounted bills) decreased by RMB2.417 billion over the end of the previous year, corresponding to a 0.22 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 RMB2.054 billion over the end of the previous year, corresponding to a 0.05 percentage point increase in the NPL ratio over the end of the previous year.

Unit: RMB million

	30 June 2023				31 December 2022			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Corporate loans	**2,740,286**	**50.94**	**41,062**	**1.50**	2,524,016	48.99	43,479	1.72
Personal loans	**2,211,291**	**41.10**	**23,788**	**1.08**	2,116,910	41.08	21,734	1.03
Discounted bills	**428,524**	**7.96**	**–**	**0.00**	511,846	9.93	–	0.00
Total loans	**5,380,101**	**100.00**	**64,850**	**1.21**	5,152,772	100.00	65,213	1.27

Breakdown of Loans by Type of Guarantee

During the reporting period, the Group's loan guarantee structure remained stable. As at the end of the reporting period, the balance of the Group's unsecured and guaranteed loans was RMB2,465.332 billion, an increase of RMB361.869 billion over the end of the previous year, accounting for 45.82% of the Group's total loans, up by 5 percentage points from the end of the previous year; the balance of loans secured by collateral and pledge loans was RMB2,486.245 billion, a decrease of RMB51.218 billion over the end of the previous year, accounting for 46.22% of the Group's total loans, down by 3.03 percentage points from the end of the previous year.

Unit: RMB million

	30 June 2023		31 December 2022	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**1,505,292**	**27.98**	1,384,754	26.87
Guaranteed loans	**960,040**	**17.84**	718,709	13.95
Loans secured by collateral	**2,019,732**	**37.55**	2,018,796	39.18
Pledge loans	**466,513**	**8.67**	518,667	10.07
Subtotal	**4,951,577**	**92.04**	4,640,926	90.07
Discounted bills	**428,524**	**7.96**	511,846	9.93
Total loans	**5,380,101**	**100.00**	5,152,772	100.00

Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group's total loans stood at RMB5,380.101 billion, an increase of RMB227.329 billion or 4.41% 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 RMB1,517.723 billion, RMB1,344.725 billion and RMB788.481 billion, and accounting for 28.22%, 24.99% and 14.66% of the Group's total, respectively. In terms of growth rate, Yangtze River Delta, the Pearl River Delta and West Strait, and Western China recorded the highest growth, reaching 9.85%, 7.83% and 7.01%, respectively.

As for the distribution of NPLs, the Group's NPLs were mainly concentrated in the Bohai Rim, the Pearl River Delta and West Strait, and the Yangtze River Delta, with the combined NPL balance reaching RMB45.520 billion, accounting for 70.19% of the total. In terms of incremental NPLs, the Yangtze River Delta registered the largest amount of RMB2.841 billion and its NPL ratio rose by 0.13 percentage point; overseas registered the second largest amount of incremental NPLs recording RMB1.187 billion incremental NPLs and a 0.44 percentage point rise in its NPL ratio.

Main reasons for the change in the regional distribution of NPLs are as follows: Firstly, due to risk events of certain large customers in the Yangtze River Delta and overseas, relevant loans were downgraded to non-performing, resulting an increase in NPLs in the region. Secondly, efforts on NPL disposal were intensified in the Bohai Rim, contributing to a remarkably decreased NPL balance.

Unit: RMB million

	30 June 2023				31 December 2022			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Yangtze River Delta	**1,517,723**	**28.22**	**11,533**	**0.76**	1,381,673	26.81	8,692	0.63
Bohai Rim	**1,344,725**	**24.99**	**22,278**	**1.66**	1,400,562	27.19	27,541	1.97
Pearl River Delta and West Strait	**788,481**	**14.66**	**11,709**	**1.49**	731,224	14.19	11,333	1.55
Central China	**768,487**	**14.28**	**6,759**	**0.88**	730,240	14.17	6,424	0.88
Western China	**640,679**	**11.91**	**6,477**	**1.01**	598,729	11.62	6,299	1.05
Northeastern China	**87,358**	**1.62**	**1,342**	**1.54**	87,630	1.70	1,359	1.55
Overseas	**232,648**	**4.32**	**4,752**	**2.04**	222,714	4.32	3,565	1.60
Total loans	**5,380,101**	**100.00**	**64,850**	**1.21**	5,152,772	100.00	65,213	1.27

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 manufacturing were the top two sector borrowers of the Group's outstanding corporate loans recording loan balances of RMB536.570 billion and RMB476.596 billion, respectively. The balance of loans granted to the manufacturing industry accounted for 17.40% of the total corporate loans, an increase of 0.78 percentage point comparing with the end of last year. The balance of loans granted to the real estate industry stood at RMB283.203 billion, accounting for 10.33% of the total, down by 0.65 percentage point from the end of previous year. In term of the increments, manufacturing, rental and business service, wholesale and retail, water, environment and public utilities management all recorded an increase of more than RMB20 billion (with increments of RMB57.089 billion, RMB45.269 billion, RMB29.073 billion and RMB26.606 billion respectively) and they combined accounted for 73.07% of the total increase of corporate loans.

As at the end of the reporting period, the Group's NPLs were mainly concentrated in three sectors, i.e., real estate, manufacturing, rental and business service, with their NPL balances collectively taking up 60.95% of the total corporate NPLs.

As at the end of the reporting period, the Group's balances of NPLs in the real estate sector increased by RMB6.444 billion over the previous year-end, and the NPL ratio went up by 2.21 percentage points, mainly because certain large customers were impacted by the sluggish real estate market which resulted in risk events and downgrade of their loans to non-performing. The balance of NPLs in the sectors of rental and business service, construction, and wholesale and retail dropped by RMB6.485 billion, RMB2.103 billion and RMB764 million respectively over the end of the previous year, and the corresponding NPL ratio declined by 1.40 percentage points, 2.44 percentage points and 0.75 percentage point respectively.

Unit: RMB million

	30 June 2023				31 December 2022			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Rental and business service	**536,570**	**19.58**	**4,104**	**0.76**	491,301	19.47	10,589	2.16
Manufacturing	**476,596**	**17.40**	**5,936**	**1.25**	419,507	16.62	5,137	1.22
Water, environment and public utilities management	**440,005**	**16.06**	**119**	**0.03**	413,399	16.38	122	0.03
Real estate	**283,203**	**10.33**	**14,986**	**5.29**	277,173	10.98	8,542	3.08
Wholesale and retail	**206,685**	**7.54**	**4,005**	**1.94**	177,612	7.04	4,769	2.69
Transportation, storage and postal service	**148,739**	**5.43**	**355**	**0.24**	149,891	5.94	852	0.57
Construction	**117,470**	**4.29**	**3,502**	**2.98**	103,335	4.09	5,605	5.42
Production and supply of electric power, gas and water	**94,117**	**3.43**	**444**	**0.47**	89,609	3.55	680	0.76
Financial services	**92,059**	**3.36**	**4**	**0.00**	73,619	2.92	–	0.00
Information transmission, software and information technology services	**54,660**	**1.99**	**1,856**	**3.40**	46,343	1.84	1,913	4.13
Others	**290,182**	**10.59**	**5,751**	**1.98**	282,227	11.17	5,270	1.87
Total corporate loans	**2,740,286**	**100.00**	**41,062**	**1.50**	2,524,016	100.00	43,479	1.72

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 2023	31 December 2022	31 December 2021
Percentage of loans to the largest single customer *(%)*(1)	**≤10**	**1.23**	1.19	1.23
Percentage of loans to the top 10 customers *(%)*(2)	**≤50**	**9.77**	9.84	10.15

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

		30 June 2023		
	Industry	**Balance**	**Percentage in total loans** *(%)*	**Percentage in regulatory capital** *(%)*
Borrower A	Real estate	**10,615**	**0.20**	**1.23**
Borrower B	Real estate	**10,283**	**0.19**	**1.19**
Borrower C	Transportation, storage and postal services	**9,668**	**0.18**	**1.12**
Borrower D	Rental and business services	**9,557**	**0.18**	**1.10**
Borrower E	Real estate	**8,119**	**0.15**	**0.94**
Borrower F	Rental and business services	**7,981**	**0.15**	**0.92**
Borrower G	Transportation, storage and postal services	**7,829**	**0.15**	**0.90**
Borrower H	Real estate	**7,581**	**0.14**	**0.88**
Borrower I	Rental and business services	**6,501**	**0.12**	**0.75**
Borrower J	Rental and business services	**6,465**	**0.12**	**0.75**
Total loans		**84,599**	**1.58**	**9.78**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB84.599 billion, taking up 1.58% of its total loans and 9.78% 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. The Group shall implement *the Measures on Financial Asset Risks of Commercial Banks* from 1 July 2023 according to relevant regulatory rules.

During the reporting period, the Bank continued to strengthen the centralized management of loan risk classification and improve the credit asset risk classification management system. Adhering to the core standard of "security of loan recovery", it fully considered various factors affecting the quality of credit assets, and took differentiated risk management measures for loans of different risk levels.

The Bank's loan risk classification and identification procedures are as follows: a operating institution performs post-lending inspection, business management department of the branch puts forward preliminary opinions, credit management department of the branch makes preliminary identification, chief risk officer of branch reviews the identification, and the Head Office finalizes the identification. The Bank adjusts dynamically the risk category of loans with significant changes in risk profile.

Unit: RMB million

	30 June 2023		31 December 2022	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Performing loans	**5,315,251**	**98.79**	5,087,559	98.73
Pass	**5,231,111**	**97.23**	5,003,190	97.10
Special mention	**84,140**	**1.56**	84,369	1.63
Non-performing loans	**64,850**	**1.21**	65,213	1.27
Substandard	**33,432**	**0.62**	36,540	0.71
Doubtful	**22,829**	**0.43**	21,469	0.42
Loss	**8,589**	**0.16**	7,204	0.14
Total loans	**5,380,101**	**100.00**	5,152,772	100.00

As at the end of the reporting period, the Group's balance of pass loans increased by RMB227.921 billion over the end of the previous year, and accounted for 97.23% of the total loans, representing an increase of 0.13 percentage point over the end of the previous year; and the balance of special mention loans dropped by RMB229 million, accounting for 1.56% of the total loans, down by 0.07 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 RMB64.850 billion, representing a drop of RMB363 million over the end of the previous year; and the NPL ratio stood at 1.21%, down by 0.06 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 2023, 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 and both of the balance and ratio of problematic loans 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 2023	31 December 2022	31 December 2021
Migration ratio of pass loans *(%)*	**1.23**	2.26	2.98
Migration ratio of special mention loans *(%)*	**24.73**	29.38	32.87
Migration ratio of substandard loans *(%)*	**66.06**	73.43	77.19
Migration ratio of doubtful loans *(%)*	**50.74**	78.75	58.93
Ratio of migration from performing loans to NPLs *(%)*	**0.82**	1.60	1.93

As at the end of the reporting period, the Bank's ratio of loan migration from performing loans to NPLs was 0.82%, a decrease of 0.78 percentage point 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, with remarkable results achieved.

Loans Overdue

Unit: RMB million

	30 June 2023		31 December 2022	
	Balance	**Proportion *(%)***	Balance	Proportion *(%)*
Loans repayable on demand	**5,303,257**	**98.57**	5,070,583	98.40
Loans overdue[1]				
1-90 days	**33,300**	**0.62**	33,936	0.66
91-180 days	**14,072**	**0.26**	11,840	0.23
181 days or more	**29,472**	**0.55**	36,413	0.71
Subtotal	**76,844**	**1.43**	82,189	1.60
Total loans	**5,380,101**	**100.00**	5,152,772	100.00
Loans overdue for 91 days or more	**43,544**	**0.81**	48,253	0.94
Restructured loans[2]	**11,989**	**0.22**	12,511	0.24

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 RMB76.844 billion, a drop of RMB5.345 billion over the end of the previous year, and the proportion of overdue loans in total loans went down by 0.17 percentage point over the end of the previous year. Of these overdue loans, 0.62% were short-term and/or temporary loans with a maturity of less than 90 days, a decrease of 0.04 percentage point from the end of last year. The proportion of loans overdue for 91 days and more was 0.81%, a decrease of 0.13 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 RMB11.989 billion, a decrease of RMB522 million 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 risk parameters as well as macro perspective adjustments.

Unit: RMB million

	As at 30 June 2023	As at 31 December 2022	As at 31 December 2021
Beginning balance	**131,202**	121,471	126,100
Accruals during the period(1)	**27,535**	55,786	50,228
Write-offs and transfer-out	**(30,297)**	(57,791)	(64,161)
Recovery of loans and advances written off in previous years	**6,642**	10,520	9,627
Others(2)	**(10)**	1,216	(323)
Ending balance	**135,072**	131,202	121,471

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 RMB135.072 billion, up by RMB3.870 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 208.28% and 2.51%, up by 7.09 percentage points and down by 0.04 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

Items	30 June 2023	31 December 2022
Credit commitments		
– Bank acceptance bills	**770,190**	795,833
– Letters of guarantee	**203,254**	186,617
– Letters of credit	**271,632**	270,837
– Irrevocable loan commitments	**44,681**	57,961
– Credit card commitments	**721,119**	704,268
Subtotal	**2,010,876**	2,015,516
Capital commitments	**1,863**	2,011
Pledged assets	**333,311**	438,515
Total	**2,346,050**	2,456,042

2.5.6 *Cash Flow Statement Analysis*

Net Cash Outflows Used in Operating Activities

The Group's net cash outflows used in operating activities registered RMB123.018 billion, and the net cash inflows for the same period of last year were RMB36.219 billion, primarily due to the increase in interbank outflows and in the scale of loans, financial assets measured at fair value through profit or loss, which more than offset the increase of deposits from customers and made the overall net cash flows as outflows.

Net Cash Inflows Generated from Investing Activities

The Group's net cash inflows generated from investing activities recorded RMB44.392 billion, and the net cash inflows for the same period of last year were RMB4.109 billion, mainly due to the decreased scale of investments, sale and redemption of financial investments. The overall net cash inflows increased.

Net Cash Outflows Used in Financing Activities

The Group's net cash outflows used in financing activities registered RMB16.838 billion, and the net cash outflows for the same period of last year were RMB51.335 billion, primarily due to the increase in the issuance and redemption scale of interbank certificates of deposit and debt securities. The overall net cash outflows decreased.

Unit: RMB million

Items	Six months ended 30 June 2023	Year-on-year increase (%)	Main reason
Net Cash Outflows Used in Operating Activities	**(123,018)**	(439.7)	
Including: Cash inflows due to increase in deposits from customers	**412,473**	17.3	Increase in deposits from customers
Net cash outflows due to decrease in interbank business (Note)	**(277,644)**	69.4	Increase in interbank outflows
Cash outflows increase due to financial assets measured at fair value through profit or loss	**(61,516)**	252.2	Increase in the scale of trading investments
Cash outflows due to increase in loans and advances to customers	**(233,886)**	30.3	Increase in loans
Net Cash Inflows Generated from Investing Activities	**44,392**	980.4	
Including: Proceeds from redemption of investments	**1,320,829**	(1.2)	Decrease in the scale of financial investments sold and redeemed
Payments on acquisition of investments	**(1,272,807)**	(4.4)	Decrease in the scale of investments
Net Cash Outflows Used in Financing Activities	**(16,838)**	(67.2)	
Including: Proceeds from issuance of debt certificates	**519,116**	43.3	Increase in issuance of interbank certificates of deposit and debt securities
Repayment of issued debt certificates	**(521,085)**	30.0	Increase in repayment of matured interbank certificates of deposit and debt securities

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 optimized 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 13.22%, an increase of 0.04 percentage point from the end of the previous year; a 10.68% tier-one capital adequacy ratio, 0.05 percentage point higher than the end of the previous year; and a 8.85% core tier-one capital adequacy ratio, up by 0.11 percentage point from the end of the previous year, all meeting regulatory requirements. 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 efficiency at all fronts.

Capital adequacy ratios

Unit: RMB million

Items	**30 June 2023**	31 December 2022	Increase (%)/ Change	31 December 2021
Net core tier-one capital	**579,650**	551,863	5.04%	514,078
Net additional tier-one capital	**119,873**	119,614	0.22%	117,961
Net tier-one capital	**699,523**	671,477	4.18%	632,039
Net tier-two capital	**166,104**	160,610	3.42%	153,772
Net capital	**865,627**	832,087	4.03%	785,811
Risk-weighted assets	**6,547,544**	6,315,506	3.67%	5,809,523
Core tier-one capital adequacy ratio	**8.85%**	8.74%	Up 0.11 percentage point	8.85%
Tier-one capital adequacy ratio	**10.68%**	10.63%	Up 0.05 percentage point	10.88%
Capital adequacy ratio	**13.22%**	13.18%	Up 0.04 percentage point	13.53%

Leverage ratio

Unit: RMB million

Items	**30 June 2023**	31 December 2022	Increase (%)/ Change	31 December 2021
Leverage ratio	**6.70%**	6.59%	Up 0.11 percentage point	6.78%
Net tier-one capital	**699,523**	671,477	4.18%	632,039
Adjusted balance of on-and off-balance sheet assets	**10,434,553**	10,193,191	2.37%	9,322,716

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

Items	**30 June 2023/ six months ended 30 June 2023**	Increase/ Decrease over previous year-end/ year-on-year *(%)*	Main reason
Precious metals	**12,644**	111.3	Increase in physical precious metals held
Derivative financial assets	**70,306**	58.4	Increase in the scale and revaluation of derivative financial instruments
Financial assets held under resale agreements	**60,247**	338.8	Increase in financial assets held under resale agreements
Other assets	**102,977**	85.6	Increase in funds to be cleared
Borrowings from central banks	**155,251**	30.0	Increase in borrowings from central banks
Financial liabilities at fair value through profit or loss	**5,386**	248.4	Increase in short selling of bonds
Derivative financial liabilities	**71,230**	60.9	Increase in the scale and revaluation of derivative financial instruments
Financial assets sold under repurchase agreements	**119,081**	(53.5)	Decrease in securities sold under repurchase agreements
Taxes and fees payable	**4,701**	(44.6)	Decrease in income tax payable
Other liabilities	**57,765**	36.6	Increase in dividends payable
Other comprehensive income	**5,008**	Negative in 2022	Increase in the fair value of financial investments measured at fair value through other comprehensive income and the translation difference of foreign currency statements
Impairment losses on other assets	**242**	656.3	Increase in impairment losses on repossessed 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 2023 Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)	Six months ended 30 June 2022 Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)
Corporate banking	**46,023**	**43.5**	**20,678**	**48.8**	47,725	44.1	17,371	44.9
Retail banking	**44,004**	**41.6**	**11,238**	**26.5**	42,025	38.8	7,799	20.1
Financial markets business	**14,640**	**13.8**	**10,487**	**24.8**	17,441	16.1	13,244	34.2
Others and unallocated	**1,218**	**1.1**	**(36)**	**(0.1)**	1,027	1.0	297	0.8
Total	**105,885**	**100.0**	**42,367**	**100.0**	108,218	100.0	38,711	100.0

Unit: RMB million

Business Segment	Six months ended 30 June 2023 Segment assets	Proportion (%)	Six months ended 30 June 2022 Segment assets	Proportion (%)
Corporate banking	**2,858,685**	**32.6**	2,933,628	34.5
Retail banking	**2,198,275**	**25.0**	2,207,675	26.0
Financial markets business	**3,119,775**	**35.5**	2,713,155	32.0
Others and unallocated	**603,562**	**6.9**	638,074	7.5
Total	**8,780,297**	**100.0**	8,492,532	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 the Chinese mainland. The table below lists the operating results of the Group by geographical segment.

Unit: RMB million

Geographical Segment	30 June 2023 Segment total assets Balance	Proportion (%)	Six months ended 30 June 2023 Segment profit before tax Balance	Proportion (%)	31 December 2022 Segment total assets Balance	Proportion (%)	Six months ended 30 June 2022 Segment profit before tax Balance	Proportion (%)
Head Office	**3,612,450**	**41.1**	**23,155**	**54.7**	3,391,987	39.9	18,854	48.7
Yangtze River Delta	**1,920,330**	**21.9**	**5,936**	**14.0**	1,883,859	22.2	5,298	13.7
Pearl River Delta and West Strait	**1,009,149**	**11.5**	**(1,662)**	**(3.9)**	989,734	11.7	604	1.6
Bohai Rim	**1,955,705**	**22.3**	**6,330**	**14.9**	1,853,384	21.8	6,543	16.9
Central China	**847,199**	**9.6**	**3,686**	**8.7**	830,699	9.8	5,026	13.0
Western China	**679,809**	**7.7**	**2,556**	**6.0**	671,733	7.9	278	0.7
Northeastern China	**120,313**	**1.4**	**505**	**1.2**	120,001	1.4	255	0.6
Overseas	**491,570**	**5.6**	**1,861**	**4.4**	452,843	5.3	1,853	4.8
Offset	**(1,856,228)**	**(21.1)**	**–**	**–**	(1,701,708)	(20.0)	–	–
Total	**8,780,297**	**100.0**	**42,367**	**100.0**	8,492,532	100.0	38,711	100.0

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

2.6 Key Issues in Operations

2.6.1 Loan Extension

As at the end of the reporting period, the Bank's balance of general corporate loans registered RMB2,501.783 billion, representing an increase of RMB202.387 billion or 8.80% from the end of the previous year. During the reporting period, the Bank continued to expand its high-quality assets, intensified its efforts to serve the real economy, and consistently optimized its business structure. As at the end of the reporting period, the balance of inclusive loans reached RMB507.892 billion, an increase of 13.88% from the end of the previous year. The balance of loans for strategic emerging industries was RMB472.976 billion, an increase of 11.50% from the end of the previous year. The balance of medium and long-term loans for the manufacturing industry[5] was RMB233.372 billion, an increase of 15.4% from the end of the previous year. The growth rates of these loans were all higher than the overall loan growth rate. During the reporting period, the Bank steadfastly implemented national macroeconomic policies, consistently made concession and delivered benefits to the real economy, lowering financing costs for enterprises, with rates of newly granted corporate loans decreased slightly. It stuck to the balanced development of quantity and pricing of corporate loans, maintained a reasonable level of profitability, and sustained its leading position in corporate business.

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

As at the end of the reporting period, the balance of the Bank's personal loans (excluding credit cards) amounted to RMB1,637.817 billion, an increase of RMB84.274 billion or 5.42% over the end of the previous year. During the reporting period, the Bank granted new personal loans (excluding credit cards) totaling RMB452.649 billion, representing an increase of RMB97.908 billion from the same period of last year. Among them, personal housing mortgage loans, personal business loans and credit network loans all witnessed significant growth. During the reporting period, influenced by the factors such as the downward adjustment of the Loan Prime Rate (LPR) and the increased market competition for prime customers, the price of the Bank's newly granted personal loans further declined. In the second half of the year, the Bank will maintain the pace of personal loan granting, focusing on the three major products of personal housing loans, personal business loans and personal unsecured loans. And the Bank will continue supporting the development of the real economy and private enterprises, and help promote the upgrading of consumer spending among residents.

2.6.2 Customer Deposits

As at the end of the reporting period, the Bank's balance of corporate deposits was RMB3,929.232 billion, representing an increase of RMB291.237 billion from the end of the previous year. During the reporting period, the average daily balance of corporate deposits was RMB3,872.274 billion, marking a year-on-year growth of RMB189.716 billion. The rapid growth of the Bank's corporate deposits was mainly attributable to two reasons. The first was the relatively ample national liquidity and the increase in M2 growth rate this year, which provided a favorable external environment for deposit growth. Second, the Bank adjusted its organizational structure of its corporate finance sector at the beginning of the year, and enhanced synergy between customer departments and product departments, jointly improving customer service quality. More than two-thirds of the Bank's branches achieved sound growth. In terms of the deposit costs, during the reporting period, the cost of corporate deposits of the Bank was 2.03%, a decrease of 3 basis points from the end of the previous year.

As at the end of the reporting period, the balance of the Bank's personal deposits amounted to RMB1,304.120 billion, an increase of RMB144.844 billion or 12.49% from the end of the previous year. During the reporting period, under the background that personal customers maintained their low risk appetite, the Bank relying on the development of "five-expertise"[6] accounts, deepened its management of both new and existing customers to enhance personal settlement deposits. It optimized the purchase process for the full range of deposit products through online and offline channels, improving customer experience and achieving continued growth in personal deposits with lower costs. During the reporting period, the daily average balance of the Bank's personal deposits was RMB1,231.224 billion, a year-on-year increase of 36.64%. As at the end of the reporting period, the balance of the Bank's personal structured deposits was RMB86.144 billion, a decrease of RMB11.080 billion from the end of the previous year, and accounted for 6.61% of the Bank's total personal deposits, a decrease of 1.78 percentage points from the end of the previous year. In terms of deposit costs, the cost rate of personal deposits during the reporting period was 2.24%, a decrease of 4 basis points from the end of the previous year.

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6 "Five expertise" refers to settlement, investment, financing, activities and services.

2.6.3 Net Interest Margin

During the reporting period, net interest margin of the Group was 1.85%, a decrease of 0.14 percentage point compared to the same period of last year. Given the environment of moderate and slow economic growth in China, relatively subdued market financing demand, and low interest rates across various types of assets, combined with the impact of LPR reductions and early repayment of personal mortgage loans, asset yield continued to decline. To enhance its capacity in supporting the real economy, the Bank adapted to the downward interest rate market environment and vigorously controlled liability costs. While liability costs achieving significant drop in liability costs. But still it is not enough to fully offset the impact of declining asset yield.

In the second half of 2023, the Bank will continue to uphold the operation focus of "stabilizing net interest margin" and make the management of liability costs a top priority. It will accelerate the release of benefits from low-cost settlement-type deposits and strengthen quantity and price controls on high-cost deposits to consistently reduce liability costs. On the asset side, the Bank will proactively respond to national policy guidance, firmly implement the policy of making concessions and providing benefits to the real economy, while balancing development needs. It will intensify its efforts to market and acquire high-quality assets, optimize major asset allocations, and promote high-quality asset growth.

2.6.4 Non-interest Income

Facing the complex domestic and international situations and market environment, the Bank focused on the "342 Action Plan for Developing Core Business Capabilities" to build three core capabilities in terms of wealth management, asset management and comprehensive financing, and actively promoted a shift towards capital-light transformation and development.

Influenced by market factors, during the reporting period, the Group achieved net non-interest income of RMB32.679 billion, a year-on-year decrease of RMB1.691 billion or 4.92%. Specifically, bank card fees were RMB8.200 billion, a year-on-year increase of RMB160 million or 1.99%. This was mainly due to the growth in credit card business income driven by efforts in meeting diverse customer needs. Agency fees registered RMB3.558 billion, a year-on-year increase of RMB467 million or 15.11%, mainly attributable to an increase in customers' risk aversion emotion and demand under the impact of market volatility, which drove the growth of agency insurance business. Commissions for custodian and other fiduciary business stood at RMB5.399 billion, a year-on-year increase of RMB35 million or 0.65%, mainly because the income increased steadily along with the scale due to the optimization of custody business structure. Guarantee and consulting fees posted RMB2.479 billion, a year-on-year decrease of RMB496 million or 16.67%, primarily due to the impact of decreased market scale in acceptance and bond underwriting. Settlement and clearing fees reached RMB1.213 billion, a year-on-year increase of RMB49 million or 4.21%, mainly because income from businesses such as letters of credit increased.

During the reporting period, the Group achieved other non-interest income of RMB13.616 billion, a year-on-year decrease of RMB1.919 billion or 12.35%. This decrease was mainly attributed to the influence of the bond and bill markets where bill transfers and securities investment income decreased year on year.

2.6.5 Asset Quality

Overview

During the reporting period, the Bank firmly adhered to the mainline of high-quality development, faced challenges head-on, pursued progress while maintaining stability, firmly held the risk bottom line, and consolidated the positive trend of improving asset quality.

The Bank continuously strengthened risk control. It focused on "containing new non-performing assets" to effectively prevent and control the emergence of new non-performing assets. It rigorously assessed credit criteria and consistently improved review and approval standards. It enhanced control over regional and customer concentration and optimized the credit structure. Meanwhile, the Bank improved post-lending management and enhanced the layered and classified risk monitoring mechanism. It focused on risk control in areas such as real estate, local government financing vehicle and large group customers. By adopting risk mitigation measures at earlier steps, the Bank actively reduced engagement with low-quality and low-efficient customers, effectively preventing deterioration of asset quality. It also focused its efforts on "disposing existing non-performing assets" by eliminating legacy risks. It strengthened comprehensive asset quality control, implemented four refined management requirements in terms of total amount, process, provisioning and disposal. It promptly resolved and disposed of key project risks through targeted strategies, and continuously solidified the positive trend.

As at the end of the reporting period, total loans of the Group stood at RMB5,380.101 billion, an increase of RMB227.329 billion from the end of the previous year. The asset quality improved stably overall, with both the balance and ratio of non-performing loans continuing to decrease. As at the end of the reporting period, the balance of non-performing loans stood at RMB64.850 billion, a decrease of RMB363 million from the end of the previous year. The non-performing loan ratio was 1.21%, a decrease of 0.06 percentage point from the end of the previous year. Both the amount and ratio of problematic loans decreased from the beginning of the year, with the balance standing at RMB148.990 billion, a decrease of RMB592 million from the end of the previous year, and the problematic loan ratio standing at 2.77%, a decrease of 0.13 percentage point from the end of the previous year. The Bank's risk resistance capability continued to strengthen, with the ratio of balance of allowance for impairment losses on loans to the balance of non-performing loans (i.e., allowance coverage ratio) at 208.28%, an increase of 7.09 percentage points from the end of the previous year. The ratio of balance of allowance for impairment losses on loans to the balance of total loans (i.e., allowance for loan impairment losses to total loans) was 2.51%, a decrease of 0.04 percentage point from the end of the previous year, indicating adequate allowance.

Asset Quality in Key Areas

2.6.5.1 Risk Control for Corporate Real Estate Loans

The Bank steadfastly implemented the real estate control policies and regulatory requirements set by the CPC Central Committee and the State Council, and implemented an overall strategy of "improving quality, stabilizing existing quantity, and optimizing growth" focusing on the goal of "stabilizing land prices, housing prices and expectations", ensuring a smooth and orderly operation of its real estate business.

First, the Bank maintained stable loan granting to real estate development. Upholding the principles of "working unswervingly both to consolidate and develop the public sector and to encourage, support and guide development of the non-public sector", the Bank treated state-owned and private real estate enterprises equally, while distinguishing between project risks and enterprise group risks. It expanded loans to high-quality real estate enterprises and favorable regions, and implemented list-based, differentiated management for real estate enterprise groups. It also increased support for projects encouraged by national policies such as urban affordable rental housing and long-term rental housing.

Second, the Bank expanded the increment of quality business. The Bank actively conducted presale escrow L/G business and provided more offshore loans under onshore guarantee to support high-quality real estate enterprises. It also proactively participated in the underwriting of bonds issued by quality real estate enterprises and moderately engaged in bond investment activities. The Bank supported reasonable demands for personal housing loans, tailored housing credit policies based on local conditions, supported both essential and improvement housing demands, and optimized financial services for new urban residents.

Third, the Bank effectively addressed legacy risks. For existing development loans facing repayment challenges, the Bank rolled over the loans to facilitate project completion and delivery. It reasonably added complementary financing to support special loans for ensuring delivery of presold housing, considering the overall risks of both existing projects and new projects. The Bank provided sound financial support and services for mergers and acquisitions of real estate enterprises. It classified customers for management purposes, reasonably controlled concentration to a single customer, prevented risks of large credit exposures, and continued implementing comprehensive limit management.

As at the end of the reporting period, the balance of the Group's corporate real estate-related financing that bore credit risk, including real estate related loans, bank acceptance drafts, letters of guarantee, bond investment and non-standard investments, stood at RMB369.673 billion, a decrease of RMB3.760 billion from the end of the previous year. Among these, the balance of corporate real estate loans was RMB283.203 billion, an increase of RMB6.030 billion over the end of the previous year, accounting for 10.33% of the Group's total loans, down by 0.65 percentage point from the end of the previous year. The balance of the Group's corporate real estate financing through agency sale, wealth management product investments and others that do not bear credit risk was RMB44.704 billion, a decrease of RMB3.658 billion from the end of the previous year. In addition, the balance of bond underwriting was RMB42.866 billion, a decrease of RMB10.080 billion from the end of the previous year.

Going forward, the Bank will continue to implement real estate industry policies and regulatory requirements, and steadily carry out real estate business. It will pay close attention to macro policies on real estate, strengthen market research and forward-looking judgments, and take timely actions to optimize internal management measures accordingly.

2.6.5.2 Risk Control for Personal Housing Loans

The Bank actively implemented national and regional policy requirements, met the reasonable housing needs of home buyers, and achieved steady development of its housing loan business. During the reporting period, the newly granted personal housing loans in first and second-tier cities[7] accounted for 78.48% of the Bank's total newly granted personal housing loans, an increase of 0.18 percentage point from the end of the previous year. As at the end of the reporting period, the balance of personal housing loans in first and second-tier cities accounted for 74.13% of the Bank's total personal housing loans, up by 0.13 percentage point from the end of the previous year.

As at the end of the reporting period, the balance of personal housing mortgage loans of the Bank reached RMB952.325 billion, an increase of RMB8.237 billion from the end of the previous year. The non-performing ratio of personal housing loans was 0.51%, an increase of 0.09 percentage point from the end of the previous year; the ratio of special-mention loans was 0.36%, an increase of 0.08 percentage point; the overdue loan ratio was 0.74%, an increase of 0.12 percentage point from the end of the previous year. Due to the combined impact of slowing economic growth and sluggish real estate sales, the non-performing loan ratio, special-mention loan ratio and overdue loan ratio all increased compared to the end of the previous year. Given that the Bank's average weighted mortgage ratio of personal housing loans maintained at around 36% for a long time, with sufficient and stable collateral, and the overall risk of personal housing loan business was manageable.

2.6.5.3 Delay in Principal and Interest Payment by Micro and Small Enterprises

The Bank has rigorously implemented regulatory requirements and fulfilled its social responsibility to help stabilize the economy and assist businesses. It provided deferred principal and interest payment services for business loans to individual businesses and micro and small business owners. After the expiration of relevant policies, Bank will adhere to the principles of unchanged targets, continued strength and uncompromised quality, continue to adopt targeted measures and actively manage the follow-up process after the maturity of deferred loans, ensuring sustained support for the development of the real economy. For micro and small enterprises with normal operations, the Bank will maintain a stable credit supply and proactively contact the enterprises upon maturity. For micro and small enterprises that meet the criteria and have promising business prospects but are facing temporary difficulties, the Bank will assist these enterprises in overcoming challenge through measures such as loan extension, repayment adjustment or restructuring.

7 Calculated based on first and second-tier cities where the Bank's tier-one branches located.

As at the end of the reporting period, the Bank's balance of loans to individual businesses and micro and small business owners of the Bank stood at RMB388.390 billion[8], representing an increase of RMB50.592 billion compared to the end of the previous year, accounting for 23.72% of total personal loans. The non-performing loan ratio stood at 0.83%, a decrease of 0.01 basis point from the end of the previous year.

2.6.6 Disposal of Non-performing Assets

The Bank continuously strengthened the targeted disposal of non-performing assets, and employed comprehensive approaches of recovery, transfer, write-off, restructuring and debt settlement. During the reporting period, the Bank disposed of consolidated non-performing loans totaling RMB39.140 billion. Aiming to reduce losses, increase efficiency and create value, it consistently prioritized cash recovery, formulated science-based and reasonable disposal plans for non-performing assets, seized market opportunities, and hence enhanced disposal efficiency and benefits.

2.7 Key Areas in Business Operation

2.7.1 Wealth Management

To build "new retail" with wealth management at its core, the Bank adhered to the customer-orientated and value-orientated approach, comprehensively deepened customer relationship to become customers' first choice of wealth management bank as an expert at "settlement, investment, financing, activities and services (hereinafter referred to as "five expertise"), with the suitability for "all customers – all products – all channels" as the operation strategy, four links of "sector integration, bank-wide collaboration, intra-Group coordination and external connection" as the development path and two wings of "digitalization and ecologicalization" as the capability support. As at the end of the reporting period, the balance of retail assets under management (including assets measured at fair value)[9] of the Bank stood at RMB4.15 trillion, an increase of 5.90% over the end of last year.

The Bank practiced the "all customers, products and channels" management strategy, and enhanced its systematic and specialized operational capabilities. In terms of customers, the Bank further improved its management system for all customers. For mass customers, it focused on customer upgrading and activity rate improvement. For wealthy and VIP customers, it upgraded its service system centered around the "five expertise" needs. For private banking customers, it implemented an all-channel marketing approach through branch teams, direct engagement by the Head Office and the diamond team. In addition, the Bank focused on elderly people and going abroad customers. It enhanced the elderly-oriented service system, organized a large-scale 25th anniversary event for going abroad finance, and launched the "Junior Trip" children's education brand. **Regarding products**, the Bank continued to elevate its overall product allocation capabilities, refined its product ecosystem featuring all strategies and all categories, enriched quant-based, multi-strategy and derivative strategies for private banking, and upgraded the comprehensive service system for family trusts, covering the wealth inheritance needs of customer groups at multiple levels. It also upgraded its Head Office investment research framework, established a quarterly strategy discussion mechanism within the research team, strengthened professional empowerment and product strategy transmission, and supported the enhancement of frontline asset allocation capabilities.

8 According to the statistics standard of PBOC.
9 Including the retail customers' assets under management of the Bank's subsidiaries.

On the channel front, the Bank fortified its all-channel service support capabilities. The effectiveness of online operation channels was evident, the remote channel capacity was released at an accelerated rate, and the system for outlet development and management capabilities was improved. The Bank expanded the service coverage of private banking customers via its private banking centers and studios, advanced service management and training system building, and comprehensively strengthened its brand image of "the more we care, the more you gain".

The Bank implemented the "four links" strategy to unleash incremental capacity and provided comprehensive "five expertise" services with a customer-centric approach. Through sector integration and Bank-wide coordination, the Bank delved into and optimized comprehensive business plans for personal loan customers. It further enhanced the "dual integration" of debit cards and credit cards, and launched exclusive benefits and services for private banking customers such as CITIC Instant Loan, Express Payment Vouchers and Personal Pension Account Voucher. As an innovative move, the Bank introduced the private banking platinum card, improved the characteristic wealth management service system for credit card customers, and persistently advanced strategic initiatives like payroll service and the private banking brand "Cloud Enterprise Club". **Continuing to advance in Group-wide collaboration and external partnerships**, the Bank actively integrated with the overall development of CITIC Group. Relying on the Entrepreneurs' Office platform of CITIC Financial Holdings, it provided integrated financial service solutions to private banking customers and their enterprises. The Bank strengthened strategic cooperation with leading internet platforms such as JD, Douyin and Tencent, deeply integrated into ten major ecosystems including "housing, automobile, payroll, consumption, going abroad, education and community", and offered a comprehensive financial and non-financial services to a broader range of personal customers.

The Bank continuously empowered operation management through "two wings" across the entire operational management process. The Bank improved the "business – technology – data integration" working mechanism for retail banking and improved the efficiency of agile operations. Relying on the one-stop sales platform for wealth products, the lifecycle management system for private banking products, the new generation personal credit system and the M+ retail operation platform, the Bank enhanced its data-driven operation and management capabilities. It continued to build open, mutually beneficial and collaborative values and organizational capabilities into the organizational mechanism, operation system, service capability and cooperation model.

2.7.2 Asset Management

Asset management business of the Bank is the bridge and pivot in the value chain of its "wealth management – asset management – comprehensive financing". Relying on the advantage in financial license, ability in asset organization 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, oriented by customer demands, adhered to a prudent investment style, and comprehensively enriched its product portfolio. It built a "6+2" product system encompassing six major tracks namely money, money+, fixed income, fixed income+, hybrid, equity, along with two new tracks of projects and equity, effectively catering to the distinct wealth management needs of diverse customers. The Bank continued to develop a unified "1+N"[10] strategy library, capitalized on its fixed income advantages in wealth management, consolidated its traditional strengths, and strengthened its core competitive foundation. Leveraging the experiences of mature asset management institutions within and outside CITIC Group, the Bank accelerated the cultivation of multi-strategy investment capabilities beyond fixed income to establish a distinctive competitive edge.

The Bank forged a combined "Investment + Advisory" service model for its asset management business, meeting customers' individualized wealth management needs. As the first one in the industry to introduce family trust advisory services it successfully established a reputation for tailored private asset management services under discretionary trust. The Bank steadily expanded open-end wealth management platforms and forged agency-based distribution partnerships with 27 banks. A comprehensive media matrix, primarily based on WeChat and Douyin ecosystems, took shape, augmenting the Bank's branding and communication capabilities. Harnessing the CITIC Synergy, the Bank continued refining its F2F2C model, extending its presence through quality urban and rural commercial banks in the Yangtze River Delta, Greater Bay Area and Beijing-Tianjin-Hebei region as distribution channels. This move enhanced business cohesion between branches, elevated the Head Office's strengths in "Interbank+" platform, and facilitated multi-directional momentum for mutual success.

The Bank's asset management business closely followed national strategies and resolutely maintained its original aspiration of serving the real economy. The Bank **actively promoted common prosperity**, took the lead in exploring the new model of "charity + finance", issued "Caring for Children" charity wealth management products during the reporting period, and worked with public welfare foundations and others to jointly promote the high-quality development of charity wealth management. The Bank **accelerated the planning for pension finance**, actively explored new pathways for its wealth management to engage in the development of a multi-tiered and multi-pillar pension system, and was selected as one of the first institutions to offer personal pension services. It made efforts in product creation, investment management, risk control mechanism, management rules and operation custody. The Bank **continuously served sci-tech innovation finance**, supported enterprises with specialized, sophisticated techniques and unique, novel products, and empowered technology-based innovative enterprises through direct equity investment, equity financing, industrial fund, patent technology financing and so on, thus promoting breakthroughs in the "bottleneck" core technologies. It also **actively implemented the national rural revitalization strategy**. Focusing on key rural industries and based on the positioning of wealth management business and its business advantages, it continuously innovated financial products and services.

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[10] "1+N": "1" refers to the fixed income investment strategy, "N" refers to multi-strategy investment other than fixed income.

The Bank adhered to a technology-driven approach in its asset management business and strengthened the integration of business and technology at the top level. It deepened agile development practices, enhanced technological independence, and achieved independent design and construction of its four core systems of asset management, TA, risk control and direct sales. In compliance with central government's requirements for security and reliability, the Bank proactively carried out transformative changes in key business systems. Based on the successful launch of the full-stack IT innovation-based OA office system, the Bank leveraged the Head Office's Lego-style platform to conduct a full-stack IT innovation-based change for the WeChat marketing service system.

As at the end of the reporting period, the Bank's wealth management products amounted to RMB1,594.573 billion, an increase of RMB17.496 billion over the end of the previous year, of which new products amounted to RMB1,529.074 billion, ranking among the top in the market, with the share of new products rising to 95.89% and marking significant results in the transformation to a net asset value approach. During the reporting period, the Bank's income from wealth management business amounted to RMB3.635 billion. With outstanding product performance, CITIC Wealth Management, secured the second position among national wealth management institutions in the comprehensive wealth management capability ranking for the first and second quarters of 2023, as published by Puyi Standard.

2.7.3 Comprehensive Financing

The Bank diligently promoted the development of comprehensive financing business, and reinforced robust coordination and mutual support among various business lines within the Bank around customer management, product development and channel building. It drove the establishment of an operational model for corporate banking characterized by "commercial banking + investment banking + asset management". As at the end of the reporting period, the balance of the Bank's comprehensive financing amounted to RMB12.55 trillion, up by 2.04% over the end of last year.

During the reporting period, leveraging the new organizational structure of the corporate banking sector, the Bank extensively advanced the dual transformation of "product-oriented customer departments" and "customer-oriented product departments", which generated new momentum for comprehensive financing and significantly enhanced the capabilities of customer departments in providing comprehensive financing services. The management of major customers became more refined, with more precise "one account, one strategy" comprehensive financing services. The Bank continued to deepen the comprehensive management of micro, small and medium customer groups, developed exclusive comprehensive management plans for key customer groups, and improved the exclusive product system of "CITIC Easy Loan".

The Bank delivered smoother customer services through collaboration between product departments, strengthened coordination and cooperation with CITIC Wealth Management in its investment banking business, and consistently provided high-quality projects of the capital market. It remained No.1 in the market in terms of scale of debt financing instruments underwritten, leading joint-stock banks regarding the number of syndicated loans as the lead bank, and registered over RMB100 billion in the balance of merger and acquisition financing for the first time. In the field of sci-tech innovation finance, the Bank was poised to make a breakthrough, established centers for sci-tech innovation finance at key branches to fully serve sci-tech enterprises, and fostered new drivers of sustainable development. Regarding transaction banking, the Bank enriched product toolkits such as innovative model cluster pool, interbank re-factoring and online order financing to continuously improve the "Chain Ecosystem". It focused on both the main track and the new track of auto finance, and ranked among the top in the industry as for the main indicators such as the cumulative financing scale and number of customers. Regarding international business, the Bank focused on export e-loan, export-oriented enterprise bonus card and credit guarantee whitelist mode to serve small and medium-sized foreign trade customers.

The Bank provided stronger credit support to key areas of the real economy through on-balance-sheet comprehensive financing. As at the end of the reporting period, the growth rate of green credit, loans to strategic emerging industries, medium and long-term loans to manufacturing and loans to rural revitalization exceeded 19%, 11%, 15% and 12% respectively over the beginning of the year. The Bank actively implemented relevant requirements of the National Development and Reform Commission and other central ministries and commissions, and continuously increased credit support for education, medical care and other areas.

In the next step, the Bank will tailor its strategies based on the characteristics of economic capital utilization across various business lines and place a strong focus on customer groups and scenarios related to "technology and innovation + industrial parks + new drivers of growth". It will coordinate "bank + synergy + matching" funding channels, establish a comprehensive project reserve pool encompassing all assets, effectively linking wealth management. While consistently providing comprehensive financing services to the real economy, the Bank aims to achieve high-quality development of its comprehensive financing business.

2.7.4 Digital CITIC

Consistently adhering to a comprehensive technology-driven strategy, the Bank maintained its commitment to high-level technical independence and self-sufficiency, while balancing strategic foresight, excellence and speed. It continuously leveraged cutting-edge technologies to deliver superior services and a smart, ecological and caring digital CITIC to drive high-quality growth across the Bank. As at the end of the reporting period, the Bank had 4,847 technology employees (excluding that of its subsidiaries), representing a 15.96% growth over the same period of last year and 8.46% of total staff.

Deepening business, technology and data integration and continually unlocking digitization value. The Bank expanded its domain-based transformation to the three IT centers, and established over 340 agile integration teams, covering nearly all R&D personnel. Product-level agile delivery spanned over 20 product lines, encompassing all front-office segments. **Focusing on the retail business strategy**, the Bank launched elderly pension investment products and the "Flexible Money+" flagship wealth product on its enterprise-level wealth management platform (Benteng), supporting emerging sales models like corporate and internet insurance sales, with an increase of 30% in contracted customers year on year. **Focusing on the corporate business strategy**, the Bank continuously optimized the Tianyuan treasury system, built 14 business centers, 87 functional modules and over 1,000 functional points, and developed a customer base management and service system that empowered branches and sub-branches in customer acquisition, service and product promotion. The transaction banking product suite became increasingly mature. The Bank optimized over 30 online products including CITIC e-Procurement, asset pools and regulatory corporate modules and moved faster in expanding the service ecosystem. **Focusing on the financial markets business strategy**, the Bank continued building application ecosystems, launched the Interbank+ platform transformation, and maintained industry-leading scale and transaction volume on agency trading platforms. It pioneered digital derivatives sales personnel, filling gaps in independent option pricing and boosting quote efficiency by tenfold, and underpinned market-leading forex market-making business. **Focusing on the middle and back office strategy**, the Bank continued developing a retail anti-fraud risk control system, undertook telecommunications network fraud prevention and control, and safeguarded over RMB34.00 million of customer assets. The comprehensive upgrade of risk models resulted in a more than 90% daily reduction in the number of suspicious accounts identified, with over 70 thousand abnormal accounts identified and controlled accunulatively.

Building a cloud-native technology capability system and strengthening core technological competencies. The Bank continually promoted enterprise-wide shared capabilities and scaled adoption. Holding a leading position in business middle-office service-oriented architecture, the Bank established 10 business capability centers and launched major projects like Kunpeng and Retail M+, providing shared capabilities for over 130 application systems across retail banking, corporate banking and financial markets. The technology middle office continued to focus on building service mesh, Lego-style development platforms, container cloud platforms and foundational technology services, and implemented the ServiceMesh dual service mesh system as a pioneer. The Bank expanded the Lego ecosystem to cover 100% of developers via an integrated development operations platform, and its self-developed low-code service orchestration platform was rated "Advanced Level", the industry's highest standard, by China Academy of Information and Communications Technology. Relying on its IT innovation-based cloud stack, the Bank accelerated the migration of applications to cloud, with over 60% containerization, leading its peers, and significantly enhancing application standardization and elasticity of resources. It developed over 30 foundational technology services, continuously improved shared capability reuse, and greatly reduced duplicated R&D costs.

Continuously building enterprise-level data capabilities and unlocking data element value. The Bank made solid efforts in advancing data governance, launched the Data Asset Management Platform (Phase I), continuously promoted data classification and protection of customers' sensitive information according to established standards, and published over 25,000 items in the enterprise data dictionary. It comprehensively enhanced real-time data service capabilities across the Bank. During the reporting period, the Bank experienced a year-on-year increase of 165% in the number of data requests accepted, and the average delivery efficiency improved by 60%.

Targeting five key innovation areas and continually unleashing technological innovation value. Focusing on trust technology, interactive technology, quantitative technology, green technology and intelligent technology, the Bank continued improving its technological innovation, technological incubation and scaled adoption systems. The privacy computing blockchain collaboration platform was awarded "2023 Best Blockchain Project" by *The Asian Banker* as the only blockchain project in Asia Pacific to receive the honor. The privacy computing platform 2.0 passed the highest security assessment by China Academy of Information and Communications Technology. The metaverse platform won the Outstanding Metaverse Award at the 6th Digital China Industry Metaverse Awards. The Bank independently developed the Investment Brain (Financial Quantitative Wealth Management System), which created a client-centric lifecycle wealth service system, an investment product quantitative evaluation system, and a personalized investment companion marketing service system. This initiative was recognized as the "Best Wealth and Asset Management Project in China" by *The Asian Banker* in 2023. The Bank also independently developed an innovative ESG and carbon rating mechanism and successfully established ESG rating system, which provided robust green technology support for credit approval, risk warning, post-lending management, investment and financing activities. Technologies such as AI intelligent dialogue, smart outbound calling, intelligent portraying and intelligent business processes were applied in various fields. During the reporting period, the effective response rate of AI intelligent dialogue exceeded 95%, and optical character recognition (OCR) significantly enhanced operations like bill recognition, transaction auditing and document verification, resulting in an average efficiency improvement of over 80%. The Bank established joint innovation laboratories with Huawei and Xiongan New Area, and undertook collaborative projects like big model.

2.7.5 Collaboration within CITIC Financial Holdings

Since the founding of CITIC Financial Holdings in 2022, the Bank has proactively strengthened finance and finance cooperation through the Financial Holdings platform, and continued improving the four functional systems of "comprehensive financial services, unified customer services, comprehensive risk prevention and control, and advanced technological empowerment". Taking advantage of CITIC Financial Holdings' Wealth Management Committee and its three sub-committees respectively responsible for investment banking business, retail system development and asset allocation as well as the five specialized task forces formed during the reporting period for asset management, enterprise annuity, retirement pension, special assets and wealth brand, the Bank jointly worked with collaborative organizations to drive collaboration in various niche areas such as capital market financing, equity funds, joint underwriting, product selection and asset allocation, and to fully leverage the unique advantage of the full and integrated financial licenses within CITIC Group.

In terms of improving comprehensive financial service capabilities, under the organization of CITIC Financial Holdings, the Bank along with collaborative organizations, established mechanisms, platforms, teams and models to advance comprehensive financial services for customers, jointly assess market opportunities, devise plans, and drive marketing efforts. This approach established a value chain connection between comprehensive financing, asset management and wealth management, offering customers one-stop, customized, multi-scenario and full lifecycle specialized services. During the reporting period, the scale of joint financing provided by the Bank and the financial subsidiaries of CITIC Group for corporate customers reached RMB979.5 billion, the scale of coordinated agency sale to corporate customers was RMB36.9 billion, and the scale of coordinated agency sale to retail customers was RMB59.1 billion.

In terms of improving unified customer service capabilities, the Bank adhered to the principle of "One CITIC, One Customer", consolidated customer resources to facilitate closed-loop customer services through customer, channels and information sharing. Through the strategic customer list-based marketing mechanism led by CITIC Financial Holdings and the integrated marketing teams for entrepreneur customers, the Bank collaborated with other entities to jointly market strategic customers. Leveraging the abundant resources of CITIC Financial Holdings, the Bank provided customers with "beyond banking, beyond finance" and "financing + intelligence" comprehensive services. During the reporting period, the Bank and the financial subsidiaries of CITIC Group shared the information of 316 corporate customers and 4,399 high-end retail customers and new personal customers using third party depository services totaled 68.3 thousand.

In terms of improving comprehensive capabilities in risk prevention and control measures, the Bank leveraged the comprehensive risk management system established by CITIC Financial Holdings, proactively integrated itself into the overall risk isolation mechanism of CITIC Financial Holdings, and refined the concentration limit management mechanism to prevent cross-contamination of material risks. Guided by CITIC Financial Holdings, the Bank implemented refined management for key customers and sectors to promptly detect, investigate, control and resolve emergent risk events. During the reporting period, the jointly disposed debt principal totaled RMB5.4 billion, and great achievements were made in collaborative efforts to defuse risks.

In terms of improving advanced FinTech capabilities, the Bank proactively helped CITIC Financial Holdings to build a new open and integrated ecosystem with "shared infrastructure, shared data resources, connected management applications and uniformed user experience", and leveraged the digital platform of CITIC Financial Holdings to focus on promoting the three key business areas of "shared services, wealth management and intelligent control". Guided by CITIC Financial Holdings, the Bank continued to increase its investment in technology and talent reserves and fully implemented the "cloud-based management and lake-based data" initiative. It strengthened advanced technology capabilities such as middle-office capabilities, data capabilities and infrastructure capabilities. By using cutting-edge technology to achieve top-tier business performance, the Bank was committed to building first-class technology-driven bank, thereby supporting the development of "Digital CITIC".

2.8 Business Overview

2.8.1 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.

During the reporting period, the Bank's corporate banking business registered a net operating income of RMB43.231 billion, down by 4.30% year on year, accounting for 43.71% of the Bank's net operating income, down by 0.87 percentage point from the same period of the previous year. Specifically, the net non-interest income from corporate banking totaled RMB6.213 billion, accounting for 20.85% of the Bank's net non-interest income, down by 3.51 percentage points over the same period of last year.

2.8.1.1 Customer Management

During the reporting period, the Bank made consolidating the corporate customer group a Bank-wide strategy, and continued to promote the stratified and classified customer management. It continued to strengthen promotional efforts targeting small and medium-sized customer groups to improve the customer-acquisition quality, fully leveraged major customers according to the "one account, one strategy" management model, carried out systematic operations and improved the comprehensive value of government and institutional customers with "eligible accounts + government finance" as the core. Meanwhile, the Bank further strengthened integrated management for customers, deepened the building of product-oriented customer departments, customer-oriented product departments, and all-around development of customer managers, and built an agile team centering on key customer groups to form a customer-oriented management synergy. As at the end of the reporting period, the Bank recorded 1,095.5 thousand accounts of corporate customers, an increase of 58.2 thousand accounts over the end of last year. Among them, there were 261.7 thousand accounts of base corporate customers[11] and 147.0 thousand accounts of valid customers[12], up by 8.7 thousand and 6.6 thousand respectively from the end of the previous year.

During the reporting period, the Bank further focused on enterprises with specialized, sophisticated techniques and unique, novel products, enterprises engaged in technological innovation, and other customer groups of new economy, brought into full play of CITIC Group's advantages in synergy, and provided differentiated financial services for key customer groups. During the reporting period, the customers of national and provincial enterprises with specialized, sophisticated techniques and unique, novel products increased by 411 and 1,634 respectively.

Major Customers

The Bank set up the Major Customer Department, which commits to advance the list-based major customer[13] management and provide major customers with quality and integrated financial services. To ensure in-depth management of major customers, the Bank implemented the customer-by-customer strategy, efficiently met major customers' demands involved in key projects, customized and provided integrated solutions, allocated differentiated resources, and optimized business processes, while expanding the supply chain for serving major customers. During the reporting period, the Bank sponsored seminars for the construction industry, co-sponsored the 24th China Management Accounting Salon, and carried out cooperation with major customers in areas such as construction, new energy, semi-conductors, automobiles, consumption and big data.

During the reporting period, the Bank's daily average balance of deposits from major customers stood at RMB1,560.954 billion, an increase of 3.61% over the the end of last year. As at the end of the reporting period, the Bank's balance of loans to major customers stood at RMB979.251 billion, an increase of 5.50% over the end of the previous year.

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

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

13 Major customers include Head Office-level major customers and branch-level major customers, consisting mainly of leading industrial enterprises that serve as pillars of the economy, central enterprises, manufacturing champions, and high-market-value listed companies. Data for the reporting period and at the beginning of the period have been adjusted according to the changes in the scope of customers.

Government and Institutional Customers

The Bank actively provided government and institutional customers of different levels and types with quality financial services, and continued to enhance the establishment of the government and institutional business system, working to build the brand of government financial services of CITIC Bank.

During the reporting period, the Bank comprehensively deepened strategic cooperation with governments at all levels, leveraged the synergetic advantage of the Group, intensively developed integrated financial services for customers in areas such as public finance, social security, housing, education and healthcare, and obtained over 300 key government service accounts of various types. It played a positive role in practicing national strategies and advancing high-quality development. For key fields such as water conservancy, transportation, renovation of old residential communities, rural revitalization, municipal industrial parks and new infrastructure, the Bank help address the concerns of governments with full-process services for local government bonds, provided consulting services for more than 1,400 local government bond projects, and vigorously advanced project financing. The Bank supported the building of service scenarios for government administration and people's livelihood, and drew customer traffic for corporate and retail banking businesses with a focus on scenarios like healthcare, education and training, medical insurance and social insurance, and finance and taxation, bringing accounts in over 2.00 million payroll accounts and empowering business across the Bank.

As at the end of the reporting period, the Bank recorded 78.2 thousand accounts of government and institutional customers[14] of various types. During the reporting period, daily average deposits of government and institutional customers posted RMB1,307.199 billion.

Small and Medium-sized Customers

Aiming to create value, the Bank improved the four toolboxes of "policies, services, products and cooperation", to build a marketing service system aligned with small and medium-sized customers and further promote the comprehensive management of small and medium-sized customers[15].

During the reporting period, the Bank continuously improved products and services, introduced innovative credit products exclusive to small and medium-sized customers, and refined e-banking services for corporate customers. It expanded key customer groups, and tailored integrated management solutions for key customer groups based on the principle of "product-oriented customer departments". The Bank beefed up support, expediated digital transformation, and improved the digital management of small and medium-sized customers, easing burdens on and empowering first-line customer managers.

As at the end of the reporting period, the number of small and medium-sized customers of the Bank reached 251.0 thousand, an increase of 8.2 thousand compared with the end of last year. Among them, the number of enterprises with specialized, sophisticated techniques and unique, novel products totaled 17,067, an increase of 1,773 from the end of last year. During the reporting period, the Bank recorded an average daily balance of deposits (including wealth management) of RMB751.100 billion, an increase of RMB12.994 billion comparing with the previous year.

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

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

Micro and Small Enterprise Customers

The Bank resolutely followed national decisions and plans, thoroughly implemented regulatory policies and requirements, and stepped up efforts to improve the financial services for micro and small-sized enterprises.

The Bank continued to increase institutional support. During the reporting period, the Senior Management held several meetings on inclusive finance and made key work arrangements. The working group for inclusive finance held regular working meetings to coordinate and promote business development. It further improved the professional mechanism with "six unifications by the Head Office and four concentrations at branches"[16] at its core, moved faster to promote the building of direct operation teams, full-time customer managers, product managers, professional review and approval personnel.

The Bank continued to increase product and service support. During the reporting period, it further improved the "innovation test field" for inclusive finance products, updated intelligent product development credit factories, and increased the efficiency of product and service innovation. It launched innovative online loan products such as "Youke E Loan", and enriched the exclusive product system of "CITIC Easy Loan". Meanwhile, it optimized the "Inclusive Smart Marketing" zone with the new feature of "AI Trainer" to enhance the professional service capabilities at primary-level institutions. It also further promoted manufacturing loans, unsecured loans, first-time credit account service and loan renewal service without principal repayment.

The Bank intensified efforts in risk compliance management. During the reporting period, it adjusted risk compliance management strategies, improved review and approval standards, the post-lending early warning management and other risk management policies and processes, continuously iterated the intelligent risk control platform, enriched intelligent risk control rules, set exclusive templates for post-lending regular inspection, and strengthened internal control and compliance management such as loan payment control, capital flow monitoring and anti-money laundering.

The Bank further strengthened policy resource support. During the reporting period, pursuant to regulatory requirements, it incorporated relevant inclusive financial indicators into the comprehensive performance evaluation for branches made it accounting for 10% or more of the evaluation. Furthermore, the Bank maintained its risk tolerance, implemented the policy to ensure no one who has fulfilled their duties shall be held liable, set special-purpose rewards, fees and subsidies, and bolstered business development based on policy support to fully motivate branch institutions.

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

As at the end of the reporting period, the balance of loans to micro and small enterprises[17] stood at RMB1,393.586 billion, an increase of RMB145.388 billion over the end of the previous year; the number of customers with outstanding loans was 274.6 thousand, an increase of 31.5 thousand accounts from the end of the previous year. The balance of inclusive finance loans to micro and small enterprises[18] reached RMB507.892 billion, an increase of RMB61.900 billion over the end of the previous year, representing a growth of 7.14 percentage points faster than that of other loans; the number of customers with outstanding loans was 260.0 thousand, an increase of 30.0 thousand from the end of the previous year. The asset quality remained at a sound level, with an NPL ratio lower than the average NPL ratio of the Bank. The overall cost of financing for micro and small enterprises from the Bank dropped steadily.

2.8.1.2 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, product-driven and guided by win-win results, the Bank worked to become a comprehensive financial service provider in 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.

During the reporting period, the Bank stayed ahead in the bond underwriting market, underwriting 691 debt financing instruments with a combined size of RMB347.377 billion, ranking first by both the size and number of underwritten bonds[19]. For the investment banking business, the Bank granted over RMB70.0 billion for on-balance sheet financing, leading the list of joint stock banks by the number of syndicated loans in which it acted as a lead bank. Besides, the Bank continued with product innovation, got further involved in scenarios related to activating existing assets and expanding effective investment, and implemented key projects like M&A syndicated loans and rectification syndicated loan.

During the reporting period, the Bank achieved business income of RMB4.176 billion and financing of RMB741.200 billion in its investment banking business, hitting a record high of the same period in history, and won the "2023 Gamma Award for Investment Banking as A Boutique Bank" by *Securities Times* and the "Best Bond Underwriter" by Wind Info.

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

18 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.

19 Ranking based on Wind Info data.

International Business

The Bank's international business proactively acted upon relevant policies on stabilizing foreign trade and supporting the real economy, and steadily drove forward business development.

During the reporting period, the Bank increased support for foreign trade enterprises. It sponsored the 1st Digital Finance Service Festival & 4th Micro and Small-Sized Customer Service Festival jointly with China Export & Credit Insurance Corporation, and signed the Joint Action Declaration on Digital Support for Micro, Small and Medium-Sized Foreign Trade Enterprises with the latter. Targeting small and medium-sized foreign trade enterprises, the Bank promoted the Export E Loan, point cards for export-oriented enterprises and the credit insurance-based whitelist model to expand the coverage of services. It collaborated with All-China Federation of Industry and Commerce on launching the "Facilitating 'Going Global' Efforts of Private Enterprises", and took an active part in the 133rd China Import and Export Fair ("Canton Fair").

During the reporting period, the Bank worked to advance cross-border treasurer building, and created the service system dominated by the cross-border center and forex center, leading the industry[20]. It offered strong support for the emerging forms of foreign trade, collected or settled over USD25.3 billion of forex for small and medium-sized cross-border e-commerce operators, and served more than 49,400 small and medium-sized export enterprises. It backed the development of free trade zones, and promoted the implementation of the 30 financial measures for Hengqin and Qianhai, with the Bank's balance of assets in free trade zones increasing by 37.58% from the end of last year.

During the reporting period, the Bank registered USD112.452 billion of forex contract trading amounts, and USD188.053 billion of receipts and payments for international balance of payments, remaining leading among joint-stock commercial banks.

Transaction Banking Business

During the reporting period, the Bank moved faster to build the digital ecosystem for the transaction banking business, continuously sharpened the edges of CITIC Tianyuan Treasurer, and further innovated models of financial services, to provide enterprises with comprehensive "digital and intelligent" financial services.

In terms of the "Chain Ecosystem", the Bank strengthened supply chain product development, and launched the fund pool for the next-generation electronic bills, the feature of automatic inclusion of new and old electronic bills into the fund pool, and the intelligent estimation mechanism for future cash flows, etc. It launched the "Lian Xiang" platform and online order-based financing products, and implemented the first batch of deals, further enriching its product system. During the reporting period, supply chain financing reached RMB690.679 billion, up by 8.57% year on year; and there were 24,170 supply chain financing customers, up by 11.64% year on year.

[20] Including SWIFT AMH, cross-border fund pool, Forex Transaction Connect, Forex Butler and CIPS standard transceiver.

In terms of the "Finance Ecosystem", the Bank launched the CITIC Tianyuan Treasurer service system, and held release conferences in cities like Shenzhen, Guangzhou and Zhengzhou, which saw positive response from the market. The CITIC Tianyuan Treasurer system has 14 centers, 87 modules and more than 1,000 features available. The Bank pushed forward the R&D of key products for collection, payment, custody and financing businesses, and further enhanced the capabilities in online settlement for scenarios like enterprise funds supervision, commodity transaction, rent collection and payroll service. Furthermore, the Bank upgraded the interbank gateway platform by connecting it to the gateways of 20 mainstream commercial banks and empowering it with features like online payment, second-level reconciliation, batch inquiry and T+0.5 transfer.

In terms of the "e Ecosystem", being customer-oriented, the Bank carried out rectification of problems identified in corporate e-banking, and improved the knowledge repository. It monitored corporate e-banking experience, conducted product tracking and analysis, and focused on customer experience impairment. It ramped up promotion of key products in the "e Ecosystem" such as e-CNY for corporate customers, CITIC e-Card and CITIC invoice folder.

As at the end of the reporting period, the Bank recorded 1,024.0 thousand accounts of customers in transaction banking, a growth of 6.54% over the end of the previous year. During the reporting period, the Bank registered trade finance of RMB898.235 billion, up by 13.17% year on year; completed 103,506.0 thousand deals of transaction banking worth RMB82.05 trillion, up by 5.17% and 11.10% year on year respectively. At the 7th China Supply Chain Finance Industry Benchmark appraisal, the Bank was honored the "Best Innovation Bank in Supply Chain Finance", which further improved its market influence and demonstrated its efforts in stabilizing and reinforcing the supply chain.

Asset Custody Business

Holding fast to the philosophy of "value-added custody business", the Bank deepened business collaboration within the Group, intensified the move of bringing assets generated from internal resources under custody, focused on the main business of custody, deepened customer management, strengthened building of service capabilities, and sped up technology empowerment to improve the custody customer experience.

The Bank enhanced the promotion of asset management businesses such as mutual funds, pension and cross-border custody. During the reporting period, the Bank recorded RMB2.11 trillion of mutual funds under custody, with newly launched products covering diverse types including active equity funds, mutual REITs, hybrid valuation products and institutional bond funds. Among them, the total quantity of mutual REITs ranked second in the market[21]. The Bank recorded steady growth in annuity business, winning the qualification as the custodian bank of occupational annuities for central government agencies and public institutions and other businesses in all 32 provinces, autonomous regions and municipalities directly under the State Council. The size of enterprise annuities under custody amounted to RMB147.811 billion, ranking second among joint-stock commercial banks[22]. The size of QDII products under custody reached RMB138.507 billion, and southbound trading under the Bond Connect program achieved further headway, still ranking first among the three custodian and clearing banks by performance.

[21] Ranking based on Wind Info data.
[22] According to the data released by the Ministry of Human Resources and Social Security.

The Bank upheld the principle of "being customer-centered and data-based, inspiring digital intelligence and creating value-added custody business", continued to promote digitalization of custody business, and built a multi-tiered custody business service system featuring "unified management + intelligent operations + caring services + value-added innovation" through technology empowerment.

During the reporting period, the Bank recorded RMB1.811 billion of income from custody business, a year-on-year growth of RMB54 million while the market overall declined. As at the end of the reporting period, the Bank's AUM exceeded the milestone of RMB14 trillion for the first time, reaching RMB14.11 trillion, an increase of RMB734.907 billion from the end of last year. The custody accounts continued to beef up deposit growth, recording an average daily balance of deposits of RMB290.297 billion during the reporting period, of which the average daily balance of general corporate deposits on the custody accounts was RMB104.378 billion. The Bank was awarded the "2023 Joint-stock Custodian Bank in China" for its asset custody business by *The Asian Banker*.

Auto Finance Business

With a focus on auto manufacturers, the Bank's auto finance business vigorously expanded customer groups and served the whole industrial chain. While maintaining a leading foothold in the market, the Bank adapted to industrial trends, increasing presence in areas like new energy and used cars and embracing market reforms, to inject new impetus into the innovation and upgrade of the auto industry. During the reporting period, the Bank committed to in-depth customer management, efficient product upgrade and continued experience improvement, to ensure accessibility, satisfaction and experience of financing and settlement services for customers across the auto industry chain.

In terms of customer management, the Bank combined financing products like inventory-based financing with settlement products, to provide customers in the auto industry with financial services integrating financing and settlement. It tailored financing solutions based on orders, margin, sales rebates and other scenarios for dealers of new energy vehicles to be aligned with the brand-new sales and commercial models in the automobile distribution market. It provided financing for individual auto dealers in the used car trading market to promote the prosperity of the auto industry and further serve micro, small and medium-sized enterprises. Furthermore, it deepened the linkage between corporate banking and retail banking, offering strong financial support for both auto dealers and consumers.

In terms of product upgrade, the Bank created the pool financing model for auto finance to unlock the potential of product portfolios. It launched the corporate account overdraft product for auto finance to meet the demand of auto dealers for lean management. Also, it promoted the "automated loan granting + CITIC Note Connect" portfolio for auto finance, which featured fast note issue, automated discounting and unperceived a collection, and integrated acceptance and discount.

In terms of experience improvement, the Bank was the first to implement online review and approval of auto finance deals in the industry. By combining its risk control experience in auto finance accumulated in nearly two decades with the latest results of big data-based risk control, the Bank put in place a unified system to assess the credit risk of auto dealers, improving the review and approval efficiency by nearly 50%. Meanwhile, it promoted automated loan granting services, which covered more than 6,000 downstream dealers and supported nearly 120,000 deals, with a replacement rate of 81%.

As at the end of the reporting period, the Bank's auto finance business recorded 7,539 auto business customers[23], and the balance of outstanding financing was RMB141.831 billion. During the reporting period, loans of RMB254.606 billion were granted, representing a year-on-year growth of 17.54%; the balance of daily average deposits stood at RMB66.846 billion, up 17.07% year on year. As at the end of the reporting period, the overdue advance ratio stood at 0.12%, indicating sound asset quality.

Wealth Management for Corporate Customers

Committed to becoming a first-class wealth management bank for corporate customers, the Bank established an all-round accompanying marketing service system with customers as the center, intensified efforts in delivering richer products, better services and easier operation, and spared no effort to boost the sound development of corporate wealth management business.

During the reporting period, the Bank further enriched the ecosystem of corporate wealth management products that covered cash management, fixed income and fixed income+ products, and continued to provide customers with diversified and personalized value-added wealth management services. The Bank strengthened the synergy within CITIC Group, and deepened cooperation with leading financial subsidiaries within CITIC Group such as CITIC Securities and CITIC Trust, successively issuing 11 product series including "CITIC Prosperity", "CITIC Intelligence and Collaboration" and "Xin Lian Xin", recording a total sales amount of RMB27.318 billion.

As at the end of the reporting period, the size of corporate wealth management was RMB182.032 billion. During the reporting period, the Bank served more than 20,000 customers in total, further enhancing its influence as a corporate wealth management brand.

2.8.1.3 Risk Management

For corporate business, guided by the principle of seeking progress amid stability, the Bank implemented various decisions and plans of the CPC Central Committee, and worked to improve its capability in sustainably serving the real economy and market competitiveness. By guiding the asset allocation across the Bank, it intensified portfolio management, observed minimum requirements, and further optimized the structure of assets.

In terms of customers, following the overall principle of "strict admission, wider coverage and further exploration", the Bank explored the all-round value of strategic customers. It conducted in-depth management on its key institutional customers, and enhanced the brand image of government financial services. It also vigorously expanded small and medium enterprise customers centering on core channel products.

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

23 The scope of auto finance customers was adjusted as the auto dealer customers that cooperated with the Bank on auto finance and with outstanding financing amounts at the end of the reporting period, and the base figure at the beginning of the period has been regressively calculated accordingly.

In terms of industries, following national policies, the Bank moved faster to drive innovation-driven development, continued to increase credit granted to areas like green finance, strategic emerging industries, rural revitalization and manufacturing, expanded presence in emerging sectors such as high technology, new energy, high-end manufacturing and enterprises with specialized, sophisticated techniques and unique, novel products, and pressed ahead with the construction of major strategic projects of the country and other infrastructures.

In terms of businesses, the Bank endeavored to build a "value inclusive" system, and offered credit support for private enterprises and micro and small-sized enterprises. It seized the opportunity arising from the construction of pilot zones for sci-tech innovation finance, and improved the service system for sci-tech innovation finance. It implemented the "Strong Foundation Program", to build a stronger foundation for the development of the capital market. It ramped up support for the industrial chain and supply chain, and made every effort to promote a supply chain ecosystem centered on the asset pool. It gave play to its capital-light advantages, and fueled the high-quality development of the international business.

As at the end of the reporting period, the Bank's balance of corporate loans (excluding discounted bills) posted RMB2,501.783 billion, an increase of RMB202.387 billion over the end of the previous year; and its NPL ratio was 1.43%, down by 0.28 percentage point over the end of last year. The Bank's corporate loan asset quality remained overall stable.

2.8.2 Retail Banking

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

During the reporting period, the Bank's retail banking business registered net operating income of RMB42.525 billion, up by 4.15% year on year, representing 42.99% of its net operating income. Net non-interest income from retail banking recorded RMB12.582 billion, up by 6.07% year on year, accounting for 42.23% of the Bank's net non-interest income. Among them, net non-interest income from credit card business was RMB7.035 billion, accounting for 23.61% of the net non-interest income of the Bank.

2.8.2.1 Customer Management

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

In terms of stratified management of customers, the Bank deepened such management system to realize value improvement from ordinary basic customers, wealthy customers, VIP customers to private banking customers relying on all-channel advantages with professional capabilities in stratified services. As at the end of the reporting period, the Bank recorded 132 million accounts of retail customers, a growth of 3.58% over the end of the previous year.

For ordinary and base customers, the Bank leveraged digital transformation to improve its service capabilities through online channels like mobile banking, corporate WeChat and AI outbound calls and empower offline channels, to attain a super channel combining outlets, remote and online channels and enhance its capabilities in the digital management of ordinary and basic customers. As at the end of the reporting period, the number of the Bank's ordinary and basic customers reached 16,196.9 thousand, an increase of 2.98% compared with the end of last year.

For wealthy and VIP customers, the Bank promoted the iron triangle model of "wealth advisor + remote assistant + wealth manager" to form a system featuring operation at three tiers (branches and sub-branches, remote outbound calls and online APP+AI) and chain-like customer referral. Through co-management by remote assistants and sales by wealth management advisors, it facilitated the improvement of the capabilities of wealth managers, gave further play to remote advantages in vertical, centralized and intensive operation, and increased the operating income from wealth management customers. As at the end of the reporting period, the number of the Bank's wealthy and VIP customers reached 4,211.6 thousand, an increase of 5.97% compared with the end of last year.

For private banking customers, the Bank focused on customer relationship to become an expert at "five expertise", and comprehensively enhanced its professional service capabilities. Targeting enterpreneurs, people going abroad and other special customer groups, the Bank further tapped scenarios like the corporate-private banking linkage brand "Cloud Enterprise Club" and "Youth Travel", to create a synergetic customer acquisition ecosystem, and build the second "reservoir" for the acquisition of private banking customers. Relying on precise digital marketing capabilities, the Bank deepened the lifecycle management of private banking customers, and strengthened the management of existing customers. Also, it continued to improve the professional service capability of its private banking team, and resolutely advanced stratified management. As at the end of the reporting period, the number of private banking customers reached 70.9 thousand, an increase of 6.03% over the end of the previous year; the monthly average daily balance of AUM of the private banking customers (based on the statistics of the Bank) reached RMB992.484 billion, up by 4.29% from the end of last year.

In terms of grouped management of customers, the Bank provided comprehensive financial and non-financial services relying on ecological scenarios to key customer groups such as going abroad customers[24], senior customers[25] and business travel customers, strengthening the brand image of a "caring" retail bank.

For the going abroad finance customers, the Bank developed traffic pooling and conversion strategies for different scenarios, further refined featured products and services, and tailored products and activities for tourists, studying abroad and overseas consumers. It launched several campaigns such as the "Global Visa" carnival, "Overseas Financial Consumption Season" and "100 Studying Abroad Salon" marketing campaigns to further release the production capacity of customer acquisition of studying abroad scenarios. It continued to make a voice through media and social platforms, held the press release of the "25th Anniversary of the CITIC Going Abroad Finance", promoted its philosophy of overseas financial accompanying services, further highlighted the Bank's achievements and brand advantages in the field of overseas finance, actively acquired and managed traffics, and further released production capacity and contributed values. As at the end of the reporting period, the number of the Bank's going abroad customers reached 10,335.3 thousand, an increase of 7.57% compared with the end of last year.

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24 Refers to customer group that has handled going abroad financial business.

25 Refers to the customer group aged over 50 (inclusive).

For senior customers, the Bank further enriched and improved the service system, enhanced the quality of elderly-oriented services, focused on the protection of the rights of elderly financial consumers, and fully supported elderly education. During the reporting period, the Bank cooperated with the Scientific Research Center for Aging and unveiled the *Survey Report on the Protection of Elderly Financial Consumers' Rights*; it collaborated with China Association of the Universities for the Aged and held the "Seminar on Supporting Elderly Education through Financial Services", to learn about the demands and suggestions of the universities for the aged and explore effective modes of the financial support for elderly education. As at the end of the reporting period, the number of the Bank's senior customers reached 22.2026 million, an increase of 6.08% compared with the end of last year.

For business travel customers, the Bank deepened cooperation across the business travel ecosystem. In collaboration with airlines, hotels, OTAs and travel service partners, the Bank enriched scenarios for customer use of credit cards in combination with air ticket and hotel booking discounts and tourist attraction tickets, and created an operation matrix that combines business travel and consumption. As at the end of the reporting period, the number of the Bank's business travel customers recorded 16.1782 million in total.

2.8.2.2 Businesses and Products

Wealth Management Business

The Bank strengthened customer relationships and expanded its wealth management business in active response to market changes and in line with customer needs.

In terms of retail wealth management, the Bank actively implemented the new regulations on asset management, sped up the transformation towards net asset value (NAV) products, and continuously refined capabilities in product agency sales and professional services. As at the end of the reporting period, the Bank entered into agency sales cooperation with 12 wealth management companies, with agency sales of products of other wealth management companies accounting for 12.41% of the total, up by 2.17 percentage points over the beginning of the year. As at the end of the reporting period, the balance of retail wealth management products recorded RMB1.19 trillion.

In terms of agency fund sale, the Bank leveraged opportunities when economy recovered and market valuation was low, advanced the allocation of prodects with equity assets, and planned for future growth opportunities. During the reporting period, the Bank held in custody and launched 11 prodects with equity assets, with an average fundraising amount of RMB611 million, far higher than the market average, and several of which ranked among top three of the same kind of the same month in terms of funds raised. The Bank intensified customer traffic management and differentiated customer group management for the funds online, and continued to optimize product features and experience, with the MAU of fund channels increasing by 49.84% over the previous year.

In terms of agency insurance, the Bank stepped up efforts in agency insurance sales. In response to the regulatory requirements on "returning to the founding mission", the Bank continuously optimized its business structure. During the reporting period, the size of agency insurance maintained growth, of which the agency sales of medium and long-term protection-oriented insurance totalled RMB7.077 billion, up by 112.46% year on year, leading the market in terms of growth rate.

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 introduced differentiated housing credit policies in different cities, and actively carried out commercial personal housing loans in support of rigid and improvement housing demands. **In terms of personal business loans**, the Bank continued to optimize product policies and supporting functions, increased the supply of loans to micro and small enterprises, strengthened and improved the financial service capacity for micro and small enterprises, and continued to promote the establishment of a long-effect financial service mechanism where micro and small enterprises dare, are willing, can and know how to borrow from the Bank. **In terms of personal consumer loans**, the Bank adhered to the development principles of "independently-developed scenarios, risk control and products" and continued to improve marketing capabilities on consumer loans. In addition to focusing on the premier main customer groups, the Bank made continuous efforts to strengthen the integration of product innovation and application scenarios, and expanded the upgrading and application of high-quality scenario products such as "auto loan" and "comfortable housing", to provide customers with a full range of convenient and efficient online self-service financing services.

As at the end of the reporting period, the balance of personal loans (excluding credit cards) of the Bank was RMB1,637.817 billion, an increase of RMB84.274 billion or 5.42% over the end of the previous year.

Credit Card Business

The credit card business of the Bank became deeply integrated into the overall development of "new retail", fully implemented various national policies aimed to boost consumption, promoted the return to the basics of consumption, developed deep insight into the characteristics and diverse demands of credit card customers, and drove various businesses through high-quality sustainable development, including customer acquisition, customer management, product research and development, arrangements in scenarios and technological innovation, to provide credit card customers with affordable and accessible products and services, meet their demands for fast payment and consumption credit, and provide "caring credit cards".

During the reporting period, the Bank advanced retail integration, enhanced collaboration between branches, and continued to unlock the potential of customer acquisition at branches. It strengthened cooperation with internet platforms, maintained leading shares in terms of customer acquisition on leading platforms like JD.com, Tencent and Huawei, and issued "CITIC Vivo Co-branded Credit Card", "CITIC Metro Co-branded Credit Card", "CITIC SF Co-branded Credit Card" and other new products to promote ecosystem integration and scenario-based customer acquisition. Also, it upgraded the "99365"[26] brand campaign, focused on livelihood-related consumption scenarios, improved the merchant ecosystem, and continuously carried out promotion activities like discounts for a certain amount of payment, covering over 60,000 merchants in total. It actively planned for presence in overseas trading scenarios, issued credit cards for overseas students, and launched campaigns like "Global Studying Abroad Season", "Global Consumption Season" and "Cash Return for Overseas Transactions". Centering on customer demands for credit, the Bank refined the structure for payment by installment, focused to optimize key products, and made all-out efforts to expand online and offline installment channels, further enlarging the size of payment by installation. Also, it strengthened digital empowerment, refined customer management by digital means, and put into operation the corporate WeChat platform for customer management and corporate WeChat marketing assistant, to support customer managers in customer insight and task management.

Centering on the goals of carbon emissions peaking and carbon neutrality, the Bank continued to promote green finance innovation practices. On the first anniversary of the "CITIC Carbon Account", the "Green Mall" was first launched, which is a mall platform for users to exchange carbon emission reduction for green benefits, with carbon reduction incetives as the core. It continued to expand the low-carbon ecosystem alliance, and eight enterprises joined the "Lv Xin Hui" low-carbon ecosystem platform. As at the end of the reporting period, the number of CITIC Carbon Accounts recorded a total of 4.64 million, and the cumulative carbon emission reduction totaled 2,833 tons. It was named a "Sustainable Consumption Pioneer" at the Third Sustainable Consumption Forum, and officially joined the member companies of the "Global Sustainable Consumption Initiative".

As at the end of the reporting period, the Bank issued cumulatively 110.7252 million credit cards, an increase of 3.87% over the end of the previous year, and recorded RMB518.913 billion balance of credit card loans. During the reporting period, the Bank's credit card transaction volume stood at RMB1,355.533 billion, a decrease of 2.03% year on year; it realized RMB29.676 billion income from credit card business, an increase of 0.35% year on year.

Private Banking Business

Implementing the requirements of "new retail", the Bank put customer first and remained led by professionalism. It focused on four development paths, i.e. "customer management, ecosystem-based customer acquisition, investment research-based asset allocation, and quality services", and reinforced its talent team and digitalization as two cornerstones. In doing so, it aimed to build specialized service capabilities for high-net-worth customers and increase the contribution of the private banking business to comprehensive values.

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

Upholding the management of "Five Expertise", the Bank further deepened the lifecycle service system for private banking customers. Centering on the demands of private banking customers for "Five Expertise", the Bank designed a variety of integrated management solutions including credit exclusive to high-end customers, high-end credit cards, related enterprise financing and distinctive equity services. It continued to develop the private banking customer accompanying system, and further enriched the connotations of the cascade financial + non-financial services. It established the omni-channel marketing mechanism integrating private banking customer managers, direct customer reach via mobile banking and diamond teams, achieving intelligent and synergetic customer management both online and offline.

The Bank remained driven by four links, known as "sector integration, bank-wide collaboration, intra-Group coordination and external connection", with the efforts in customer acquisition in linkage with multiple scenarios paying off. Targeting the entrepreneur group, the Bank strategically advanced the corporate-private banking linkage brand "Cloud Enterprise Club", and developed customer expansion models for core scenarios including investment-loan coordination, technology-innovation coordination and cross-border coordination. Targeting the people going abroad, it focused on the core needs associated with children's education, and continued to forge the competitive brand of "Youth Travel". Targeting borrowers, it smoothened the service channels of private banking and high-end credit card customers, and established a comprehensive value service system connecting debit and credit cards.

The Bank stayed led by investment research, and increasingly expanded its featured product system of wealth management for private banking. It continued to build an investment research system from the buy-side perspective that covers the global macro market, major asset categories, product allocation and product assessment, aligned investment research with customer demands, produced investment research outcomes through diverse channels, and guided investment and asset allocation of customers. It built characteristic single hit products and services leading in the industry, and earned wide market recognition for fully entrusted customized products, with the size of business exceeding RMB80 billion as at the end of the reporting period. It upgraded the family trust business into a comprehensive service system of wealth inheritance that covers multiple customer levels, forming cascade product spectrums and integrated service solutions to meet customers at different levels and with varying demands, with the size of business topping RMB60 billion as at the end of the reporting period.

The Bank made plans in all aspects, witnessing remarkable improvements in the capabilities to offer high-net-worth customers with professional and differentiated services. It built specialized and comprehensive expert repositories based on customer managers and investment advisors, and developed the "1+1+N" standard service linkage mechanism. Leveraging existing overseas service institutions and aligned with the service standards of world-class institutions, the Bank intensified the features of its traditional services, enriched the offshore "financial + non-financial" services for private banking customers, and established the "globalized" service system for private banking. The Bank refined the quality of premium services for private banking customers, improved the serving capabilities of its diamond team, and created the model of collaboration and integration of both online and offline. It sped up the building of private banking centers, with 13 centers newly approved during the reporting period, and gradually achieved full the coverage of private banking services in key regions and cities across the country.

Professionalism oriented, the Bank established a private banking service team, and further deepened stratified management. It developed a cascade growth system that operates both online and offline and highlights both professionalism and production capacity, further empowering the three teams for private banking (customer manager team, investment advisory team and product manager team). Based on the improvement of the team's professional capabilities, the Bank further clarified the productive relations among private banking centers and branches, outlets and customer managers, and explored and advanced the implementation of the intensive management model relying on its private banking centers.

Promoting private banking digitalization to create the second growth curve for the private banking business. The Bank applied multiple channels to establish an efficient customer acquisition mechanism, and developed more precise methods to reach new customers to acquire customers through digitalization. Meanwhile, it used big data model to explore ways to establish a customized stratified and classified service system covering asset allocation and non-financial services, set up standard execution procedures for the team through digital methods, fixed standard operational procedures for the team, further released the production capacity per capita and drove private banking business to grow.

Ageing Finance Business

During the reporting period, centering on the lifecycle pension plan covering pre-retirement planning, retirement finance and senior-oriented services, the Bank further upgraded the "Happiness +" service system for senior customers, and continuously improved the ageing finance service system supported by "six services", namely, "one account, one set of products, one account book, one set of services, one team and one platform". During the reporting period, the Bank recorded 288.9 thousand new personal pension accounts.

In terms of "one account", the Bank adhered to high-quality customer acquisition and high-value management for personal pension accounts, set up a pension section in mobile banking, further optimized account experience, and strengthened pension allocation planning, realizing customers' demands for pension values. **In terms of "one set of products"**, the Bank launched over 100 pension finance products including target pension funds, exclusive commercial insurance, and saving deposits, providing customers with quality and comprehensive pension finance services. **In terms of "one account book"**, the Bank upgraded the "Happiness +" pension account book and launched CITIC Financial Holdings Wealth Plaza, helping customers making lifecycle pension plans by demonstrating basic pension, enterprise/occupational annuity, personal pension and other pension assets and the calculation of post-retirement pension to be obtained in a centralized way. **In terms of "one set of services"**, the Bank continuously upgraded the "Happiness + Club" service system for elderly customers, which includes six sections, namely wealth, health, discounts, academy, stage and inheritance, to meet the personalized demands of elderly customers. **In terms of "one team"**, the Bank continued to train the pension finance planners who understand policies and products, and established and enriched the training system for pension finance, to further enhance capabilities and offer customers financial + non-financial services across the lifecycle. **In terms of "one platform"**, CITIC Financial Holdings set up the Pension Studio, with member organizations covering the Bank and other financial subsidiaries, to give full play to CITIC Group's advantages as a full-license holder of pension finance, and provide pension finance research and services covering all products, channels and customer groups under the "One CITIC" platform, focusing on the management of the pension wealth of residents.

Payroll Service Business

The Bank strategically pushed forward payroll service. It deepened coordination between retail and corporate banking, strengthened performance assessment and input of human resources, expanded the coverage of payroll services by customer groups, and focused on the enterprises that increased employees and payroll. During the reporting period, 13.5 thousand more enterprises chose the Bank for payroll service, up by 8.41% year on year. To meet the needs of enterprises and employees, the Bank integrated its competitive resources in corporate and retail banking businesses, further enriched application scenarios, upgraded employee management applications like "Intelligent Payslips" and "Enterprise Employee Meals", and developed an essential toolkit for the digital transformation of the human resources and finance departments of enterprises. The Bank further promoted "CITIC Salary Card", a special payroll card product, continuously reaching customers through online payroll services and offline "Happy Trade Union" services, to deliver thoughtful services with all-out efforts.

2.8.2.3 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 Loans

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

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

As at the end of the reporting period, the Bank's non-performing balance of personal loans (excluding credit card loans) recorded RMB13.133 billion, an increase of RMB2.029 billion from the end of the previous year. The NPL ratio was 0.80%, up by 0.09 percentage point from the end of the previous year. The overall quality of personal loan assets remained reasonable.

Credit Card Business

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

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

As at the end of the reporting period, the Bank recorded RMB10.473 billion in the balance of non-performing credit card loans, a decrease of RMB48 million from the end of the previous year. The NPL ratio was 2.02%, down by 0.04 percentage points from the end of the previous year. The quality of credit card assets improved steadily.

2.8.3 Financial Market Business

Facing the complex and changing political and economic situations and market environment at home and abroad, the Bank's financial market business segment, guided by the core philosophy of "giving further play to its role with greater efforts", strove to earn more profits and create more value, under the premise of strictly controlling market risks. In line with the business strategy of "remaining focused, holding to the bottom line and making active arrangements", the Bank's financial market business segment further leveraged its advantage in specialization, strengthened market research and judgment, optimized the business structure, and enhanced trading and circulation, serving a larger customer base, seeking benefits from the market, and operating in a focused, confident and fruitful manner as a whole. Meanwhile, led by capability building, the Bank's financial market business segment unswervingly followed the asset light development path, actively promoted business transformation, and improved its structural capability and expanded systematic advantages through building a business system that integrates sales service, investment and transaction and risk control research.

During the reporting period, the Bank's financial market business recorded a net operating income of RMB12.727 billion, a decrease of 12.67% year on year, accounting for 12.87% of the Bank's net operating income. Of the income, non-interest net income from financial market business recorded RMB11.291 billion, a decrease of 2.78% year on year, accounting for 37.89% of the Bank's net non-interest income.

2.8.3.1 Customer Management

During the reporting period, the Bank further advanced the integrated and in-depth management system for interbank customers, expanded the new growth points of management in key industries based on the organizational structure and business transformation, and moved forward management in multiple dimensions with a focus on areas like products, coordination, management, marketing and technology. Leveraging its specialized advantages in the financial market, it continuously optimized customer services, enriched the touch points for customer cooperation, and organized the "Vision the Future" themed summits targeting insurance, funds, trusts, futures, urban agricultural commercial banking and other institutions, increasing contribution through services and expanding values through ecosystem management.

During the reporting period, the Bank's "Interbank+" platform provided multi-leveled products and services for interbank customers, constantly empowering the integrated management of interbank customers. During the reporting period, the platform recorded a trading amount of RMB867.395 billion, up by 118.86% year on year, of which agency sales registered RMB227.600 billion, up by 71.06% year on year.

2.8.3.2 Businesses and Products

Forex Business

Regarding the forex business, the Bank actively followed the philosophy of serving the real economy, and facilitated customers in managing exchange rate risk and implementing the concept of exchange rate risk neutrality through a variety of specialized forex trading products and risk aversion strategies. In response to China's call for two-way opening of finance, the Bank provided cross-border institutional investors with exchange rate hedging services. It actively fulfilled its obligation as a market maker in the RMB forex market, providing liquidity for market participants, and contributing to the improvement of the RMB exchange rate formation mechanism. During the reporting period, the Bank recorded a forex market making volume of USD1.47 trillion, up by 72.94% year on year, staying ahead in the interbank market and ranking first among joint-stock banks[27].

Bond Business

Regarding the bond business, the Bank resolutely implemented national strategies, fulfilled its responsibility as a state-owned financial enterprise, remained true to its founding mission, and strongly supported the real economy. With vigorous practice in the area of green finance, it explored innovative models of green finance, took an active part in the innovation of various products, and developed innovative bond basket products with green-themed bonds as the underlying assets to meet the demands of all types of investors at home and abroad for bond basket trading. The Bank performed its duty in implementing the strategy of rural revitalization and serving the development of "agriculture, rural areas and rural residents", financed the construction of major urban infrastructures related to municipal and public services, and underwrote the "urban infrastructure" themed financial bonds issued by China Development Bank. It actively followed the national decisions and plans on driving the two-way opening of the financial market, vigorously advanced the "Northbound Trading of Bond Connect", steadily propelled the "Southbound Trading of Bond Connect", and successfully implemented the "Swap Connect", to facilitate the interconnectivity across bond markets. Meanwhile, it proactively adjusted the strategy for the bond business, carried out capital-light operation, increased investment in bonds, made business arrangements flexibly, and accelerated the circulation of bond assets, gaining sound investment returns.

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[27] Ranking based on data from China Foreign Exchange Trade System.

Money Market Business

Regarding the money market business, the Bank vigorously conducted transactions such as bond repurchase, interbank lending and interbank certificates of deposit issue, actively met the short-term financing needs of non-banking financial institutions, small and medium commercial banks, etc., proactively participated in the innovation and development of market trading mechanisms, and continued to expand diversified financing channels, thus further cementing its position as a core market trader in the money market. During the reporting period, the Bank recorded RMB10.99 trillion in the trading volume of RMB money market business; the amount of RMB interbank certificates of deposit issued reached RMB447.690 billion, up by 40.85% year on year.

Precious Metal Business

Regarding the precious metal business, the Bank supported the brick and mortar companies along the gold industry chain, and provided corporate customers with gold leasing services, while fulfilling its responsibilities as a gold inquiry market maker on the SSE. During the reporting period, the Bank carried out RMB219.633 billion transactions in interbank gold inquiry, up by 18.50% year on year. During the reporting period it closely aligned the trading of precious metals with the main trend in the market, flexibly used various trading tools, and adjusted trading strategies at proper time to gain benefits from trading.

Bill business

The Bank intensified efforts in serving the real economy, and its volume of bill discounting business reached RMB621.240 billion. It served 9,686 corporate banking customers, an increase of 311 year on year, of which 6,684 or 69.00% were micro and small enterprises. The daily average balance of bill rediscounting reached RMB67.930 billion, representing an increase of 31.80% year on year. As at the end of the reporting period, the balance of the Bank's bill assets amounted to RMB428.269 billion, down by 16.30% from last year-end.

2.8.3.3 Risk Management

Financial Market Business

The Bank continuously improved and refined credit risk management measures. While deepening the integrated management of interbank customers, it improved the approval mechanism for the access of interbank counterparties, to effectively prevent and control the credit risk linked with interbank counterparties. The Bank sorted and specified the management measures for credit risk before investment in credit bonds, refined the management mechanism and decision-making process for the corporate credit bonds it held, and intensified credit risk management after investment in credit bonds. Meanwhile, the Bank significantly increased investment in quality liquid assets like government bonds, maintaining overall excellent credit qualification in proprietary bond investment during the reporting period.

Asset Management Business

During the reporting period, the Bank further improved the comprehensive risk management system that covers 13 types of special risks at macro, meso and micro levels. **At the macro level**, the Bank strengthened the management of liquidity risk and market risk, and intensified efforts to build the capability in systematic risk evaluation. **At the meso level**, the Bank continuously tightened risk management on the product side in dimensions like the regions, concentration and maturities of major asset categories, and improved the monitoring, early warning, reporting and handling mechanisms for key risks. **At the micro level**, the Bank strengthened the risk management for single products to improve product quality. **In terms of products**, the Bank reasonably controlled liquidity risk in the course of product operation through stress test assessment, and analysis of product and asset structures. It maintained systematic rigid control over all types of risk limits through the ex ante and interim monitoring of risk limits. It also improved the risk evaluation standards for wealth management products, and enhanced investor appropriateness management to ensure that the operation of wealth management products is in line with the requirements in the product manual. **In terms of assets**, the Bank attached importance on market risk and credit risk. On the one hand, it closely monitored market changes, and used relevant tools such as scenario analysis for effective market risk management. On the other hand, it strengthened lifecycle asset management and maintained reasonable control of credit risk through ex ante investigation, interim review and ex post inspection. Based on effective pre-judgment of asset-related risks, the Bank issued alerts on the impact of relevant risks on the net value of wealth management products.

As at the end of the reporting period, the underlying assets of new products were all normal assets, and the management of asset quality was sound.

2.8.4 Distribution Channels

2.8.4.1 Physical outlets

As at the end of the reporting period, the Bank had 1,432 outlets in 153 medium-sized and large cities in the Chinese mainland, including 37 tier-one branches (directly managed by the Head Office), 125 tier-two branches, and 1,270 sub-branches (including 31 community/micro and small sub-branches), plus 1,535 self-service banks (including onsite and offsite self-service banks), 4,405 self-service terminals and 9,135 smart teller machines (including 2,876 vertical ones). As such, the Bank has developed a diversified outlet pattern that consists of comprehensive outlets, boutique outlets, community/micro and small outlets and off-bank self-service outlets.

With its outlets basically covering all medium and large cities in China, the Bank shifted its focus of domestic outlet establishment to layout optimization and profit improvement. Allocation of resources for outlet development favored developed cities and regions such as Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Nanjing. At the same time, as an active response to the national 14th Five-Year Plan, the Bank set up outlets and offered services in key areas such as the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta region, and the Chengdu-Chongqing region, and supported the economic development of key areas such as the free trade zones, special economic zones, new areas, comprehensive reform areas, high-tech areas and demonstration zones of common prosperity. In line with the requirements on the development of new retail, the Bank, guided by the core philosophy of "moving with customer demands", upgraded the image of physical outlets, and beefed up FinTech application to empower precise selection of outlet sites and enable the closed-loop penetration management of financial equipment and marketing contents at outlets, so as to advance the digital and intelligent transformation of traditional physical outlets.

In terms of the layout of overseas outlets, CNCBI, an affiliate of the Bank, had 31 outlets and 2 business centers in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and the Chinese mainland, in addition to the London branch. CNCB Investment had 3 subsidiaries in Hong Kong SAR and the Chinese mainland. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan. During the reporting period, in line with its plan for overseas development, the Bank moved forward to improve the management frameworks for overseas affiliates in terms of human resources, businesses, systems, authorization and performance evaluation, and steadily promoted the upgrading of Sydney Representative Office and the establishing of Hong Kong Branch. In June 2023, the Bank officially obtained the license for its Hong Kong Branch from Hong Kong Monetary Authority.

2.8.4.2 Online Channels

Mobile Banking APP

During the reporting period, the Bank focused on the wealth management business, upgraded mobile banking channels for wealth management, funds and lending by putting user experience first, and established the online channel management system with APP at the core. In terms of capability building, based on deep insight into user demands, the Bank improved user experience and enhanced service efficiency to deliver caring users experience. In terms of the operating mechanism, driven by data, the Bank carried out online lean operation featuring collaboration among various sides to boost operating efficiency. In terms of operating strategies, the Bank created the product and service system aligned with online user demands, and integrated online marketing programs. It invited CITIC Prudential Life, CITIC Wealth Management and China AMC for presentation, and launched the "CITIC Core Family" product series and the celebrations for the 25th anniversary of going abroad finance at the same time, expanding brand influence with an external communication exposure of 18.00 million views. Also, the Bank put into operation CITIC Wealth Plaza, established a unified user identification system, and made the panoramic view of financial assets available on mobile banking for customers to gain an overall picture of their assets within CITIC and enjoy integrated retail financial services following one-stop authorization.

As at the end of the reporting period, the Bank had 15.8950 million Mobile Banking APP monthly active accounts (MAUs), with the Change+ position amounts totaling RMB88.452 billion, an increase of RMB68.377 billion from the end of last year. During the reporting period, the total number of customers granted loans through the Lending Channel reached 736.1 thousand, and the loans granted totaling RMB89.883 billion.

Mobile Card Space APP

During the reporting period, the Bank proactively enhanced services and continued improving user experience of its Mobile Card Space APP. It upgraded the elderly version of the Mobile Card Space APP in all aspects extensively, optimized the "Credit Line Center" and "Account Check & Repayment" scenarios for tens of millions of users, enriched the scenarios for debit card users, and comprehensively optimized the repayment experience of users with both credit and debit cards. As at the end of the reporting period, the Mobile Card Space APP recorded 18.6136 million online monthly active accounts.

Remote Customer Service

During the reporting period, the Bank moved faster to upgrade the operating capacity of its remote customer services. It strengthened the output of AI capabilities, promoted the application of text-based chatbots and robo dialers, launched intelligent quality inspection and APP breakpoint services, and empowered remote call center services. It improved the service center scripts to enhance customer experience, thus increasing the contribution of remote customer services to productivity through precision marketing. Furthermore, it launched the Remote Assistant Workbench and Manager Dashboard, which features 8 categories of customer management tools, 4 categories of management tools and the latest user experience design. During the reporting period, the Bank's remote outbound call service covered 11,423.2 thousand customers, up by 80.11% year on year.

WeChat Account

The Bank further advanced the building of the WeChat Account ecosystem, worked on an integrated WeChat Account operation system, friended customers on WeChat, and offered customers WeChat Account services under three principles, i.e. speedy response to customers, customer services with a human touch and professional handling of business. As at the end of the reporting period, the number of its WeChat Account followers exceeded 8 million, and the number of customers with whom the Bank maintained effective contacts through the WeChat Account amounted to 3,069.8 thousand.

Open Banking

The Bank advanced the development of open banking and the scenario-based ecosystem. Through standardized, modular and light docking solutions (including but not limited to API, SDK, H5 and WeChat Mini Program), it embedded financial/non-financial services into three-party cooperation scenarios and introduced third-party services to promote the rapid output of retail banking, inclusive finance, corporate banking and other characteristic products and services, and the efficient introduction of external resources from cooperative platforms. During the reporting period, the Bank developed more than 16,000 scenarios such as account, payment and bill payment with industries through standardized product components, serving more than 29.21 million person-times and recording more than RMB211.6 billion in cumulative treasury transactions. It cooperated with partners to develop an open wealth ecosystem, and introduced several fund companies, wealth management subsidiaries and CITIC aiBank to the open wealth platform "Xing Fu Hao", which provided full-process intelligent wealth management and companion service to more than 161 million person-times.

2.8.4.3 Overseas Branch Business

London Branch

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

During the reporting period, based on the macroeconomic situations and international geopolitical situations, London Branch strengthened risk control and compliance management, deepened the collaboration between domestic and overseas operations, gave full play to its functions as the financing center in EMEA[28], and expanded cooperation with overseas subsidiaries of CITIC Group in comprehensive services. During the reporting period, it further sought for market opportunities resulted from the fluctuations of macro-economy, stayed active in the money market and forex market, accumulatively issued interbank CDs of approximately USD1.948 billion, and recorded a forex trading volume of USD8.300 billion. It took an active part in RMB internationalization, fully integrated RMB investment and financing channels including CIBM (China Interbank Bond Market) and the "Southbound Trading of Bond Connect", and expanded the application scenarios of RMB in daily operations, with the offshore RMB trading volume totaling RMB14.240 billion during the reporting period.

As at the end of the reporting period, London Branch registered total assets of USD3.554 billion, an increase of 10.90% over the end of last year. During the reporting period, the branch registered an operating income of USD16.9539 million, a year-on-year increase of 13.21% and net profit of USD16.9391 million, a year-on-year increase of 138.34%, due to the interet rate hike cycle and the transfer-out of impairment loss allowance.

Hong Kong Branch

On 8 June 2023, the Bank was officially granted the license for its Hong Kong Branch, marking a major step towards internationalization. The Hong Kong Branch, guided by the "Action Plan for Developing Core Business Capabilities", will put "compliant operation" first, put equal emphasis on business development and risk management, and build itself into the Bank's cross-border operation center, overseas fund trading hub, international talent training center and CITIC Group's cross-border collaboration center. Giving full play to the core role of Hong Kong in the Bank's overseas development strategy, the Hong Kong Branch is committed to be a key pivot of the Bank's internationalized comprehensive financial services platform.

2.8.5 Subsidiaries and Joint Ventures

2.8.5.1 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 HKD467.588 billion in total assets and HKD61.103 billion in net assets. During the reporting period, it realized net profit of HKD1.802 billion, up by 35.54% year on year; the net interest yield increased remarkably year on year, mainly due to the interest rate hike cycle starting from March 2022.

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[28] The collective name of Europe, Middle East and Africa.

CNCBI: CNCBI is a whole-license commercial bank in Hong Kong SAR. Relying on its geographical advantage 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. As one of the first offshore participants in the Northbound Trading of Swap Connect, an interest rate swap market access scheme between Hong Kong and Chinese mainland, it finalized the first batch of interest rate swap deals on the first day when the Northbound Trading of Swap Connect was officially launched. CNCBI proactively captured market opportunities and completed the issue of 34 publicly offered bonds during the reporting period, topping the list of Chinese banking institutions in the market of USD-denominated offshore bonds offered by Chinese enterprises[29] and ranking fifth among the underwriters of offshore bonds issued by Chinese enterprises in terms of the size of underwritten green sustainability bonds[30].

Regarding personal and corporate banking businesses, CNCBI continued to implement the strategy focusing on wealth management, achieving a significant expansion in the high-net-worth customer base and steady development of cross-border coordinated operations. During the reporting period, it launched private banking services in Singapore and reached a bank and insurance partnership agreement with FWD Macau in Macao. In addition, CNCBI promoted the technological transformation of operations, and the number of users in integrated electronic channels increased by 10.32% from the end of last year, representing 60.67% of retail customers. InMotion Dynamic Banking, the flagship platform of mobile banking services, recorded an increase of 18.67% from the end of last year in the number of customers. With access to the resources of CITIC Group and the Bank, CNCBI continuously delivered integrated "financial+non-financial" services to high-net-worth customers both at home and abroad.

As at the end of the reporting period, CNCBI recorded an issued share capital of HKD18.404 billion and posted total assets of HKD465.199 billion and net assets of HKD56.253 billion. During the reporting period, CNCBI realized operating income of HKD4.768 billion and net profit of HKD1.820 billion, up by 16.28% and 37.81% year on year, respectively. During the reporting period, it was honored with the 23rd Capital Outstanding Enterprise Awards – Outstanding Private Banking Award, and the Innovative Banking Services – E-Banking Services Award at the Hong Kong FinTech Awards 2023.

CIAM: CIAM, an affiliated company under CIFH, 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.

2.8.5.2 CNCB Investment

CNCB Investment is an overseas wholly-controlled subsidiary of the Bank established in Hong Kong in 1984 with a registered capital of HKD1.871 billion. 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.

[29] Excluding bonds issued by bond underwriters themselves.

[30] According to the rankings in terms of amounts released by Bloomberg.

As the overseas investment banking platform of the Bank, CNCB Investment, insisting on the strategy of capital-light business development aspires to develop itself into "an overseas investment bank serving the parent bank and featuring strong empowerment, capital-light development and outstanding performance". It further improved the licensed business system and capability building, strengthened comprehensive risk management, and constantly enhanced its branding, having become part of the mainstream Chinese investment banks in Hong Kong SAR. During the reporting period, by building a chain-like license system and a standard marketing system, CNCB Investment continuously improved the capabilities of its overseas investment banking license system, and accelerated the development of an overseas asset management center. The scale of proactive asset management business continued to expand, with increasingly diverse product service and steady progress in key channel and customer development. During the reporting period, overcoming the difficult situation of contraction of demand in the financial market, CNCB Investment realized relatively fast expansion in the total size of assets, additionally invested RMB3.340 billion (USD460 million) in quality non-standard creditor's assets, and ranked the first among comparable peers in the bond underwriting market[31], further growing its influence in the market.

As at the end of the reporting period, CNCB registered total assets equivalent to RMB36.333 billion, up by 14.76% over the end of last year, net assets equivalent to RMB5.197 billion, up by 7.90% over the end of last year, and active assets under management equivalent to RMB26.040 billion, an increase of 24.11% over the end of last year. During the reporting period, CNCB realized net profit equivalent to RMB1,677.0 thousand.

2.8.5.3 CITIC Financial Leasing

Wholly owned by the Bank, CITIC Financial Leasing was incorporated in April 2015 with a registered capital of RMB4.0 billion. As an important strategic layout for the Bank to serve the real economy, CITIC Financial Leasing focuses on the mission of serving the real economy and follows the strategy of "developing leasing of both large-sized assets and small-sized assets and stabilizing leasing of medium-sized assets". Pursuing high-quality development, it takes initiative and actively takes the responsibility in seeking excellence and fast progress while maintaining stability, achieving steady growth of operating benefits. During the reporting period, it registered RMB20.520 billion in the leasing, a year-on-year increase of 106.20% and the highest semi-annual level since its inception, with the input in the second quarter and June of 2023 respectively hitting quarterly and monthly records in history.

During the reporting period, CITIC Financial Leasing accelerated the return to the original purpose of leasing with object financing at the core and continuously optimized its business structure and operating mode. In the first half of 2023, it recorded RMB4.821 billion in direct leasing and operating leasing, which accounted for 23.50% of the total, and the balance of assets in operating leasing went up by RMB2.747 billion, or 163.40%, from the end of last year.

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

During the reporting period, CITIC Financial Leasing began to see strong momentum unlocked from its strategy of "developing leasing of both large-sized assets and small-sized assets and stabilizing leasing of medium-sized assets". At the "large-sized asset" end, the ship leasing business quickly expanded. In the first half of the year, RMB3.187 billion was leased in ship leasing, hitting a historical high. At the "small-sized asset" end, retail business developed quickly. In the first half of the year, RMB1.202 billion was invested, including RMB1.083 billion in the household PV area, serving 12,448 rural households; RMB119 million was leased in the retail vehicle business, serving 1,319 car owners and benefiting thousands of households. At the "medium-sized asset" end, it continuously optimized its structure, and further consolidated its advantages in green leasing, high-end equipment and strategic emerging industries, with green leasing comprising more than half of the total of the new business.

During the reporting period, CITIC Financial Leasing served the transformation and upgrade of the manufacturing sector and ramped up efforts to support the enterprises with specialized, sophisticated techniques and unique, novel products. It reached cooperation with a number of enterprises in strategic emerging industries like semiconductor manufacturing, IDC (internet data center) and new materials, and leased RMB5.702 billion in manufacturing, 117% of the level in 2022. It refined the "point card" review and approval model and leased RMB1.61 billion to enterprises with specialized, sophisticated techniques and unique, novel products at the state or provincial level. In addition, it vigorously drove the improvement of urban public facilities, helping enhance the quality of living environment and offering financial support for enterprises in urban rail transport and other areas.

As at the end of the reporting period, CITIC Financial Leasing had 166 employees and no retired employees at the company's expense. It recorded total assets of RMB58.939 billion, up by 16.10% over the end of last year, and net assets of RMB7.701 billion, up by 5.60% from the end of the previous year. During the reporting period, CITIC Financial Leasing realized net operating income of RMB778 million, a decrease of 9.30% year on year, and net profit of RMB376 million, an increase of 22.20% year on year. The company recorded return on equity (ROE) of 10.04%, return on assets (ROA) of 1.38%, a ratio of allowance for impairment of loans to total loans of 3.89%, and a capital adequacy ratio of 12.89%.

2.8.5.4 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 private and public wealth management products, investment and management of investor assets under custody and financial advisory and consulting.

As at the end of the reporting period, CITIC Wealth Management had 429 employees and no retired employees at the company's expense. It registered total assets of RMB11.091 billion and net assets of RMB10.395 billion, with a capital preservation and appreciation rate of 110%. During the reporting period, it recorded net operating income of RMB1.485 billion and net profit of RMB940 million. It registered the return on equity (ROE) of 19.10% and debt asset ratio of 6.27%.

For details of asset management business during the reporting period, please refer to relevant content on asset management under "2.7 Key Areas in Business Operation" in this chapter.

2.8.5.5 CITIC aiBank

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

During the reporting period, CITIC aiBank consistently adhered to its founding purpose of benefiting all and resolutely implemented major national decisions, plans and requirements. Relying on the development model of open banking, it continuously explored the consumer financing area, focused on new urban residents and other customer groups, and provided efficient and accessible financial services. It proactively explored the industrial digital finance and the upstream and downstream industrial chain of enterprises with specialized, sophisticated techniques and unique, novel products to drive the stable development of micro and small businesses. It fully implemented the green development strategy and worked out a series of favorable policies to ease difficulties for enterprises, with its "Jing Lv Tong II" special green rediscount products taking the lead in terms of market share. It continuously strengthened innovation in FinTech, applied Artificial Intelligence Generated Content (AIGC) technology in depth, and launched "Zero Space" 3D digital banking space. Focusing on the direction of digital development, it successfully launched the industry's first-ever open digital maturity model for commercial banks. It continuously brought into play shareholders' advantages of resources, upgraded the fully-integrated "technology + business + data" development model, and collaborated in expanding the user service coverage.

During the reporting period, CITIC aiBank continued to optimize its asset and liability structure, actively promoted channel development, consistently improved its intelligent risk control capability, and steadily advanced refined user management. All these efforts helped to continuously improve its comprehensive strength and market competitiveness. As at the end of the reporting period, CITIC aiBank recorded total assets of RMB101.655 billion, up by 4.88% over the end of last year, and net assets of RMB7.948 billion, up by 6.90% over the end of last year. During the reporting period, it realized net operating income of RMB2.317 billion, up by 19.61% year on year, and net profit of RMB479 million, a year-on-year increase of 41.90%. During the reporting period, CITIC aiBank won the "KPMG Outstanding Award for China's Fintech Enterprises", and its open scenario-based services for micro and small businesses was honored by *China Banking and Insurance News* as a case of innovation in serving new urban residents.

2.8.5.6 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, JSC Altyn Bank resolutely implemented national strategies, seized the opportunities arising from the 10th anniversary of the Belt and Road Initiative and the 1st China-Central Asia Summit, and took an active part in the initiative of "Building a New Kazakhstan". It made intensive efforts to tap into local markets, stepped up technological input and product innovation, increased cross-border operation synergy, and adhered to compliant operation. These efforts produced satisfactory operating results. Following the first profit distribution in 2021, JSC Altyn Bank distributed cash dividends for the second time in May 2023, with the rate of return kept at a relatively high level. International rating agency Fitch Ratings confirmed that JSC Altyn Bank's long-term issuer default rating was BBB- with a stable long-term outlook, and bank viability rating as bb, indicating stable international ratings of JSC Altyn Bank.

As at the end of the reporting period, JSC Altyn Bank recorded share capital of 7.050 billion tenge[32], total assets of 943.580 billion tenge, net assets of 100.372 billion tenge. During the reporting period, it realized net operating income of 28.864 billion tenge, net profit of 17.888 billion tenge, and its ROA and ROE stood at 3.67% and 36.75%, respectively.

2.8.5.7 *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 made the optimization of positioning measures[33] a priority of the year. It lowered the proportion of margin deposits and the ratio of bills to loans and reduced large loans while expanding the customer base of small loans, further improving measures like the proportion of margin deposits, the ratio of bills to loans, average loan per household, the proportion of loans below RMB5 million, and the proportion of loans below RMB1 million. As at the end of the reporting period, the proportion of guarantee deposits was 6.26%, down by 6.41 percentage points from the beginning of the year; the ratio of bills to loans was 10.73%, down by 5.45 percentage points from the beginning of the year; the average loan balance per household was RMB503.9 thousand, down by RMB20.1 thousand from the beginning of the year; accounts with loans below RMB5 million represented 90.6% of the total, up by 1.57 percentage points from the beginning of the year; accounts with loans below RMB1 million represented 43.44% of the total, up by 2.73 percentage points from the beginning of the year.

During the reporting period, Lin'an CITIC Rural Bank actively supported the real economy, implemented inclusive finance and rural revitalization strategies, and increased financing for individual businesses. As at the end of the reporting period, the balance of loans granted to micro and small enterprises was RMB1.421 billion, a decrease of 4.31% over the beginning of the year, and the proportion of loans granted to micro and small enterprises rose by 0.04 percentage point from the beginning of the year. The number of individual business and micro and small enterprise accounts stood at 2,012, up by 0.40% from the beginning of the year. Loans granted to rural households and micro and small enterprises collectively made up 94.20% of the total.

As at the end of the reporting period, Lin'an CITIC Rural Bank had 57 employees and recorded RMB2.241 billion total assets, a decrease of 6.04% over the beginning of the year. It registered RMB405 million net assets, an increase of 0.12% over the beginning of the year; RMB1.701 billion balance of customer deposits, and RMB1.818 billion combined balance of various loans. Its capital adequacy ratio stood at 25.48%, and allowance coverage ratio was 360.46%. It realized a net profit of RMB12 million for the reporting period.

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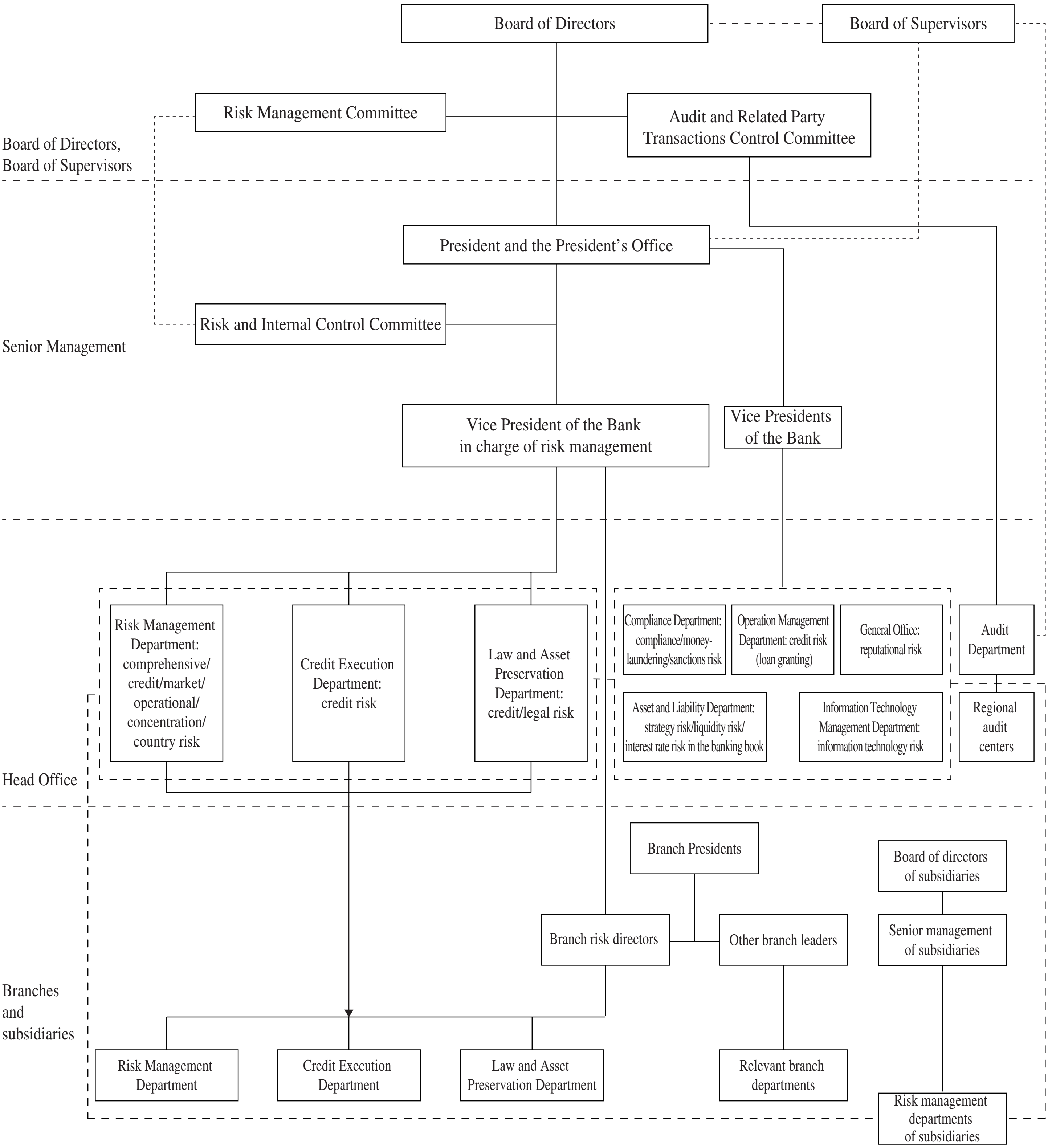
32 The rate on 30 June 2023 of tenge against Renminbi was 1:0.016073965.

33 For the rural bank, the positioning measures related to the support for rural households and small businesses mainly include: the proportion of loans below RMB5 million exceeds 90%; the proportion of loans below RMB1 million exceeds 60%; the average loan per household is below RMB500,000, and should be improved year by year if unqualified; the proportion of margin deposits is no higher than 10%; the ratio of bills to loans is no higher than 15%.

2.9 Risk Management

2.9.1 Risk Management Structure



2.9.2 Risk Management System and Techniques

During the reporting period, the Bank seized opportunities arising from the national strategy of expanding domestic demand and the transformation and upgrade of national economy, aligned the implementation of national policies with its own high-quality development, and continuously improved the quality and efficiency of serving the real economy. The Bank pressed ahead with the combination of Five Policies, strengthened financing and integrated services to stabilize investment and promote consumption, further increased credit in key and underserved areas of economy, and actively expanded consumer finance services. It intensified unified credit management and concentration risk prevention and control, and further refined the credit structure. It continued to integrate credit approval, management and inspection, advanced the building of a full-time approver system, strengthened post-lending management, and carried out re-inspection in depth, to improve the quality and efficiency of risk control throughout the process. The Bank exercised stricter control over the quality of all assets, took solid steps to manage soon-to-mature credit in key areas and monitor key accounts by level and category, classified assets strictly, pushed forward risk prevention and defusing, and increased efforts in cash recovery, stabilizing quality while seeking economic benefits from troubled assets.

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

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

2.9.3 Credit Risk Management

Credit risk refers to the risk of a bank incurring losses in its business due to the failure of its borrowers or transaction counterparties to fulfill the obligations specified in relevant agreements or contracts. The Bank's credit risk mainly comes from various credit businesses, including but not limited to loans, guarantee, acceptance, loan commitments and other on-and off-balance sheet credit businesses, bond investment of banking book, derivatives trading and other businesses, as well as businesses with credit risk such as structured financing and financing wealth management. Under the overall objective of maintaining stable asset quality and increasing the proportion of high-quality customers and guided by the principle of serving the real economy and preventing risks, the Bank continuously optimized its credit structure, enhanced comprehensive financial service capabilities, strengthened the whole-process credit management, prevented systemic risks, and kept credit risks within a tolerable range. For details on the credit risk management of various businesses of the Bank during the reporting period, please refer to "Business Overview" of this chapter.

During the reporting period, in order to actively adapt to market developments and changes in the policy environment, the Bank took various measures to improve the capability, quality and effectiveness of post-lending management, thereby realizing continuous value creation.

Making all-out efforts to advance the post-lending management system development. The Bank defined 2023 as the year of strict post-lending management, and drew up an action plan and a roadmap for capacity building. It leveraged the integrated approval, management and inspection mechanism, and focused efforts on post-lending management. It further pushed forward risk monitoring by level and category, and improved the negative public opinions monitoring and reporting mechanism. It strengthened the assessment mechanism for early warning strategies and rules, and significantly enhanced early warning management targeting group customers. It scientifically carried out management by four categories and active exit, and further refined the proactive exited guarantee mechanism.

Actively enhancing its collateral management capability. The Bank continued to improve its collateral management policies, rules and procedures, and strengthened fundamental collateral management. It carried out collateral system building and collateral data governance, and fully implemented requirements of Basel III. It also actively carried out collateral stress testing, and strengthened the management of appraisal institutions.

2.9.4 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 pressed ahead with the implementation of the market risk capital measurement program under Basel III, and consolidated the basis of capital measurement. It improved the risk management system for financial market business, and enhanced the risk management in key areas. It made active response to market volatilities in interest rates and foreign exchange, 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 and 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.

2.9.4.1 Interest Rate Risk Management

Interest rate risk in the trading book

The Bank established a complete risk limit system for the interest rate risk in the trading book, set limits such as value at risk, interest rate sensitivity and market value loss according to features of different products, and regularly assessed the interest rate risk in the trading book through stress testing and other tools, so as to control the interest rate risk in the trading book within its risk preference.

The Bank's interest rate risk in the trading book is mainly affected by changes in yields of the domestic bond market. During the reporting period, the domestic bond market yields dropped after an increase, with the 10-year central government bond yield decreasing by 20 BPs accumulatively. The Bank closely tracked market changes, strengthened market research and judgment, effectively carried out risk monitoring and warning, and prudently controlled the interest rate risk exposure in the trading book.

Interest rate risk in the banking book

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

During the reporting period, the Bank closely followed changes in monetary policies and fiscal policies, strengthened the analysis and prediction of the trend of market interest rate and the simulation and 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 management 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.

2.9.4.2 *Exchange Rate Risk Management*

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

The exchange rate risk of the Bank was mainly subject to impact of changes in the Renminbi exchange rate against the US dollar. During the reporting period, the Renminbi exchange rate against the US dollar dropped among fluctuations, with a cumulative depreciation of 4.28% in the whole year. The Bank strictly controlled the foreign exchange risk exposures of relevant businesses, and intensified efforts in routine risk monitoring, forewarning and reporting. As a result, the Bank was able to control its exchange rate risk within the acceptable range.

2.9.5 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 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, and implements a prudent, coordinated liquidity risk management strategy. The Group has put in place a unified liquidity risk management framework. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and its legal-person institutions, and for managing liquidity risk at the legal-person institution level in a centralized manner. All domestic and overseas affiliates of the Group are responsible for developing and implementing their own strategies and procedures for liquidity risk management pursuant to the requirements of competent regulators and within the Group's master policy framework on liquidity risk management.

During the reporting period, the central bank pursued a prudent and targeted monetary policy with adequate aggregate and stable pace, and maintained reasonable and abundant liquidity in the market through cross-cycle adjustments. 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 stabilizing and 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 gap management and 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, ensured the smooth channels and diversified sources of financing, and continued to promote the issuance of financial bonds to replenish and stabilize the sources of liabilities. It 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 organized emergency drills of liquidity risk and ensured the effectiveness of emergency plans. It 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 136.16%, 36.16 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 2023**	31 March 2023	31 December 2022
Liquidity coverage ratio	**136.16%**	149.95%	168.03%
Qualified premium liquid assets	**1,192,071**	1,123,987	1,087,933
Net cash outflow in the coming 30 days	**875,518**	749,555	647,452

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 108.58%, 8.58 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 2023**	31 March 2023	31 December 2022
Net stable funding ratio	**108.58%**	106.36%	107.64%
Available stable funding	**5,115,822**	5,031,887	4,874,024
Required stable funding	**4,711,714**	4,731,055	4,528,272

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.

2.9.6 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.

2.9.7 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 optimization 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 the proactive management of its operational risk. It actively advanced the implementation of the new standardized approaches for operational risk under Basel III, and continuously bolstered the mechanism for collecting data about loss resulted from operational risk, further improving the quality of data. It defined the priorities of operational risk management for the year, timely started operational risk-triggered evaluation in the links where risk management is weak, and guided consolidated subsidiaries and overseas branches to improve the operational risk system and optimize the functions of the operational risk management system, continuously enhancing the Bank-wide operational risk management. Moreover, it made further endeavors to establish a robust risk management system for its outsourcing business, strengthened the risk assessment of outsourcing affairs, gave warnings against management risk involved in outsourcing, and urged the department in charge of outsourcing affairs to perform its duty. It released the annual plan for business continuity management, further refined the governance structure, and continuously built up capacity for emergency response based on the management instructions and work requirements issued for emergency scenarios. During the reporting period, the operational risk management system of the Bank operated stably, placing operational risk under control in the overall sense.

2.9.8 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, identified in time, actively studied and judged potential risk points through ex ante assessment of reputational risk and potential risk screening, and properly prepared contingency plans and mitigated risk. At the same time, the Bank organized reputational risk management simulation drills, and strengthened the capabilities of functional departments and branches for managing 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.

2.9.9 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.

The Bank followed the principle of adaptation and continuous improvement in country risk management. It gradually improved country risk management policies and procedures, and formulated concrete methods and procedures based on its country risk management objectives, country risk exposure scale and business complexity, so as to effectively identify, measure, monitor and control country risk, and promote the steady development of its business. During the reporting period, in accordance with regulatory requirements and business strategies, the Bank continued to consolidate the construction of the country risk management system, refined the assessment and rating methods for country risk, continuously monitored the trend of country risk changes, and duly and appropriately reviewed and adjusted country risk ratings and limits. It strengthened the consolidated management and exposure monitoring of country risk, and carried out stress tests on country risk, thus controlling country risk at an acceptable level.

2.10 Internal Control

2.10.1 Internal Control System

During the reporting period, the Bank continued to strengthen the internal control system by concentrating on key areas and critical links. **In terms of internal control assessment,** the Bank advanced internal control assessment with focuses on both the Head Office and branches. Focusing on the comprehensive risk and internal control effectiveness inspection earlier conducted by regulatory authorities as well as the key points of rectification in shadow banking and cross-financing, more than 10 special assessment projects were carried out at the Head Office, and over 20 independent assessment projects were carried out at the branch level. **In terms of authorization management,** the Bank successfully completed annual review of authorization, set five major areas for integrated authorization, deepened differentiated authorization for fixed asset loans, overseas loans and L/G for the presold house regulatory funds, conducted the review of delegation of authority, investigated and corrected existing problems, and regulated delegation of authority management.

2.10.2 Compliance Management

Under the guidance of the Board of Directors, the Bank consistently carried out risk-oriented self-inspection, and improved the compliance management system. **In terms of policy formulation,** during the reporting period, the Bank continued to develop internal policies and procedures in line with key regulatory rules, kept abreast with the new rules for fund management and asset classification, summarized compliance policies with highlighted aspects based on the essence and minimum requirements of the rules, and provided corresponding proposals for senior management. **In terms of compliance review,** the Bank intensified compliance review particularly of key innovative businesses, provided compliance review and consulting services for cross-border centralized operation of RMB funds, house mortgage e-loan, wealth management products, Bond Connect and other businesses, and completed Anti-Money Laundering (AML) review as required by various policies, businesses and systems to prevent business risk from the source. **In terms of risk screening,** in collaboration with business departments, Bank-wide risk screening of stakeholder businesses was carried out in line with regulatory requirements. **In terms of compliance culture,** the Bank organized a compliance slogan solicitation campaign, collected compliance slogans from all employees, and fully aroused their enthusiasm for engagement in compliance culture building. In doing so, the Bank integrated compliance culture into various business areas, helped all employees raise their awareness of compliance, and improved the capability of compliance management, hence securing the high-quality development of the Bank.

2.10.3 Anti-Money Laundering (AML)

Viewing AML efforts as critical to safeguarding the country's financial security and preventing financial risk, the Bank's Party Committee, directors, supervisors and senior management practiced the philosophy of risk-oriented AML management, called for the senior management to play an exemplary role, established a top-bottom AML management structure featuring clear tiers, complete responsibilities and effective operation, and earnestly performed the Bank's AML duty as a legal person. During the reporting period, following AML laws and regulations, the Bank, based on the consolidated results of earlier rectification efforts, centered on the transition to risk-oriented management, advanced the reduction of burdens and enhancement of efficiency at primary-level outlets in the AML move, stepped up technological empowerment, and continuously improved the capability to control substantial risk.

Advancing the implementation of the integrated model of rating and due diligence management. The Bank released the *Guidelines on Anti-Money Laundering Rating and Due Diligence Management*, detailed standards for operations in 48 scenarios under eight categories, defined ten disclaimer scenarios, and helped launch a new intelligent retail platform that offers 100-plus features under five categories and enables integrated operation management, panoramic view of customer risk, intelligent data analysis, and issuance of rating management opinions.

Creating the post-anomaly monitoring supervision model. The Bank developed six post-anomaly monitoring early warning models, effectively identifying abnormal customers such as those that withdraw soon after deposit, and those with large amounts of cash, and making up for the blind spots and weaknesses in the anomaly monitoring by business departments. Furthermore, the Bank pushed business and channel departments to develop the anomaly monitoring mechanism and intensify scenario-based monitoring to timely identify and block business risk.

The efforts to reduce the burdens and increase the efficiency of AML at primary-level outlets paid off. By implementing the integrated model of "due diligence and rating management", the Bank conducted penetrated data analysis and defined the list of targets. Consequently, it cut the due diligence workload at sub-branches by 53.93% year on year, reduced the per capita daily workload of retail and corporate customer managers to 0.39 and 0.018 deals, quickly got rid of the number of high-risk customers, significantly eased the pressure on primary-level outlets in AML work and released their efficiency. It restructured the anti-money laundering list, and analyzed and removed some law enforcement and "sewage sink" lists, reducing early warning workload from the source, and achieving the target of boosting the efficiency and easing the burdens at primary-level outlets.

Technological empowerment improved the quality and efficiency of money-laundering risk monitoring. Based on the model laboratory, the Bank optimized seven models for conversion of corporate accounts into personal accounts, pyramid schemes, etc., yielding far more clues than industrial average and showing great information value. It launched the "AI money laundering clue monitoring" project, which was honored the first prize of the Bank's Golden Idea Award for precisely identifying risk clues and creating intelligent reports. It successfully put into operation the digital platform for AML management, making the new system much more intelligent and convenient.

Reinforcing the foundation for AML efforts and completing the Bank-wide self-evaluation of money laundering risk for the first time. The Bank established 81 evaluation units and 262 evaluation measures to comprehensively evaluate the risk by the five dimensions of customer, product, account, channel and geographical area, identify weak links and propose targeted management measures. In terms of product evaluation, the Bank, based on the new system and indicators for risk evaluation, completed online evaluation of all products in 2022, and strengthened control over high-risk products such as safe deposit box and *Tuanjinbao*.

2.11 Internal Audit

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

Being risk-oriented, the Bank's internal audit centered on the Bank's development strategy and central task, and followed the guidance of the *Five-Year Plan for the Development of Audit Work (2021-2025)*. The Bank advanced the transformation of audit, improved the mechanism for sustained audit supervision, pushed forward the implementation of the annual audit plan effectively, established a long-effect mechanism for supervising the rectification of problems, practiced the philosophy about the value of audit as a "guard" and "advisor", and gave full play to the role of "risk warning, supervisory evaluation and governance value addition".

During the reporting period, with a continued focus on the implementation of national policies and initiatives, corporate governance, strategy implementation, risk prevention and control, and priorities of regulation, the Bank strengthened regular and sustained audit supervision, further coordinated project management based on the digital transformation of internal audit, reasonably and dynamically allocated resources, and stepped up efforts in audit supervision over key institutions, areas and positions. During the reporting period, it carried out special audits on corporate credit granting, real estate loans, NPL disposal, M&A loans, financial expenses, performance-based remuneration, consumer protection, AML and information technology, paid continuous attention to the internal control risk profile under complex business environment, improved the management mechanism, business process and internal management, and advanced the high-quality and sustainable development across the Bank.

2.12 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.

2.13 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.

CHAPTER 3 CORPORATE GOVERNANCE

3.1 Overall Profile of Corporate Governance

During the reporting period, oriented by high-quality development, the Bank earnestly implemented the national decisions and plans as well as the regulatory requirements, continuously improved its corporate governance system, and accelerated the enhancement of its corporate governance capacity, thereby improving its efficiency in corporate governance comprehensively. Through strengthening the integration of the Party's leadership and the establishment of a modern enterprise system, the Bank further improved its corporate governance structure, system and mechanism to ensure the smooth coordination as well as checks and balances between governance bodies. The Board of Directors, the Board of Supervisors and their specialized committees operate with specifications, faithfully and diligently performed their functions. The directors and supervisors followed the code of professional ethics with high standards. The channels for them to perform their duties were further broadened, the methods for them to perform their duties were improved, and their capabilities of performing duties were further enhanced. The Bank greatly recognized the roles of independent directors and external supervisors. It fully safeguarded their legal rights such as the right to know, while incentives played a positive role in the relevant mechanisms.

The Board of Directors insisted the political orientation and were people-oriented in performing financial works. It continuously strengthened its self-improvement, voluntarily accepted the supervision of the Board of Supervisors and other parties, and leveraged on its role in strategic decision-making to fully support the development of the real economy and reinforce the duty regarding risk prevention. It enhanced the management of its development plan for 2021-2023, and solidly facilitated the implementation of strategies. It deepened business transformation, continuously improved wealth management, asset management and comprehensive financing, the three core business capabilities, continuously enhanced the value of light-capital transformation and development, and advanced the comprehensive upgrading of the Bank's financial technology empowerment, thereby improving the protection of consumer rights and accelerating its high-quality transformation and development. Grounding its efforts in the new development stage, the Board of Directors earnestly implemented the national economic and financial plans, and vigorously bolstered the development of key fields such as inclusive finance, medium and long-term manufacturing, strategic emerging industries, green finance and rural vitalization. It followed the requirements for forestalling and defusing major financial risks, strengthened the concept of prudent operation, and vigorously pushed forward the reform of risk management system to continuously improve internal control and compliance standards.

In accordance with the guiding ideology of "fulfilling the functions of the Board of Supervisors", the Board of Supervisors was committed to the principles of "full coverage with a focus on priorities". Pursuant to relevant laws, regulations, regulatory requirements and the provisions in the Bank's Articles of Association, the Board of Supervisors, focusing on the Bank's development strategies and core tasks and based on the Bank's legal position, responsibilities and obligations, mainly supervised key fields such as development strategies, financial management, risk management and internal control. With the implementation of national economic,,financial policies and regulatory requirements by the Board of Directors and senior management, it earnestly carried out duty supervision, and actively enhanced the quality and effectiveness of supervision. In doing so, it effectively protected the interests of the Bank, its shareholders, employees as well as the society.

The senior management of the Bank carried out operation and management activities strictly in 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 NAFR, 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, 2 A shareholders class meetings, 2 H shareholders class meetings, 9 meetings of the Board of Directors and 9 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 convened 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 shareholders general meeting

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

Convening of General Meetings

During the reporting period, the Bank convened 1 extraordinary general meeting, 1 annual general meeting, 2 A shareholders class meetings and 2 H shareholders class meetings, where 14 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 and class 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 12 April 2023, the Bank held the first extraordinary general meeting of 2023, the first A shareholders class meeting of 2023 and the first H shareholders class meeting of 2023 in Beijing. The then Chairman and non-executive director of the Bank Mr. Zhu Hexin presided over the meetings. Some directors, supervisors and the board secretary attended extraordinary general meeting and A shareholders and H shareholders class meetings,, and some senior management members were present at the meetings as non-voting attendees. The extraordinary general reviewed and adopted two proposals, namely the proposal regarding the demonstration and analysis report on the issuance of rights shares to existing shareholders of A shares and the proposal regarding the authorization to the Board of Directors and its authorized person(s) to deal with relevant matters in relation to the Rights Issue. The above-mentioned two were also reviewed and approved at the first A shareholders class meeting of 2023 and the first H shareholders class meeting of 2023.

On 21 June 2023, the Bank held the annual general meeting of 2022, the second A shareholders class meeting of 2023 and the second H shareholders class meeting of 2023 in Beijing. The then Vice Chairman of the Bank Mr. Fang Heying presided over the meetings. Other directors, some supervisors and the board secretary attended the general meetings, and some senior management members were present at the meetings as non-voting attendees. The annual general reviewed and adopted 12 proposals namely the 2022 Annual Report, 2022 final accounts, 2022 profit distribution plan, 2023 financial budget plan, special report of related party transactions for 2022, increase of the caps of continuing related party transactions, report of the Board of Directors for 2022, report of the Board of Supervisors for 2022, report of the use of proceeds from the previous issuance, extension of the effective period of the resolutions in relation to the Rights Issue, election of Ms. Song Fangxiu as an independent non-executive director for the Sixth Session of the Board of Directors, engagement of accounting firms and their fees for 2023. Among the proposals, the proposal on extension of the effective period of the resolutions in relation to the Rights Issue was also reviewed and approved at the second A shareholders class meeting of 2023 and the second H shareholders class meeting of 2023.

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 produce work reports to the meeting; to implement the resolutions adopted by the general meeting; to determine the development strategies, business plans and investment proposals of the Bank; to prepare the annual financial budget and final accounts of the Bank; to prepare the profit distribution plans and loss remedy plans of the Bank; to determine the plans for major investment, major assets acquisition and disposal and other major matters of the Bank in accordance with the Articles of Association and within the scope of authorization of the general meeting; to prepare proposals for the amendments to the Bank's Articles of Association; to appoint or dismiss the President of the Bank and the board secretary and to determine matters relating to their remunerations, awards and punishments; considering the nomination by the President, to appoint or dismiss the Vice President; In accordance with regulatory requirements, to appoint or dismiss the Business Directors and other senior management members who shall be appointed by the Board, and to determine matters relating to their remunerations, awards and punishments; 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 9 meetings (including 7 on-site meetings and 2 meetings through circulating of written resolutions). At the meetings, the Board of Directors reviewed and adopted 55 proposals regarding the 2022 annual report, 2022 profit distribution plan, 2023 business plan, 2023 financial budget plan, 2022 sustainability report, 2023 audit plan, report for the first quarter of 2023, engagement of accounting firms and their fees for 2023, among others. It also listened to 26 presentations regarding the Bank's operation in 2022 and in the first quarter of 2023, report on comprehensive risk management in 2022 and report on comprehensive risk management in the first quarter of 2023, report on internal control, compliance and anti-money laundering in 2022, report on consumer protection in 2022 and work plan for 2023, outsourcing risk assessment report for 2022, report on innovation work in 2022, etc. In accordance with regulatory requirements and the Articles of Association of the Bank, relevant significant events were all submitted to the on-site board meetings for deliberation. Matters requiring voting by written resolutions and eligible for the same as per laws, regulations and the Articles of Association of the Bank were deliberated and approved 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 monitor 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 9 meetings (including 7 onsite meetings and 2 meetings through circulating of written resolutions) 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 17 proposals, including the Bank's 2022 annual report, 2022 profit distribution plan, report on internal control assessment in 2022, 2022 sustainability report, the annual assessment report on the performance of duties for 2022, work report of the Board of Supervisors for 2022, work plan of the Board of Supervisors for 2023, 2023 audit plan, report for the first quarter of 2023, engagement of accounting firms and their fees for 2023, etc., and listened to 34 presentations respectively regarding the Bank's circulars of relevant policies on corporate governance, the Bank's operation situations in 2022 and in the first quarter of 2023, report on comprehensive risk management in 2022 and report on comprehensive risk management in the first quarter of 2023, report on internal control, compliance and anti-money laundering in 2022, work report on consumer rights protection in 2022 and work plan for 2023, report on implementation of consolidated management of the Group for 2022, report on equity management of substantial shareholders and major shareholders for 2022, 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 3 *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 improved the *Supervision List of the Board of Supervisors of CITIC Bank* pursuant to the new regulations, newly added its supervisory responsibilities such as off-balance sheet business management and expected credit loss method management, specified its supervisory priorities such as comprehensive risk management, fund raising management, internal control and consolidated statements management, and thus made the supervision more comprehensive and targeted. At the same time, the Board of Supervisors constantly improved the problem identification mechanism and the prompt supervision mechanism to promote the transformation of supervision to "active supervision and dynamic supervision". After collective study, the Board of Supervisors, centering on the political orientation and people-centeredness of the financial work, sent the *Supervision Reminder Letter* on consumer rights protection to the Board of Directors and the senior management. It brought up trending and potential issues in a forward-looking manner, and put forward pertinent and constructive opinions and suggestions, including strengthening consumer protection planning, consumer protection policy research, whole-process consumer protection management and consumer information protection system building. It also suggested the Board of Directors and the senior management actively practicing the concept of "finance for the people", firmly establishing the concept of "consumer protection for the people", and continuously improving the quality and efficiency of the Bank's consumer rights protection. At the same time, the Board of Supervisors conducted surveys on the theme of "Supporting the Real Economy" covering five branches. Through scientific planning and selection of survey topics, it continuously optimized the survey mode, strengthened the transformation of survey value, and further improved the effectiveness of survey. It put forward systematic and pertinent opinions and suggestions for reference of the Board of Directors and the senior management, to facilitate the Bank's high-quality development.

3.2.4 Senior Management

The senior management is accountable to the Board of Directors and subject to the supervision of the Board of Supervisors. There is a strict division of duties and separation of power between the Bank's senior management and the Board of Directors. Pursuant to the Articles of Association and as authorized by the Board of Directors, the senior management 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 plans 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 10 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 at 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. Fang Heying　Chinese Nationality

Secretary of the Party committee, Chairman and executive director 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. Mr. Fang served as President of the Bank from March 2019 to April 2023. 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. Before that, he was a teacher at Zhejiang Banking School, assistant general manager of the credit department of the experimental urban credit cooperative of Zhejiang Banking School. Mr. Fang has 30 years of experience in the Chinese banking industry. He graduated from Hunan College of Finance and Economics (currently Hunan University) and attained with a master's degree in business administration for senior management member from Peking University. He is a senior economist.

Mr. Cao Guoqiang　Chinese Nationality

Non-executive director of the Bank. Mr. Cao has served as director and general manager (in charge of finance) of CITIC Financial Holdings since May 2023. 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; general manager of the Finance Department of CITIC Group Corporation Limited; and chief financial officer of CITIC Limited. Mr. Cao has over 30 years' experience in the Chinese banking industry. He graduated from Hunan College of Finance and Economics (currently Hunan University) with a bachelor's degree in monetary banking and obtained his master's degree in monetary banking from Shaanxi College of Finance and Economics (currently Xi'an Jiaotong University). He is a senior economist.

Mr. Liu Cheng　Chinese Nationality

Deputy Secretary of the Party Committee, executive director and President of the Bank. Mr. Liu is concurrently a director of CITIC International Financial Holdings Limited, CNCB (Hong Kong) Investment Co., Ltd. and Asian Financial Cooperation Association (AFCA). He served as Chairman of the Board of Supervisors of the Bank from April 2018 to November 2021, and Executive Vice President of the Bank from January 2022 to August 2023. 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. 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 of Renmin University of China. He obtained a bachelor's degree, a master's degree and a doctoral degree in economics and is a research fellow.

Mr. Guo Danghuai   Chinese Nationality

Party Committee member, executive director and Vice President of the Bank. He is concurrently the chairman of CITIC Bank International Limited and CITIC International Assets Management Limited, and a director of CITIC International Financial Holdings Limited, CNCB (Hong Kong) Investment Co., Ltd. and CITIC aiBank Corporation Limited. Previously, Mr. Guo was vice president of Beijing Branch, president of Shenyang Branch, president of Tianjin Branch, general manager of Business Department of Head Office (currently Beijing Branch), general manager of International Business Department, and assistant president and chief audit officer of the Bank, and chairman of CITIC Wealth Management Corporation Limited. Mr. Guo has 37 years of work experience in the banking industry. He graduated from Peking University with a master's degree in business administration. He is a senior economist.

Ms. Huang Fang   Chinese Nationality

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

Mr. Wang Yankang   Chinese Nationality

Non-executive director of the Bank. Mr. Wang has served as chief of State-owned Assets Management Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration since August 2016. Previously, he worked at the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration where he successively served as cadre, deputy chief staff member, and chief staff member of the Audit Division; deputy chief of the First Audit Division; deputy chief of the State-owned Assets Management Division; and consultant and deputy chief of the State-owned Assets Management Division. He was once temporarily appointed as the deputy county chief of Yunxi County, Hubei Province. Prior to that, Mr. Wang worked at the Finance Department of Tsinghua University and was assigned by the National Audit Office to the Audit Bureau of the State Tobacco Monopoly Administration. Mr. Wang graduated from Renmin University of China with a bachelor's degree in accounting, and obtained a master's degree in accounting from Beijing Technology and Business University. He is a senior accountant.

Mr. He Cao　Chinese Nationality

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

Ms. Chen Lihua　Chinese Nationality

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

Mr. Qian Jun Chinese Nationality

Independent non-executive director of the Bank. Mr. Qian is a professor of finance and executive dean of Fanhai International School of Finance at Fudan University, a standing member of the 14th CPPCC Shanghai Committee, a standing member of the 14th Shanghai Committee of China National Democratic Construction Association, a director of Fudan University Committee of China National Democratic Construction Association, dean of Fudan Western-China International Institute of Finance, a research fellow at the Wharton School of the University of Pennsylvania, an editorial board member of Frontiers of Economics in China, an international academic journal, and an independent director of Chongqing Ant Consumer Finance Co., Ltd. Previously, Mr. Qian was a lifetime professor of finance at the Carroll School of Management of Boston College, a visiting associate professor at MIT's Sloan School of Management, a special-term professor of finance at the School of Economics and Management of Tsinghua University, a special-term professor, professor and Ph.D. tutor, co-director of the EMBA program, and co-director of the EMBA/DBA/EE program at Shanghai Advanced Institute of Finance (SAIF) of Shanghai Jiao Tong University, deputy dean of the China Academy of Financial Research of Shanghai Jiao Tong University, and an associate editor of *Review of Finance*, an international academic journal. Mr. Qian obtained his B.S. degree from the University of Iowa and his Ph.D. from the University of Pennsylvania, and did his undergraduate program at the Department of International Economics of Fudan University. Mr. Qian's research interests span many topics of theoretical and empirical corporate finance and financial systems, including commercial and investment banking, mutual and hedge funds, credit rating agencies, mergers and acquisitions, legal systems related to finance, comparison of financial systems in emerging markets, development of financial systems during China's economic transformation, and financial risk prevention and control. He published multiple research papers on top academic journals, and contributed chapters of several books on financial system development. His recently finished books include *Power of China's Finance*.

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

Independent non-executive director of the Bank. Mr. Liu is now an honorary consultant of the Hong Kong Business Accountants Association, and an independent director of Shenzhen WeBank Co., Ltd., Ping An Insurance (Group) Company of China, Ltd. and China Vanke Co., Ltd. He used to be an accounting consulting expert of the Ministry of Finance of China and a Hong Kong member of the 14th session of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Liu had served as a managing partner of audit of KPMG Huazhen LLP China, a managing partner of audit of KPMG Asia Pacific, a chairman of KPMG China and a senior advisor of KPMG Hong Kong. Mr. Liu graduated from the London School of Economics and Political Science with a bachelor's degree in economics. He has the chartered accountant qualification in England and Wales as well as the Hong Kong Institute of Certified Public Accountants senior fellowship.

3.3.1.2 *Supervisors*

Mr. Wei Guobin　Chinese Nationality

External supervisor of the Bank. Mr. Wei is concurrently an external supervisor of Bank of Hengshui Co., Ltd. He 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 vice 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 graduated from Hebei Banking School with a degree in finance and he is a senior economist.

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 serves as member of the U.S.-based International Insurance Society (IIS) Board and independent director of China Taiping Insurance Group Ltd. Previously, she was a dean of the School of Economics of Peking University, chairperson of the Asia-Pacific Risk and Insurance Association, and visiting professor at Harvard University. Ms. Sun graduated from the School of Economics of Peking University with a doctorate degree in economics.

Mr. Liu Guoling　Chinese Nationality

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

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 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. Liu Cheng　Chinese Nationality

Deputy Secretary of the Party Committee, executive director and 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 University of Finance and Economics and Cheung Kong Graduate School of Business with a bachelor's degree in engineering, a master's degree in economics and an EMBA respectively. He is a senior economist.

Mr. Hu Gang　Chinese Nationality

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

Mr. Xie Zhibin　Chinese Nationality

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

Mr. Xiao Huan Chinese Nationality

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

Mr. Lü Tiangui Chinese Nationality

Party Committee member and Vice President of the Bank. Mr. Lü also serves as the chairman of CITIC aiBank Corporation Limited and a board director of JSC Altyn Bank, and concurrently acts as a board director of China UnionPay Co., Ltd. Previously, Mr. Lü served as president of the Credit Card Center, general manager of the Retail Banking Department and Private Banking Department, and Business Director of the Bank. Earlier, he was deputy chief officer of the risk management division at Jilin Branch of Bank of China Limited. Mr. Lü has 30 years' practicing experience in the Chinese banking industry. Mr. Lü graduated from Sichuan University with a master's degree in business administration. He holds qualifications such as senior accountant, Certificated Internal Auditor (CIA) and PRC Certified Public Accountant (CPA).

Mr. Lu Jingen Chinese Nationality

Business Director of the Bank. Mr. Lu previously served as the deputy chief of the corporate credit division, president of the Olympic Village sub-branch, president of the CITIC International Building sub-branch, and Party committee member and assistant general manager of the Business Department of the Head Office of the Bank (currently Beijing Branch); assistant general manager (presiding) of the corporate banking department of the Bank, the secretary of Party committee and president of Kunming Branch, Changsha Branch and Nanjing Branch of the Bank, and general manager of the Corporate Banking Department (Rural Revitalization Department) of the Bank. Mr. Lu has 29 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 concurrently serves as the general manager of the Risk Management Department of the Bank. Prior to that, Ms. Zhang served as assistant general manager, deputy general manager (presiding), and general manager of the Credit Management and Approval Department of the Bank's Xi'an branch, assistant president, Party committee member and vice president of the branch, general manager of the Credit Management Department of the Bank, head of the Organizing Department of the Party Committee and general manager of the Human Resources Management Department of the Bank, and a board director of CITIC Financial Leasing and CNCB (Hong Kong) Investment Limited. Prior to that, she worked at the Shaanxi branch of Industrial and Commercial Bank of China, successively working on the accounting, planning, credit management in the sub-branch and project review in the branch. She has 30 years' professional experience in the Chinese banking industry. She graduated from Shaanxi Institute of Mechanical Engineering (now Xi'an University of Technology) 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 secretary of the Party committee and chairman of CITIC Financial Leasing Co., Ltd. He once worked for the Business Department of the Head Office of the Bank (currently Beijing Branch), and held various positions including president of the Bank's Fuhua sub-branch, general manager of the Corporate Banking Department, assistant general manager, Party committee member and deputy general manager of the Business Department of the Head Office. He also served as secretary of Party committee and president of Taiyuan Branch of the Bank, general manager of the Asset Custody Department and the Corporate Banking Department of the Bank, and secretary of Party committee and president of the Bank's Beijing Branch. Prior to that, Mr. Liu worked at China International Trust Investment Company, and successively served as assistant manager, deputy manager and manager of the Business Department II, assistant manager of China Leasing Co., Ltd. and manager, deputy general manager of the Administrative Management Division at China Leasing Co., Ltd. He has more than 20 years of 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, Resignation and Dismissal of Directors, Supervisors and Senior Management Members

3.3.2.1 Directors

On 17 April 2023, due to work arrangements, Mr. Zhu Hexin resigned from the positions of Chairman, non-executive director and chairman and member of the Strategic and Sustainable Development Committee of the Board of Directors of the Bank, which took effect on 17 April 2023. On the same day, the Board of Directors elected Mr. Fang Heying, Secretary of the Party Committee, Vice Chairman and director of the Bank, as Chairman of the Sixth Session of the Board of Directors of the Bank, and took office as the date when his qualification for Chairman was approved by China's banking regulatory authority. The Board of Directors agreed to appoint Mr. Fang Heying to perform the duties of Chairman of the Bank on behalf for a period from the effective date of Mr. Zhu Hexin's resignation to the date when Mr. Fang Heying formally assumed as Chairman of the Bank. On 3 August 2023, Mr. Fang Heying's qualification for Chairman of the Bank was approved by the NAFR, and he officially assumed as Chairman of the Bank.

On 21 June 2023, the general meeting of the Bank reviewed and approved the proposal on election of Ms. Song Fangxiu as an independent non-executive director for the Sixth Session of the Board of Directors of China CITIC Bank Corporation Limited who will take office from the date of approval of her qualifications by the regulator.

3.3.2.2 Supervisors

During the reporting period, there was no change in the members of the Board of Supervisors of the Bank.

3.3.2.3 Senior management members

On 17 April 2023, the Board of Directors of the Bank received the resignation from Mr. Fang Heying. Due to work arrangements, Mr. Fang Heying ceased to be President of the Bank from 17 April 2023.

On 17 April 2023, the Board of Directors of the Bank reviewed and approved relevant proposal, approving the appointment of Mr. Liu Cheng as President of the Bank. Mr. Liu would take office on the date when his qualification for President was approved by China's banking regulator. The Board of Directors agreed to designate Mr. Liu Cheng to perform the duties of President of the Bank on behalf for a period from the effective date of Mr. Fang Heying's resignation from President of the Bank to the date when Mr. Liu Cheng's qualification for President of the Bank was approved by China's banking regulator. On 3 August 2023, Mr. Liu Cheng's qualification for President of the Bank was approved by the NAFR, and he officially assumed as President of the Bank.

3.3.3 Shareholding of 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.

Except what has been disclosed in the table below, there was no change in the shareholding of the Bank's directors, supervisors or senior management members (both incumbent and those departed during the reporting period).

Unit: Share

Name	Position	Share type	Shareholding at the beginning of the reporting period	Shareholding at the end of the reporting period	Changes during the reporting period	Reason of the change
Guo Danghuai	Executive Director, Vice President	H share	636,000	1,176,000	540,000	Purchase from secondary market

3.3.4 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, and did not hold any other positions in the Bank other than directors. 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. They also actively carried out primary-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 to attend board meetings on proxy complied with regulatory provisions.

The three external supervisors of the Bank were free from the influence of substantial shareholders, senior management members, other entities or individuals with a stake in the Bank during their supervision. They paid attention to safeguarding the legitimate rights and interests of minority shareholders and other stakeholders, and were able to perform their supervisory duties independently. During the reporting period, the external supervisors of the Bank spent sufficient time and energy to perform their duties. They attended the meetings of the Board of Supervisors and general meetings, were present at onsite meetings of the Board of Directors and its specialized committees as non-voting attendees, participated in thematic surveys of the Board of Supervisors, carried out annual duty performance interviews with directors and senior management members, and communicated regularly with external auditors. They proactively got to understand the Bank's operation and management dynamics, studied and analyzed the materials on various agenda items and reports, and exchanged views with the Board of Directors and senior management on concerned matters, made independent, professional and objective judgements, and put forward opinions and comments, so as to effectively enhance the quality and efficiency of the supervision 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 2022 profit distribution plan proposed by the Board of Directors of the Bank was approved by the independent non-executive directors, and adopted through resolution by more than 99.997% of A shareholders holding less than 5% of the Bank's shares at the 2022 Annual General Meeting held on 21 June 2023, effectively protecting the rights and interests of minority shareholders.

3.4.1 Profit Distribution Plan for 2022

Upon review and approval by the general meeting, the Bank distributed dividends on ordinary shares for 2022 in cash to the A shareholders on the register as at 19 July 2023 and the H shareholders on the register as at 3 July 2023. Cash dividends of RMB3.29 (tax-inclusive) were distributed for every 10 shares, amounting to about RMB16.110 billion in total. The 2022 profit distribution plan of the Bank were explained in detail in the 2022 Annual Report, documents of the 2022 Annual General Meeting, the H-share circular of the 2022 Annual General Meeting, the announcement on the implementation of dividend distribution of A ordinary shares for the year 2022 and the announcement on poll results of the annual general meeting of 2022. 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 2023

The Bank neither distributed profit nor converted capital reserve into share capital for the first half of 2023.

3.5 Information Disclosure

During the reporting period, by strictly following the principles of truthfulness, accuracy, completeness, timeliness and fairness, abiding by laws and regulations, and in light of the information needs of investors, the Bank published 281 periodic reports, interim announcements and other documents at the SSE and the SEHK, with a total of over 5 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.

3.6 Management of Related Party Transactions

During the reporting period, the Bank continued to value 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 safeguarded the interests of the Bank and its shareholders.

The Bank upheld its management system that featured decision making by the Board of Directors, supervision by the Board of Supervisors, execution by the senior management, and division of duties among business units. The Bank effectively performed its obligations of reviewing and disclosing the 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 former CBIRC/NAFR for record, in strict compliance with relevant requirements on the management of related party transactions. The members of Audit and Related Party Transactions Control Committee under the Board of Directors, are all independent non-executive director. It carried out preliminary review of material related party transactions and expressed independent opinions thereabout on behalf of minority shareholders to ensure that such transactions were made pursuant to internal approval procedures and in a fair manner on terms no more favorable than those available to independent third parties and in the overall interests of the Bank and all of its shareholders.

During the reporting period, guided by the concept of "returning to original purposes of regulation, attaching importance to the nature of transactions and creating value through compliance" and considering policy changes and regulatory requirements, the Bank pressed ahead with the system and mechanism reform regarding related party transactions, continuously improved the IT application and intelligence of related party transactions management, and ensured the compliance and orderly conduct of related party transactions. The Bank **improved the management rules for related party transactions**, and issued the *Management Measures for Related Party Transactions of China CITIC Bank Corporation Limited* and relevant notice on its implementation, which specified the latest standards for identification of related parties, the scope of related legal persons and natural persons of the Bank, as well as the calculation criteria, management procedures and working requirements for various related party transactions, and unified approval requirements for the pricing of related party transactions. The Bank **strengthened the awareness of compliance of related party**

transactions, and carried out training on related party transaction management by category based on revisions to rules for related party transactions and according to the management responsibilities and characteristics of different institutions. It **optimized the caps of related party transactions**, and upward adjusted the caps of credit extension related party transactions and adding the cap for deposit related party transactions in 2023 under the SSE standards according to the actual business needs after being reviewed and approved by the Board of Directors and the general meeting of the Bank, and signed relevant business framework agreements with CITIC Group. In addition, the Bank **accelerated the development of its related party transactions management system**. The bank updated the related party transaction management system in the light of new rules, launched functions to detect material related party transactions, promoted information interaction between business systems and related party transaction systems, and realized effective identification of related party transactions in business systems.

3.7 Investor Relations Management

Attaching consistent and great importance to investor protection and services, 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. During the reporting period, the Bank made the annual results release available to the general public in the form of "onsite + live" streaming the event through China CITIC Bank APP and other platforms, which accumulated 10,000 views and received positive feedback from the market. After the meeting, the Bank timely published the video recording of the meeting on its official website, so that investors who failed to attend the meeting could know about the Bank's operation and management in time. After the release of the annual results, senior management members of the Bank led a team to Hong Kong for a results release conference, and held performance road shows in Hong Kong, Beijing, Shanghai and Shenzhen, introducing the Bank's operating status and development strategy to the market, which continuously enhanced investors' recognition to the Bank's value. During the reporting period, the Bank held more than 50 investor exchanges by holding road shows, receiving investor surveys and attending strategy meetings of investment banks. The Bank recorded the above-mentioned investor reception and communication activities according to relevant regulatory requirements, and properly kept relevant documents as records. Moreover, for effectively protecting the rights and interests of minority investors, the Bank actively communicated with minority investors through interaction on the SSE e-interactive platform and answering questions from investor via hotline and emails, doing a good job in communication with small and medium investors so as to convey the investment value of the Bank to investors who follow the Bank's development.

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

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

3.9 Information on Staff and Affiliates

3.9.1 Number and Mix of Employees, and Affiliates

As at the end of the reporting period, the Group had 61,323 employees, including 60,575 under labor contracts with the Group and 748 dispatched to the Group or hired with letters of engagement by the Group. The Bank had 57,278 employees, including 56,642 under labor contracts with the Bank and 636 dispatched to the Bank or hired with letters of engagement by the Bank. Among the employees, 13,923 served as managerial function, 40,622 as business function and 2,733 as supporting function, accounting for 24.3%, 70.9% and 4.8% respectively; 15,596 employees, 27.2% of the total, held post-graduate degrees or above; 39,759 employees, 69.4% of the total, held bachelor's degrees; and 1,923 employees, 3.4% of the total, held junior diplomas and qualifications below junior diploma level. Male and female employees (senior management included) accounted for 44.8% and 55.2% of the total respectively. The Bank bore fees for 2,410 retirees.

The Bank's Affiliates List (subsidiaries not included)

Division of Region	Name of the affiliate	Business Address/Postal code	Number of outlets	Number of staffs	Total assets (RMB million)
Headquarters	Head Office	Address: 6-30/F and 32-42/F, Building No.1, 10 Guanghua Road, Chaoyang District, Beijing Postal Code: 100020	1	2,347	2,914,995
	Credit Card Center	Address: CITIC Bank Building, No. 121 Fuhua 1st Road, Futian Street, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	1	5,199	510,391
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	80	3,346	1,320,708
	Tianjin Branch	Address: A5 No. 162 Zhangzizhong Road, Heping District, Tianjin Postal Code: 300020	36	960	112,209
	Shijiazhuang Branch	Address: CITIC Tower, No. 10, Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei Province Postal Code: 050000	63	1,824	149,490
	Jinan Branch	Address: CITIC Plaza, No. 150, Luoyuan Street, Jinan, Shandong Province Postal Code: 250002	47	1,578	140,742
	Qingdao Branch	Address: No. 22, Hong Kong Middle Road, Qingdao, Shandong Province Postal Code: 266071	53	1,659	145,724
	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116001	24	746	64,090

Division of Region	Name of the affiliate	Business Address/Postal code	Number of outlets	Number of staffs	Total assets (RMB million)
Yangtze River Delta	Shanghai Branch	No. 138 Expo Road, Pudong New Area, Shanghai Postal Code: 200126	56	1,991	551,632
	Nanjing Branch	Address: CITIC Tower, No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	86	3,358	515,885
	Suzhou Branch	Address: West Building, Business Center, Financial Harbor, No. 266 East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province Postal Code: 215028	29	1,195	200,588
	Hangzhou Branch	Address: No. 9 Jiefang East Road, Shangcheng District, Hangzhou, Zhejiang Province Postal Code: 310016	95	3,955	621,903
	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	28	859	117,630
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	1,516	117,322
	Xiamen Branch	Address: 334-101, 201, 301, 401, Hubin South Road, Siming District, Xiamen, Fujian Province Postal Code: 361000	16	463	35,008
	Guangzhou Branch	Address: CITIC Plaza, No. 233, Tianhe North Road, Guangzhou, Guangdong Province Postal Code: 510613	103	3,408	461,901
	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	1,703	430,262
	Haikou Branch	Address: 1-3/F, Banshan Garden, No. 1 Jinmao Middle Road, Longhua District, Haikou, Hainan Province Postal Code: 570100	11	337	20,782

Division of Region	Name of the affiliate	Business Address/Postal code	Number of outlets	Number of staffs	Total assets (RMB million)
Central China	Hefei Branch	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	40	1,165	132,732
	Zhengzhou Branch	Address: CITIC Bank Building, No. 1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	86	2,333	260,940
	Wuhan Branch	Address: CITIC Tower, No. 747 Jianshe Avenue, Hankou, Wuhan, Hubei Province Postal Code: 430000	48	1,520	206,203
	Changsha Branch	Address: No. 1500 Third Section of Xiangjiang North Road, Kaifu District, Changsha, Hunan Province Postal Code: 410011	41	1,202	125,113
	Nanchang Branch	Address: Building D3, Lvdi Central Plaza, No. 998, Hongguzhong Avenue, Honggutan District, Nanchang, Jiangxi Province Postal Code: 330038	20	703	95,855
	Taiyuan Branch	Address: 1-17/F, Building 31, No. 65 Pingyang Road, Xiaodian District, Taiyuan, Shanxi Province Postal Code: 030006	30	925	70,475
Western China	Chongqing Branch	Address: No. 5 Jiangbeicheng West Avenue, Jiangbei District, Chongqing Postal Code: 400021	33	1,096	143,909
	Nanning Branch	Address: No. 36-1, Shuangyong Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	19	548	58,341
	Guiyang Branch	Address: North Second Tower, BL Zone, Guizhou Financial City, Changling North Road, Guanshanhu District, Guiyang, Guizhou Province Postal Code: 550081	15	439	35,916
	Hohhot Branch	Address: CITIC Tower, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010010	30	845	45,826
	Yinchuan Branch	Address: No. 160 Beijing Middle Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	8	244	18,791

Division of Region	Name of the affiliate	Business Address/Postal code	Number of outlets	Number of staffs	Total assets (RMB million)
	Xining Branch	Address: Building 2, Shengshida Financial Center, Wenyuan Road No.1, Chengxi District, Xining, Qinghai Province Postal Code: 810008	9	221	15,568
	Xi'an Branch	Address: No. 1, Middle Section of Zhuque Road, Xi'an, Shaanxi Province Postal Code: 710061	38	1,135	92,417
	Chengdu Branch	Address: La Defense Tower, No. 1480 North Section of Tianfu Avenue, High-Tech Zone, Chengdu, Sichuan Province Postal Code: 610042	43	1,326	170,079
	Urumqi Branch	Address: CITIC Bank Tower, No. 165, Xinhua North Road, Urumqi, Xinjiang Uygur Autonomous Region Postal Code: 830002	12	388	27,968
	Kunming Branch	Address: Fulin Square, Baoshan Street, Wuhua District, Kunming, Yunnan Province Postal Code: 650021	30	847	79,195
	Lanzhou Branch	Address: No. 9 Minzhu West Road, Chengguan District, Lanzhou, Gansu Province Postal Code: 730000	13	325	22,577
	Lhasa Branch	Address: No. 22 Jiangsu Road, Lhasa, Tibet Autonomous Region Postal Code: 850000	2	115	8,730
Northeastern China	Harbin Branch	Address: CITIC Tower, No. 236, Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150000	18	498	32,632
	Changchun Branch	Address: No. 718, Jiangong South Road, Chaoyang District, Changchun, Jilin Province Postal Code: 130000	21	489	39,051
	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	45	1,340	54,022
Overseas	London Branch	5th Floor, 99 Gresham Street, London, EC2V 7NG,UK	1	35	25,839
	Sydney Representative Office	Level 27, Gateway, 1 Macquarie Place, Sydney, NSW 2000, Australia	1	3	–

Notes: (1) In addition to the data listed in the above table, the Bank's staff also included 3,084 employees at its directly affiliated Software Development Center, Big Data Center and Technology Operation Center, 5 employees seconded to JSC Altyn Bank as well as 3 employees in the preparatory group for Hong Kong Branch.

(2) The Credit Card Center mentioned in the above table had 77 sub-centers.

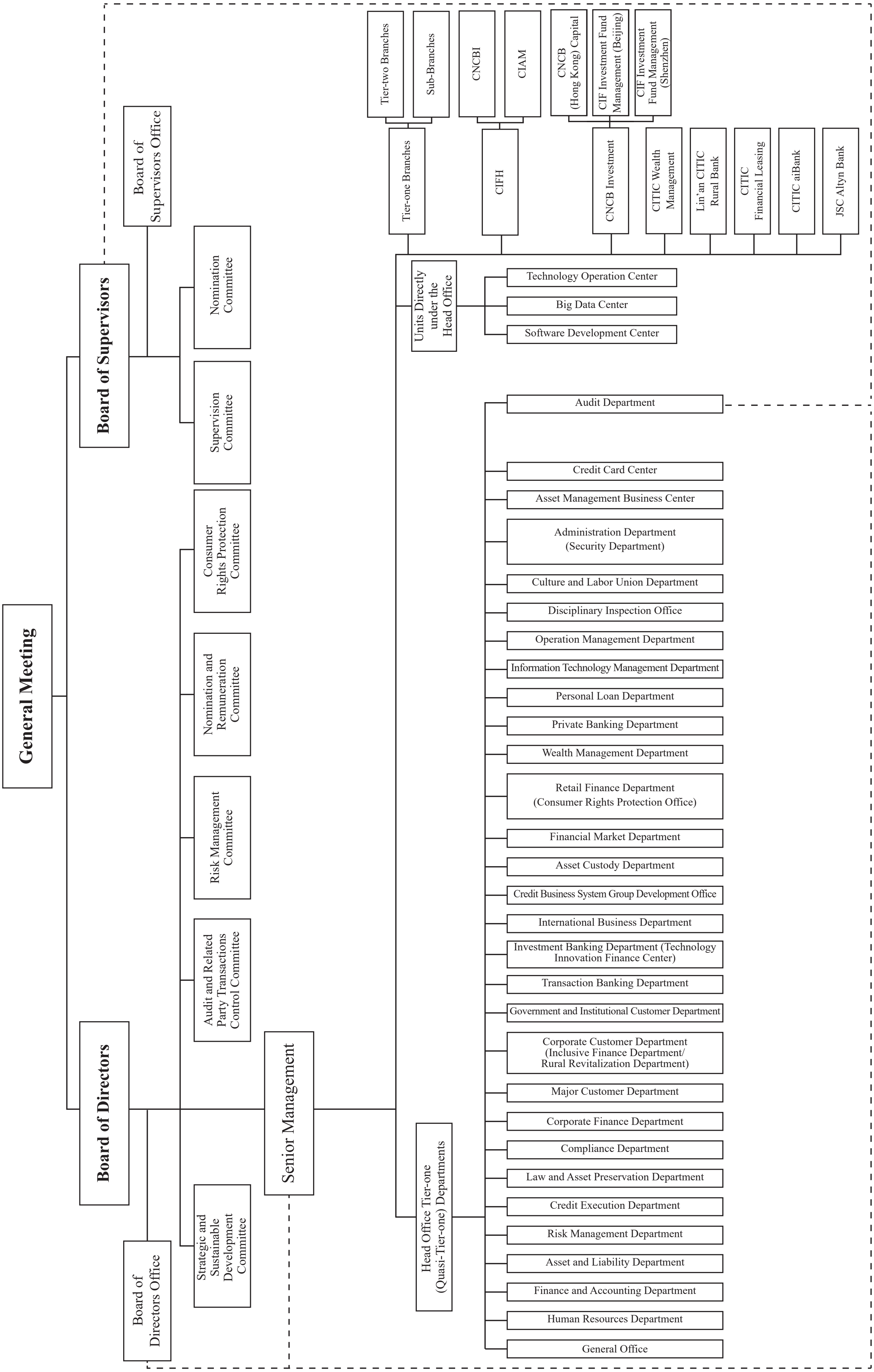
(3) The "total assets" in the above table did not deduct the offset balance between affiliates.

3.9.2 Human Resources Management

During the reporting period, the Bank upheld the talent concept of "uniting those men in progression, inspiring men of action and promoting men with achievement", and built up a value-growth human resources concept. It pushed forward innovations in the human resources mechanism, built a diversified talent value management system, consistently optimized the selection, cultivation, management and utilization chain, and made overall planning for the building of a high-caliber talent team.

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

Employee remuneration of the Bank consists of basic salary and performance-based remuneration. The Bank put in place a policy of deferred payment of performance-based remuneration for middle and senior-level officials as well as employees in key positions and a system for the clawback of performance-based remuneration. It continued to improve the wage and welfare for its employees. In addition to providing all employees with five insurance schemes and one housing provident fund, the Bank also established enterprise annuity and supplementary medical insurance for contract employees who have passed the probation, and provided maternity leave and maternity allowance for female employees.



General Meeting
Board of Supervisors
Board of Supervisors Office
Nomination Committee
Supervision Committee
Board of Directors
Board of Directors Office
Consumer Rights Protection Committee
Nomination and Remuneration Committee
Risk Management Committee
Audit and Related Party Transactions Control Committee
Strategic and Sustainable Development Committee
Senior Management
Tier-two Branches
Sub-Branches
Tier-one Branches
CNCBI
CIAM
CIFH
CNCB (Hong Kong) Capital
CIF Investment Fund Management (Beijing)
CIF Investment Fund Management (Shenzhen)
CNCB Investment
CITIC Wealth Management
Lin'an CITIC Rural Bank
CITIC Financial Leasing
CITIC aiBank
JSC Altyn Bank
Units Directly under the Head Office
Technology Operation Center
Big Data Center
Software Development Center
Head Office Tier-one (Quasi-Tier-one) Departments
Audit Department
Credit Card Center
Asset Management Business Center
Administration Department (Security Department)
Culture and Labor Union Department
Disciplinary Inspection Office
Operation Management Department
Information Technology Management Department
Personal Loan Department
Private Banking Department
Wealth Management Department
Retail Finance Department (Consumer Rights Protection Office)
Financial Market Department
Asset Custody Department
Credit Business System Group Development Office
International Business Department
Investment Banking Department (Technology Innovation Finance Center)
Transaction Banking Department
Government and Institutional Customer Department
Corporate Customer Department (Inclusive Finance Department/ Rural Revitalization Department)
Major Customer Department
Corporate Finance Department
Compliance Department
Law and Asset Preservation Department
Credit Execution Department
Risk Management Department
Asset and Liability Department
Finance and Accounting Department
Human Resources Department
General Office

CHAPTER 4 ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)

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

During the reporting period, the Bank continued to improve the ESG management system and mechanism, advanced the implementation of the *Environmental, Social and Governance Management Measures of China CITIC Bank Corporation Limited* and the *Environmental, Social and Governance Management Work Plan of China CITIC Bank Corporation Limited*, and further defined the objectives, implementation path and division of labor for environmental, social and governance (ESG) work across the Bank. It further integrated the ESG philosophy into daily operation and management, and strengthened ESG publicity and theme training through exploring and innovating ESG publicity forms like ESG cartoons and videos to stimulate employees to practice ESG and high-quality development concepts. Under the strategic leadership of the Board of Directors, the Bank strongly supported key areas of the real economy, vigorously developed green finance, inclusive finance and elderly-oriented finance, actively served the rural revitalization strategy, and continuously carried out precision assistance and public welfare donations. During the reporting period, the Bank completed the compilation and disclosure of its first TCFD report under the TCFD framework, which systematically showcased the Bank's efforts and achievements in facilitating the green and low-carbon transition of society and economy, protecting the natural ecosystem and promoting common prosperity.

4.1 Environment Information

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

4.1.1 Environmental and Social Risk Management

The Bank integrated environmental and social risk evaluation into all the credit granting processes. It formulated the *Measures for the Classified Management of Environmental and Social Risks of China CITIC Bank Corporation Limited (Version 1.0, 2017)*, imposing requirements on the management of environmental and social risks throughout the credit granting process. It also developed the *Guidelines for Due Diligence in the Debt Financing Instrument Underwriting Business of China CITIC Bank Corporation Limited (2021)*, to comprehensively evaluate various risks that issuers face in terms of industrial policies, safe production and environmental protection. Both policies are applicable to the Bank's operating institutions at all levels.

During the reporting period, each credit granting deal was subject to ESG risk evaluation, which was part of the credit granting review. In terms of environmental and climate risks, the Bank continued to adhere to the "vote system for environmental protection", with a focus on environmental protection penalties and rectification. In terms of social risks and governance risks, the Bank mainly focus on major positive and negative matters of the company. Each bond underwriting deal was imposed environmental risk evaluation as part of due diligence, with a focus on land, environmental protection and project approval. The evaluation verified the issuer's materials about safe production and environmental protection, and special due diligence was conducted on some industries with excessive production capacity. The projects inconsistent with industrial policies, safe production or environmental protection related regulatory requirements were not eligible for application.

During the reporting period, the Bank issued the *Notice on Strengthening "Three Inspections" on Environmental Protection in Green Credit Business*. The document required operating institutions at all levels to intensify the management of ESG risks in the credit granting process and inspections of the customers before, during and after lending, and clarify the management requirements for corporate environmental protection in the stages of pre-lending, lending, and post-lending, so as to ensure no customers are involved in environmental problems or have completed rectification of environmental problems. And relevant information are filed making environmental protection a major part of the credit granting process.

4.1.1.1 ESG Due Diligence and Credit Granting Review and Approval

Identifying ESG risks: The Bank included due diligence of customers' environmental and social risks into the investigation before granting credit. Based on the characteristics of the industries and regions where the customers and their projects operate, the Bank defined the contents of the investigation, including but not limited to pollution prevention and control, working conditions, and the customers' environmental and social risk evaluation and management systems.

Evaluating ESG risks: The Bank made the customers' environmental and social risks a major part of credit granting review, with the contents including but not limited to the alignment with industrial policies, project review, approval and filing conditions, and environmental impact assessment. Reviewers need to give explicit opinions on the customers' environmental and social risks, and shall not allow projects inconsistent with the regulations about customer acquisition and environmental and social risk management to enter to the approval process.

Assessing ESG risks: The Bank made the customers' management of environmental and social risks a major basis for credit use review, and may suspend or terminate credit line if it finds a customer involved in any major hidden risk during its credit use review.

Tracking ESG risks: For the customers potentially with major environmental or social risks, the Bank formulated and implemented targeted post-lending management measures to inspect their environmental and social risk management policies and execution of risk response plans. The Bank included the credit customers' environmental and social risks into its early warning mechanism, and took timely risk management measures in response when major environmental or social risk events occurred to customers.

4.1.1.2 *Credit Policies by Industry*

The *2023 Credit Policies of China CITIC Bank Corporation Limited* makes clear the credit extension orientation for areas including agriculture, energy, mining and oil & gas exploitation.

Credit policy for agriculture: To support China's initiatives like "moving faster to build up China's strength in agriculture" and "ensuring China's food security and focusing on agricultural industrialization and modernized operation", the Bank, based on development rules of the industry and regional characteristics, prioritized services to the sectors and areas with key and clear support from the government.

The Bank supported the construction of grain production areas (including high-standard farmland), key agricultural protection areas featuring integrated industrial development and distinctive agricultural industry parks, the construction of medium and large-sized irrigation canal facilities, and the construction of large-scale modern protected agriculture projects. The Bank backed the large-sized breeding enterprises that are aligned with environmental standards and have in place complete epidemic treatment and quality inspection & control systems. It practiced the seed industry vitalization initiative, and financed the building of outstanding seed production bases and seed breeding systems on a selected basis.

Credit policy for energy sector: The Bank prioritized support for large electricity groups, and actively supported experienced PV enterprises and their controlled subsidiaries. It funded concentrated PV power generation projects such as policy-backed grid connection and market-oriented grid connection, and financed distributed PV power generation projects on a selected basis.

Focusing on the large bases endowed with wind and PV energy resources and the regions with robust demand for power and strong capacity for power consumption, the Bank leveraged carbon reduction instruments and played an active role in the wind power projects launched by large power generation groups with rich experience in wind power development and steady operation. Focusing on the links in the industrial chain with higher access barriers and stabler market landscape, the Bank offered support for the enterprises with outstanding R&D capabilities, notable benefits from large-scale operation, bigger market shares and steady cooperation with downstream partners.

The Bank stood behind the hydropower projects launched by large power groups that developed green hydropower based on local conditions while protecting the ecological environment and ensuring the resettlement of affected residents. It granted credit to nuclear power enterprises in an active and orderly manner, focused on the standardization and independent development of nuclear power projects and the breakthroughs in key technologies and equipment, and gave priority support for high-end nuclear power equipment manufacturing.

Credit policy for mining and oil & gas exploitation: The Bank supported the green transition of the coal industry and energy supply, and stepped up efforts to fund the clean production of coal and the application of clean combustion technologies. It prioritized the reasonable financing for coal enterprises with competitive resources, costs and integrated operation, and appropriately declined the request from coal enterprises with poor resource endowment, high mining cost and hidden environmental and security risks.

The Bank supported the efficient and clean use of conventional fossil energies including oil and gas, and financed the development of non-conventional oil and gas resources like shale gas, coal bed gas and tight oil (gas) on a selected basis. It funded mining enterprises that meet China's strategy of industry upgrade and requirements on energy conservation and environmental protection and enjoy operating advantages across the industrial chain on a selected basis. It backed producers that provide critical non-ferrous materials for the development of sectors such as emerging technologies and artificial intelligence.

4.1.2 Green Finance

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

During the reporting period, the Bank conducted in-depth research on green finance sector, and completed the industrial research on green and low-carbon areas such as new energy vehicle, PV, energy storage and wind power as well as the areas under high carbon reduction pressure such as coal, steel and thermal power. The Bank formulated green finance credit policies, clarified its green finance policies and business orientation, implemented the national carbon peaking and carbon neutrality goals, proactively supported the credit extension to the industries abreast with green development trends, and strictly managed projects with high energy consumption and high emissions. As at the end of the reporting period, the balance of green credit was RMB400.680 billion[34], representing an increase of 19.93% compared with the end of the previous year, a growth rate exceeding that of others of the Bank.

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

In terms of green bonds, the Bank focused on green bond issuance, investment and underwriting, and promoted the green transition of the economy and society on all fronts with its bond business.

- During the reporting period, the Bank issued two tranches of green financial bonds totaling RMB20 billion in China's interbank bond market, with the funds raised going to green projects related to environmental protection, clean energy and green upgrade of infrastructures.

- The Bank further strengthened support to green bonds. As at the end of the reporting period, the investment in green bonds totaled RMB10.628 billion, a year-on-year increase of 41.35%.

- As a leading lead underwriter in the market, the Bank underwrote seven green bonds during the reporting period, with a total amount of RMB1.810 billion, RMB500 million of which were carbon neutralization bonds. The Bank pioneered innovation in many areas, and underwrote the first sustainability linked panda bond in the market.

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[34] According to the statistics standard of PBOC.

In terms of green leasing, during the reporting period, CITIC Financial Leasing set up the Green Leasing Work Group and PV Innovation Group, and pushed forward the household distributed PV business. As at the end of the reporting period, the Bank input RMB1.448 billion in household PV development, and served 16,775 rural households in total. The balance of green leasing amounted to RMB27.558 billion, representing nearly 60% of the total leasing amount.

4.1.3 Green Operation

The Bank upheld the philosophy of green and low-carbon development, and practiced China's policies and requirements on energy conservation and environmental protection. It sped up the initiatives related to green operation, and paid greater attention to environmental protection, health, comfort, security and compliance in the process of relocating, reconstructing or decorating its outlets, so as to minimize the negative impact on the environment. The Bank advocated green office, developed the *Guiding Opinions on Green Office of China CITIC Bank Corporation Limited*, and strengthened management and publicity in terms of allocation and procurement of official vehicles, office lighting, water use and stopping waste on dining tables. It focused on digital operation, and leveraged online banking to provide customers with efficient, convenient and green online services. It continuously enriched online products, improved online services, and introduced intelligent equipment and tools, to reduce the use of paper in business and consumption of resources incurred from travelling.

4.1.4 Supplier Management

The Bank is committed to working with suppliers in multiple areas to build open, fair, mutually beneficial, stable and sustainable partnerships.

During the reporting period, the Bank continued to strengthen institutional governance and tighten control over critical links, in a bid to create a sound procurement ecosystem and promote more efficient and compliant procurement based on closer cooperation among all stakeholders. It further advanced the campaign of "Working Together for Sunshine Procurement", publicized compliance culture, and leveraged multiple channels to encourage and guide suppliers to fulfill their environmental and social responsibilities. The Bank implemented major national strategies and plans such as those about carbon peaking and carbon neutrality and green finance, formulated green procurement plans, implemented the list-based management mechanism for energy-efficient products and environmental label products, and encouraged private enterprises in environmental protection and manufacturing industries to bid for the Bank's procurement projects. Furthermore, the Bank, insisting technology empowerment, further enhanced its capabilities in identifying supplier risk, digital operation of centralized procurement and online operation through technology, and advanced the transition of procurement from an information-based business to a digital and intelligent one.

4.2 Fulfillment of Social Responsibilities

The Bank proactively fulfilled its social responsibilities, and boosted rural revitalization through financial services in response to the national strategic plans for rural revitalization. It tried to protect customers rights and interests, enhanced the popularization and education of financial knowledge, focused on the data and privacy security, and reinforced the control of the security operation. It also pressed ahead with the optimization of its talent management system, and protected employees' rights and interests through multiple channels.

4.2.1 Rural Revitalization

During the reporting period, the Bank conscientiously implemented the strategies and plans of the CPC Central Committee and the State Council for rural revitalization, and strictly observed regulatory policies and requirements. Through institutional building and policy support, the Bank improved featured services for rural revitalization, increased the balance of loans granted to rural revitalization related areas, and enhanced the quality and efficiency of financial services for rural revitalization.

During the reporting period, the Bank stepped up institutional support for rural revitalization. It strengthened institutional setting and staffing at the Head Office and branches, and improved the organizational structure for rural revitalization. It gave play to the institutional advantages of cross-functional collaboration, and regularly held meetings of the rural revitalization work group, to advance the business development in a coordinated manner. It increased support for key areas, and further studied and expanded customer groups including new-type agricultural operation entities and modern agricultural entities. It continued to improve policy and resources support, made agriculture-related loans and loans granted to key areas part of the measures in the comprehensive performance assessment for branches, allocated special marketing funds and provided corresponding compensation incentives.

As at the end of the reporting period, the Bank had 52.3 thousand accounts of agriculture-related customers with outstanding loans. The balance of the Bank's agriculture-related loans stood at RMB547.586 billion, an increase of RMB60.656 billion or 12.46% compared with the end of the previous year. Among them, the balance of agriculture-related inclusive loans was RMB38.689 billion, an increase of RMB5.624 billion or 17.01% from the beginning of the year, faster than the average growth of loans across the Bank; loans granted to key areas such as agriculture, forestry, animal husbandry and fishery, rural infrastructure, key areas of food production and new-type agricultural operation entities all recorded good growth.

Precision Assistance with Financial Services

During the reporting period, the Bank proactively fulfilled its responsibilities as a state-owned financial enterprise, gave play to the role of the inclusive finance and rural revitalization leader group and working group, coordinated efforts to advance the steady and sound development of loans for precision assistance, and contributed to the consolidation of the achievements made in the fight against poverty.

During the reporting period, the Bank strictly implemented the requirements of shaking off no responsibilities, policies, assistance and regulations even when poverty has been shaken off, and maintained supporting policies and efforts stable. It increased guidance for credit granting, issued special notices, focused on key areas such as industrial assistance, employment assistance and the industrial development in areas lifted out of poverty, strengthened credit support based on the list of poverty alleviation identification information, increased micro credit for the people shaking off poverty, and advanced the development of precision assistance loans and loans granted to areas lifted out of poverty. The Bank scaled up product service support, improved infrastructure construction, optimized e-service channels like mobile banking and online banking, and expanded the coverage of financial services. It enhanced policy and resource support, incorporated the business performance of precision assistance loans and loans granted to areas lifted out of poverty into the comprehensive performance assessment of branches, and allocated special subsidies. Furthermore, the Bank specified requirements for risk tolerance, and implemented due diligence liability exemption. As at the end of the reporting period, the Bank's balance of loans for precision assistance with financial services stood at RMB32.531 billion, and the number of customers with outstanding loans was 995.9 thousand. During the reporting period, the risk interest rate of loans newly granted was basically balanced.

4.2.2 Consumer Rights Protection

The Bank has in place a consumer rights protection management system in which the Board of Directors, Board of Supervisors and senior management perform respective duties. The Board of Directors takes ultimate responsibility for, plans and guides consumer rights protection work. The Board of Supervisors oversees the performance of duty related to consumer rights protection by the Board of Directors and senior management. The senior management is responsible for the implementation of consumer rights protection work, and ensures the strategies and policies about consumer rights protection are effectively implemented.

At the Board of Directors level, the Consumer Rights Protection Committee of the Board of Directors of the Bank works to improve the management of consumer rights protection across the Bank by means such as regularly hearing reports on consumer rights protection, reviewing annual work plans for consumer rights protection, and inspecting, guiding and supervising the consumer rights protection work at key branches. During the reporting period, the Bank held one meeting of the Consumer Rights Protection Committee, which reviewed the *2022 Work Report on Consumer Rights Protection Work and 2023 Work Plan of China CITIC Bank* and the *2023 Work Plan of the Consumer Rights Protection Committee of the Board of Directors*, and carried out training about a newly released regulatory policy, the *Management Measures for Consumer Rights Protection by Banking and Insurance Institutions*.

At the senior management level, the Bank has the Consumer Rights Protection Working Committee in place, with the President as the director and Vice President of the Bank in charge of consumer rights protection as the deputy director. The Consumer Rights Protection Working Committee plans and coordinates the consumer rights protection work, implements various requirements of the senior management for consumer rights protection, advances the policy formulation for consumer rights protection, and improves key mechanisms related to consumer rights protection. During the reporting period, the committee held one meeting, which reviewed two proposals, namely the *2022 Work Report on Consumer Rights Protection Work and 2023 Work Plan of China CITIC Bank Corporation Limited* and the *Plan for Improving the Regulatory Assessment of Consumer Rights Protection in 2022 of China CITIC Bank Corporation Limited*.

Consumer rights protection training

The Bank formulates training plans for consumer rights protection every year, and carries out training for all the employees involved in consumer rights protection.

The Bank developed the *2023 Employee Training Plan for Financial Consumer Rights Protection of China CITIC Bank Corporation Limited*, explicitly requiring consumer rights protection training to be carried out at multiple levels and with full coverage. During the reporting period, the Bank organized training about the *Management Measures for Consumer Rights Protection by Banking and Insurance Institutions* among **middle and senior management personnel and employees dedicated to consumer rights protection** to ensure the effective implementation of the regulatory policy. It held two consumer rights protection training sessions themed "Collectively Promoting Consumer Rights Protection" for **persons in charge of consumer rights protection departments and employees dedicated to consumer rights protection at branches**, with the contents including the updates and practice of consumer rights protection at commercial banks, personal information protection and key points of consumer rights protection review. It also launched a special training class for **frontline consumer rights protection employees** to improve their abilities, which covered 11,800 persons, and organized special training for **complaint response personnel**, which covered 10,900 persons.

4.2.2.1 *Review of new products and services*

In the review of new products and services in terms of consumer rights protection, the Bank follows the principle of "graded responsibility and two-level review", namely, the consumer rights protection department of the Head Office unifies the management of consumer rights protection review across the Bank, and credit card centers and branches' consumer rights protection departments are responsible for the review of consumer rights protection at respective levels.

The process for consumer rights protection review includes four steps, namely entry by business departments, initial review by business departments, acceptance and secondary review by consumer rights protection departments, and feedback. For the new products and services launched by various institutions, the launching departments will first conduct initial review of consumer rights protection, and fill in the self-review results in the system. The projects that pass initial review will be submitted to corresponding consumer rights protection departments for secondary review. The consumer rights protection departments will decide on the time of review based on the scope and contents of the laws and regulations involved in the documents submitted to review, which, in principle, will be within three working days upon the date when the documents are received. After receiving the explicit review opinions provided by the consumer rights protection departments, the business departments, if not adopting such opinions, must provide feedback to the consumer rights protection departments and explain the reasons within three working days; and if adopting such opinions, must upload the revised appendixes within three working days, to ensure every piece of opinion of the consumer rights protection departments are implemented.

The review focuses on whether the new products and services reflect respect for consumers; whether relevant processes and policies follow the principles of equality, voluntariness, fairness and honesty and involve no compulsory requirements on the purchase of use of new products of services; whether the probability of damage to consumers and the degree of damage are evaluated in the new products and services and whether corresponding response plans are formulated; and the measures on information disclosure related to the new products and services. In addition, the Bank released the *Prompts on the Key Points of Consumer Rights Protection Policies* on a monthly basis, which warn against risks in consideration of regulatory requirements, new industrial rules, information disclosure and key points of review.

During the reporting period, the Bank reviewed 8,021 consumer rights protection cases, an increase of 83.80% year on year, and raised opinions for 2,131 cases, an increase of 152.19% year on year; and the cases with the opinion provided by the Bank representing 26.57% of the total, an increase of approximately 6.1% year on year. So, both the quality and efficiency of consumer rights protection review continued to improve steadily.

4.2.2.2 *Loan changes*

To meet customer needs, the Bank allows changes of qualified loan elements or loan-related information following submission of corresponding application materials. The Bank varies change review processes with loan elements based on the degree of risk involved in the changes. To improve customer experience and protect customer rights, the Bank provides two channels for post-lending changes, i.e., "online self-service post-lending change" and "offline post-lending change review". Loan customers can file applications via mobile banking, which will be reviewed and approved automatically, or apply offline for review and approval.

The Bank allows advance repayment by customers for all personal loan products. By repayment channels, advance repayment can be made either online or offline. By repayment modes, advance repayment can be made either real time or through booking. Detailed modes of advance repayment are subject to product attributes, loan contract agreements, local regulatory requirements and other factors.

4.2.2.3 *Customer Complaint Management*

Complaint response channels and processes

The Bank's Customer Service Center is among the major channels through which customer demands are fed back. It listens to customer needs at the earliest time possible, and provides considerate customer service throughout the day. Customers may provide feedback through 95558 or 10105558 hotlines or online message or video platforms. Receiving customer feedback, the Customer Service Center will first explain to and appease customers to resolve the problems within the scope of authority; for the problems it cannot directly resolve, it will accurately record the problems in detail and develop work orders in accordance with the *Measures for Work Order Management Involved in Customer Service of China CITIC Bank Corporation Limited (Version 4.0, 2022)*, follow the first-inquiring responsibility principle, and transfer the work orders to relevant departments of the Head Office or branches for handling. Based on the complexity and urgency of contents and the deadlines required by customers, the work orders will be handled by three levels (extra urgent, urgent and general levels) within 1-3 working days, and managed based on the closed-loop process of receipt, handling and settlement, to ensure they are handled in a complete and consistent manner and customer complaints are properly solved. Meanwhile, to further improve customer experience, the Customer Service Center continuously collects customers' complaints and suggestions, and collaborates with all business lines to improve the Bank's systems, products and processes for in-advance service management. As a result, the quality and efficiency of complaint response are constantly improved.

Building of the complaint management system

During the reporting period, the Bank continued to detail the complaint management system, strengthened early intervention of major complaints, and effectively reduced the number of escalated complaint cases at all levels through ex ante warning and prevention, interim control over quality and efficiency and ex post source tracing and rectification, and by exercising management by level and category throughout the process. During the reporting period, the Bank received a total of 14,844 regulatory referrals for complaints, which mainly involved business such as credit cards, personal loans and debit card account management with a proportion of 78.65%, 12.05% and 4.67% respectively. In terms of geographical distribution, the complaints were mainly concentrated in Guangdong[35], Zhejiang and Beijing, accounting for 80.34%, 2.21% and 2.10% respectively. The Bank intensified technological empowerment, launched a new intelligent work order system in July 2023, and introduced features like regulatory complaint response, definition of complaint response responsibilities and positions and customer satisfaction management step by step, to support and improve its complaint management capability.

During the reporting period, the Board of Directors, the Consumer Rights Protection Committee of the Board of Directors and the Board of Supervisors of the Bank heard the report on ranking of regulatory complaint notifications and the work on reducing complaints respectively, and inquired about the relevant content of the complaints at the meetings. Due to the continuous improvement in complaint management, in the regulatory notification on complaints in the first quarter of 2023, the total amount of the complaints on the Bank in the first quarter ranked seventh among joint-stock commercial banks nationwide, representing a year-on-year decrease of 2 slots. The amount of the customer complaints per thousand outlets ranked eighth among joint-stock commercial banks nationwide, representing a year-on-year decrease of 2 slots. The amount of the customer complaints per ten million persons ranked tenth among joint-stock commercial banks nationwide, representing a year-on-year decrease of 2 slots.

4.2.2.4 *Publicity and education about financial knowledge*

The Bank developed the *2023 Work Plan for the Publicity and Education on the Financial Knowledge about Consumer Rights Protection* to define the priorities of education and publicity about consumer rights protection in 2023, and carried out a series of regular and distinctive financial knowledge publicity activities among key groups.

35 As the Bank's Credit Card Center is based in Shenzhen, credit card related complaints are counted as part of those in Guangdong.

Regularly carrying out publicity and education activities. The Bank set up public education zones at all outlets, where visiting customers are offered publicity materials about consumer rights protection including books, brochures and foldouts. It arranged risk reminders in business areas to raise customers' awareness of risk prevention. Also, the Bank continuously released contents about risk cases, risk reminders and financial knowledge through its portal website, official WeChat account, mobile APP and CITIB Bank Microlife, reaching 17.00 million person-times in total.

Advancing the building of distinctive publicity and education bases in an ordinary manner. The Bank's Head Office and branches worked together to build demonstration financial education bases, and continuously rolled out a series of financial knowledge awareness activities targeting the elderly and rural residents, to effectively raise the public's abilities in identifying financial risks and protecting financial assets. In particular, the Bank's Guiyang Branch collaborated with Guizhou Provincial University for the Elderly and built the first provincial-level demonstration base for financial education in Guizhou; the financial education base in Xiaju Village, Putian launched by the Bank's Fuzhou Branch was named as the "Rural Financial Education Base of Fujian Province"; Shiyan Village of Changsha County and Xinyang Village of Wangcheng District, which received paired assistance from the Bank's Changsha Branch, were both selected as the "Demonstration Village of Rural Financial Education in Hunan Province".

Organizing education and publicity activities among special groups. During the reporting period, **targeting the elderly**, by launching mini classrooms offline like "Becoming Expert at Smart Phones" and "Caring about the Elderly and Raising Anti-fraud Awareness" and posting big-font four-frame comics, anti-fraud setting-up exercise and micro-videos online, the Bank publicized financial knowledge about the prevention against telecom fraud, prevention against illegal fundraising and protection of personal information, to effectively protect the financial security of the elderly. **Targeting college students**, many of the Bank's branches teamed up with local universities and launched the course themed "Fraud-free Youth – Chat about the Telecom Fraud College Students May Encounter", to help college students raise risk awareness and stay away from fraud traps. **Targeting new urban residents**, the Bank organized branches to publicize financial knowledge in areas where new urban residents are concentrated, such as ports, construction sites and commercial circles, to boost their awareness of fraud prevention.

4.2.3 Privacy and Data Security

As the top-level decision-making body for consumer rights protection, the Board of Directors takes the ultimate responsibility for consumer rights protection (including the protection of consumers' financial information). The senior management takes the primary responsibility for the protection of consumers' financial information, and the department heads at the Head Office and heads of various branches are the first persons responsible for the protection of consumers' financial information. During the reporting period, in line with the latest regulatory policies, the Bank revised and released the *Management Measures for the Protection of Consumers' Financial Information of China CITIC Bank Corporation Limited (Version 3.0, 2023)*, and organized various business lines and branches to reinspect and revise relevant policies and rules.

The Bank has in place the Information Technology Committee, which is headed by the Vice President of the Bank and is responsible for reviewing the Bank's information development plans and annual information work plans, reviewing the Bank's information technology risk policies, coordinating efforts to address major information technology risks and ensure information security, and monitoring investment in information technology. During the reporting period, it reviewed the 2022 work report on the management of information security, including the key aspects of work on information security, main problems, and the priorities for the next stage.

4.2.3.1 Security Monitoring and Defense System Building

With a complete and regular network security defense system and an intelligent and platform-based security operation system, the Bank enables management of security for terminals, hosts, networks and data as well as real-time detection and response to various abnormal behaviors and external attacks.

In terms of security monitoring, during the reporting period, the Bank conducted internet security inspection, and identified weak links and hidden risks through penetration tests, external monitoring, vulnerability scanning, host intrusion detection and automatic compliance inspection; timely restored security vulnerabilities; conducted monitoring and completed fast response to phishing sites and faked APPs. In doing so, it effectively ensured the safe and steady operation of the information system.

The Bank has in place an emergency response planning and event reporting mechanism that covers the networks, machine rooms, security and data of all the information systems. **In terms of emergency response planning**, the Bank independently developed a digital management platform for emergency response planning, enabling online management across the lifecycle of emergency response planning from development, revision, abolishment to approval and release. As at the end of the reporting period, over 1,000 emergency response plans for information systems were developed, covering all the information systems. More than 300 emergency response plans were added or revised. **In terms of emergency response drills**, during the reporting period, the Bank organized desktop drills covering 43 major scenarios including infrastructures, supporting platforms and network security, further enhancing its overall capability in security defense.

Information security management system certification

- After strict testing and certification review, the Bank's ten APPs facing customers directly such as mobile banking and Mobile Card Space successively passed "FinTech Product Certification", and the filing of application software on mobile financial client of the National Internet Finance Association of China. The Bank conducts annual reviews and certificate renewal application in accordance with the certification standards every year, and the certification means the mobile finance APPs independently developed by the Bank are recognized by authoritative state agencies, with the quality meeting required standards in terms of client software security, barcode payment security and protection of customers' personal information.

- In accordance with the *Cybersecurity Law* and the national requirements for classified protection of cybersecurity ("classified protection"), the Bank has 19 major information systems filed at the Ministry of Public Security as Class IV or Class III (Class IV is the highest in the financial system) systems. Classified protection assessment is conducted from physical, network and application perspectives, to comprehensively assess the security protection capability of enterprise systems. During the reporting period, all the 19 major information systems of the Bank passed the classified protection assessment.

- The Bank's credit card business passed ISO 27001 information security management system certification every year, with the scope of certification including Wechat card issuance, authorization, accounts and bills, collection and deduction, as well as the organizational development and operation of systems and information technology planning.

4.2.3.2 *Management of Personal Information Protection*

The Bank established a relatively complete management mechanism for the protection of customer information security, developed several management policies such as the *Management Measures for Customer Information Protection of China CITIC Bank Corporation Limited* and *the Management Measures for E-Data Security* of *China CITIC Bank Corporation Limited*, and specified requirements on customer information protection including the "minimum necessary" collection and storage principle. The Bank designed and implemented the security protection strategy covering the full lifecycle of customer information, and imposed requirements for various stages including the external provision of personal information, external entrustment of data processing, public disclosure of data, and overseas use of data, to improve security management across the lifecycle of customer data.

Privacy protection policy

The Bank developed and released the *Privacy Policy of the Electronic Banking of China CITIC Bank Corporation Limited*, collected, stored and used customers' personal information in strict accordance with the policy, and pledged to adopt corresponding security protection measures according to law to protect customers' personal information. The privacy policy explicitly authorized users the right to control personal information, including the access to and correction, update and deletion of personal information and the change of the scope of authorization, and made clear application scenarios and operation methods, to effectively protect customers' right to control personal information. The link to the privacy policy on the official website: www.citicbank.com → FAQs → privacy policy.

https://wap.bank.ecitic.com/NMBFOServer/WebMB/MBLifeService/privacyPolicy.html#4 (mobile link)

4.2.4 Development of Human Capital

Analysis of human capital

The Bank took a strategy-oriented, value-oriented and difference-oriented approach. Focusing on the priorities of business across the Bank and bearing the operation objectives in mind, the Bank established and improved multi-dimensional assessment models to determine the staffing size, continuously optimized the staffing mechanism, and allocated human resources in a differentiated and refined manner. For employees in key positions like technicians and full-time reviewers, the Bank strengthened staffing through external introduction and internal training, further increasing the number of high-level talents in key areas. The analysis of data like CV submissions and job applicant information by the recruitment system offered reference for the recruitment strategy. Also, the Bank monitored employee loss rate through the human resources system, followed and analyzed resignations by employees in key positions, conducted interviews about resignation and adopted countermeasures to improve the situation.

Talent training system

The Bank continuously improved the training system by level and category. For **management staff** at all levels, the Bank offered onboarding and on-the-job training to improve their comprehensive and professional abilities in consideration of policy trends and the Bank's strategic focuses. **For technical and operating staff**, the Bank organized post qualification training and tests to enhance their competence for the posts. Furthermore, the Bank continued with training about the update of product knowledge, improvement of business skills and enhancement of personal performance, to boost the professional competency of the staff. **For employees newly recruited from universities**, the Bank provided training in phases from centralized training and rotating internship to on-the-job tutoring, to help them quickly blend into the corporate culture and achieve the conversion of roles.

During the reporting period, centering on the *14th Five-Year Plan for Talent Development of China CITIC Bank Corporation Limited* and the business needs across the Bank, the Bank held 1,329 training sessions of various kinds, and trained 124.8 thousand person-times in total.

The Bank supported employees in taking external vocational qualification tests such as CFP, CFA and CPA, to improve their professional and comprehensive abilities, and reimbursed regular employees for expenses related to the tests.

Performance assessment system

A Bank-wide performance assessment is conducted for all employees every year, and semi-annual or quarterly assessments can be organized at respective units..

The Bank continously strengthened process management of performance assessment, optimized the process for performance tutoring and feedback, directed line managers to timely help employees analyze achievements and gaps, guided employees to improve work, and maximized the positive role of performance tutoring and feedback, constantly enhancing full process performance management.

Protection of employees' rights

Since its launch in June 2022, the Bank's suggestion platform "Speak Out" has attracted 590 thousand views, received over 10,000 pieces of opinions and suggestions from primary-level employees, and responded timely to common concerns and demands, serving as an effective channel for frontline employees to resolve urgent problems, as well as a powerful tool for the Head Office to find weaknesses, optimize business process and improve the quality and efficiency of operation and management.

The platform fully respects employees' privacy and information security, and allows expression of opinions and suggestions under anonymity, nick name or real name, to make sure frontline employees can, dare and like to speak out. The platform operates on the whole-process opinion response mechanism where every opinion is addressed, the process is visible, the results are available for inquiry, and services are open to comments. Operation teams are set up at all departments at the Head Office, and every link, every opinion handler and every handled opinion are displayed in public after opinions are raised by users, with the handling results visible to all employees. Meanwhile, the platform gives the right to end the process to the person raising the opinion, and a new process can be started if it is not resolved. After the end of the process, the services are open to comments. The platform also includes a supervision and display mechanism to publicize data like the satisfaction with and operating efficiency of the Head Office departments; operating reports and special reports about hotspot issues are developed regularly and submitted to the Bank's senior management.

4.3 Governance Information

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

During the reporting period, the Bank's Board of Directors and its specialized committees reviewed the *2022 Annual Report of China CITIC Bank Corporation Limited* (covering inclusive finance, green finance, information security, consumer rights protection and other ESG related contents), the *2023 Business Plan of China CITIC Bank Corporation Limited*, the *2022 Sustainability Report of China CITIC Bank Corporation Limited*, the *2023 Work Plan of the Consumer Rights Protection Committee of the Board of Directors*, the *2023 Work Plan of the Strategic and Sustainable Development Committee of the Board of Directors*, the *2022 Report on Data Management of China CITIC Bank Corporation Limited* and the *Proposal on Revising the Management Measures for Strategic Plans of China CITIC Bank Corporation Limited*, etc. These documents clearly defined the principles for strategic planning, further aligned strategic planning with financial services for the real economy, responded to major national policies, strategies and plans, and aimed to increase support for key areas like manufacturing, inclusive finance, green finance and strategic emerging industries, further improve the quality and efficiency of the services for the real economy, enhance the capabilities in green and integrated finance on all fronts, boost the quality and efficiency of consumer protection management, and work with all stakeholders to build a better society.

During the reporting period, the Board of Supervisors of the Bank heard the *China CITIC Bank's 2022 Plan Implementation Evaluation Report*, the *China CITIC Bank's 2022 Consumer Rights Protection Work Summary and 2023 Work Plan Report*, the *China CITIC Bank's 2022 Data Management Work Status Report*, the *China CITIC Bank's 2022 Reputation Risk Management Work Report* and other related reports, reviewed the *2022 Annual Report of China CITIC Bank Corporation Limited, 2022 Sustainability Report of China CITIC Bank Corporation Limited*, the *Evaluation Report of China CITIC Bank Corporation Limited*, and related proposals of the board of supervisors on the performance evaluation report of the board of directors, board of supervisors, senior management and their members in 2022, focusing on the performance of duties of the Board of Directors and senior management in the internal control compliance, risk management, anti-money laundering, consumer rights protection and in other aspects, and put forward targeted opinions and suggestions.

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

Compliance training

During the reporting period, the Bank developed plans for the building of a training system of compliance line covering all employees of the Bank, defined the targets of training at different levels, planned corresponding contents, faculty and modes of training, and integrated compliance training into the Bank's daily work.

Targeting management officials at various levels: The training was about the theories and practice related to the Bank's compliance management as well as the latest regulatory requirements, to help management officials at all levels learn about the industry's compliance updates and the Bank's compliance management status. Special training sessions for newly appointed presidents of branches, newly appointed heads of compliance departments and newly appointed presidents of the Bank in charge of compliance, among others, were organized to improve their compliance management abilities.

Targeting three kinds of new employees[36]: The Bank adjusted the categories of training, re-examined the list of training policies, improved training courses, updated the examination database, and organized training examinations, to enhance their compliance abilities.

Targeting employees across the Bank: The Bank carried out ubiquitous training, organizing over 700 "Three Emphasis" education sessions and over 8,000 warning education sessions during the reporting period. It launched a campaign to collect compliance slogans, mobilized all employees to engage in compliance building, and guided the establishment of compliance awareness across the Bank.

[36] Including newly recruited employees, newly transferred employees and newly promoted employees.

Anti-money laundering (AML) training

During the reporting period, the Bank developed the *2023 Work Plan for Anti-Money Laundering Publicity, Training and Examination*, and organized AML training at different levels, to further improve the AML abilities of employees at all levels.

Targeting members of the Board of Directors, Board of Supervisors and Senior Management: During the reporting period, the Bank invited experts from the PBOC and held a special training session about the latest regulatory rules about AML at home and abroad as well as work arrangements, with participation by all members of the Board of Directors, Board of Supervisors and Senior Management.

Targeting management members at branches: The Bank carried out AML training about regulation updates, problems confronting branches and advice for the performance of duty, and made AML part of the duty of the senior management of branches.

Targeting AML personnel: The Bank organized five special training sessions for AML personnel, including those in the compliance line, those in business lines and new comers, which covered about 786 persons in total. The contents of training involved the priorities of AML work in the personal loan line, as well as the AML digital platform, manual operation guidelines and the technical configuration of the system, with the aim to help employees at all levels develop a stronger sense of AML responsibility.

For further information about the Bank's ESG, please refer to the *2022 Sustainable Development Report of China CITIC Bank Corporation Limited* published by the Bank on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the *2022 China CITIC Bank Corporation Limited Environmental Information Disclosure (TCFD) Report* and relevant ESG information published on the official website of the Bank (www.citicbank.com). For details of corporate governance, please refer to Chapter 3 Corporate Governance of this report.

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 Material Custody, Contracting or Lease

The Bank did not have any material custody, contracting or leasing of assets from 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

Guarantee business is one of the regular off-balance sheet items of the Bank. 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 former CBIRC, SSE and SEHK as well as accounting standards. When engaging in transactions with related parties during its ordinary and usual course of business, the Bank executed the transactions with terms no more favorable than those available to independent third parties according to general business principles, which served the overall interests of the Bank and its shareholders. For statistical details of the related party transactions, please refer to Note 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 party transactions constitute no connected transactions as per Chapter 14A of Hong Kong Listing Rules.

According to regulatory rules of the former CBIRC, the Bank submitted material related party transactions with related parties to the Audit and Related Party Transactions Control Committee of the Board of Directors for preliminary review on a case-by-case basis, and then presented them to the Board of Directors for deliberation and disclosure, and filed them with the former CBIRC/NAFR for record. According to regulatory rules of the SSE and the SEHK, the Bank strictly controlled so that the businesses with applied annual caps of related party transactions were conducted within the caps; for the businesses without applied annual caps of related party transactions, the Bank properly managed and monitored and once the review or disclosure requirements were triggered, timely performed review or disclosure procedures according to the regulatory requirements. According to rules of the Ministry of Finance, the Bank accurately disclosed related party transactions information in the notes to the financial statements. On the basis of reporting credit and non-credit related party transactions to the Audit and Related Party Transactions Control Committee of the Board of Directors quarterly, the Bank submitted data to the related party transactions regulation system in accordance with the requirements of the former CBIRC. During the reporting period, each of the Audit and Related Party Transactions Control Committee of the Board of Directors and the Board of Directors held 5 meetings concerning related party transactions, reviewed and approved 7 proposals regarding related party transactions[37]. The Bank published 24 extraordinary announcements on related party transactions in the SSE and SEHK, and disclosed 14 announcements on material related party transactions and 1 announcement on general related party transactions on the Bank's website, which met regulatory requirements.

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

During the reporting period, the Bank was not engaged in any material related party transactions involving the disposal or acquisition of assets or equity under the rules of the SSE.

[37] The Bank formally implemented the *Administrative Measures for Related Party Transactions of Banking and Insurance Institutions* on 1 March 2023, and adjusted the calculation method of amount of credit extension related party transactions from credit line to agreement amount. During the reporting period, among the 13 material credit extension related party transactions reviewed by the Board of Directors, 10 were reviewed and approved by the Board of Directors on 17 February 2023, with a total credit line of RMB19.198 billion. The remaining three transactions were reviewed and approved by the Board of Directors of the Bank on 23 March, 28 April and 21 June 2023 respectively, with a total agreement amount of RMB2,951.8 billion.

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 the 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 which 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 the 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. Based on business development needs and upon review and approval at the 2022 annual general meeting held on 21 June 2023, the Bank applied to the SSE for increasing the cap of credit extension related party transaction with CITIC Group and its associates in 2023. Subject to the regulatory requirements applicable to the Bank, the 2023 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 2023</th></tr>
<tr><td colspan="2">CITIC Group and its associates</td><td rowspan="5">Credit extension transactions</td><td rowspan="5">Credit line</td><td>3,200</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="2">Related parties which 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>Cinda Securities Co., Ltd.</td><td>20</td></tr>
</table>

In addition, as per relevant requirements of the former CBIRC, 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 a 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 RMB122.761 billion, including RMB117.077 billion to CITIC Group and its associates, RMB5.684 billion to Xinhu Zhongbao and its associates and zero to China Tobacco and its associates; and zero[38] to related parties which the Bank's related natural persons invested in/worked for. Under the regulatory criteria in the banking industry, the total balance of credit that the Bank and its subsidiaries extended to all related enterprises amounted to RMB173.745 billion, including RMB85.439 billion, RMB20.724 billion and RMB0.174 billion to enterprises within CITIC Group, Xinhu Zhongbao and China Tobacco, respectively, and RMB67.408 billion to other related parties. Such credit extensions to related enterprises were of good quality in general, with 2 being special mention loans (RMB1.029 billion), 1 being suspicious loan (RMB196 million) and 2 being loss loans (RMB1.259 billion), and all others being performing loans. As such, these credit extension transactions exerted no material impact on the normal operation of the Bank in terms of transaction volume, structure and quality. The credit extension businesses conducted between the Bank and the aforementioned related parties were conducted on normal commercial terms within the caps and were executed with terms no more favorable than those available to independent third parties.

The Bank stringently followed the requirements of the SSE and former CBIRC 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 the SSE and the SEHK for the annual caps on the seven main categories of non-credit extension continuing related party transactions with CITIC Group and its associates for 2021-2023, and has entered into relevant continuing related party transactions framework agreements on the same day of the Board of Directors' meeting. In line with the need for business development, and with review and approval from the 8th meeting of the 6th Session of the Board of Directors convened on 24 December 2021, the Bank revised the annual caps on continuing related party transactions under asset custody services for 2021-2023 with CITIC Group and its associates and entered into the new *Framework Agreement on Asset Custody Services* with CITIC Group on the day of the meeting of the Board of Directors. The non-credit extension transactions between the Bank and the aforementioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties. Based on business development needs and upon review and approval at the 2022 annual general meeting held on 21 June 2023, the Bank applied to the SSE for increasing the caps of deposit business related party transactions with CITIC Group and its associates in 2023.

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38 Since 31 January 2023, Ping An Insurance (Group) Company of China, Ltd. no longer constituted related parties of the Bank. As of 31 January 2023, the balance of credit to Ping An Insurance (Group) Company of China, Ltd. was zero.

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 of continuing related party transactions with CITIC Group and its associates during the reporting period thereof are described as follows:

5.4.3.1 *Third-Party Escrow Services*

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

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

Unit: RMB100 million

Counterparty	**Business type**	**Basis of calculation**	**Annual cap in 2023**	**Transaction amount in January – June 2023**
CITIC Group and its associates	Third-Party Escrow Services	Service fee income/ expense	3	0.08

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, 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 comparable terms available for 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 2023**	**Transaction amount in January – June 2023**
CITIC Group and its associates	Asset Custody Services	Service fee income/ expense	28	13.76

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

5.4.3.3 Financial Consulting and Asset Management Services

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

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2023	Transaction amount in January – June 2023
CITIC Group and its associates	Financial Consulting and Asset Management Services	Service fee income/ expense	50	2.87

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

5.4.3.4 *Capital Transactions*

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

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2023	Transaction amount in January – June 2023
CITIC Group and its associates	Capital Transactions	Gains and losses of transactions	24	2.85
		Fair value recorded as assets	22	17.23
		Fair value recorded as liabilities	500	10.20

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 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 2023	Transaction amount in January – June 2023
CITIC Group and its associates	Comprehensive Services	Service fee expense/income	70	17.86

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) when 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) to 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 2023**	**Transaction amount in January – June 2023**
CITIC Group and its associates	Asset Transfer	Transaction amount	1,900	257.99

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

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

Unit: RMB100 million

Counterparty	Business type		Basis of calculation	Annual cap in 2023	Transaction amount in January – June 2023
CITIC Group and its associates	Non-Principal-Protected Wealth Management Services and Agency Services		Service fee expense/income	85	23.66
	Investment with Wealth Management Funds or Proprietary Funds	Fund Operation	Period-end balance of investment funds	2,400	758.04
		Intermediary Cooperation	Bank investment return and fee expenses	45	4.94

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

5.4.3.8 *Deposit Business*

The Bank absorbed deposits from CITIC Group and its associates according to market-based pricing and general commercial principles and based on terms no more favorable than those available for similar transactions with non-related parties. The principal terms of the Deposit Business Framework Agreement are set out as follows: (1) the Bank shall provide deposit services to CITIC Group and its associates, including but not limited to corporate deposits, i.e. agreement deposit, agreement savings, call deposit, time deposit (including CDs) and structured deposit; interbank deposits, i.e. interbank time deposits, etc.; (2) both parties to the agreement shall carry out business under the agreement; (3) deposits takers shall pay interest specified on deposits to depositors; and (4) the deposit business to be conducted under the agreement shall follow general commercial principles and be executed with terms no more favorable than those available to independent third parties.

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2023	Transaction amount in January – June 2023
CITIC Group and its associates	Deposit	Interest payment	10	0.38

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Transaction amount in January – June 2023
Xinhu Zhongbao and its associates	Financial Consulting and Asset Management Services	Transaction amount	0.03
	Asset Transfer	Transaction amount	0.66
	Investment with Wealth Management Funds or Proprietary Funds	Period-end balance of investment funds	20.49
	Capital Transactions	Gains and losses of transactions	0.57
	Comprehensive Services	Transaction amount	0.05
China Tobacco and its associates	Financial Consulting and Asset Management Services	Transaction amount	0.00007
	Non-Principal-Protected Wealth Management Services and Agency Services	Service fee expense/ income	0.002
	Investment with Wealth Management Funds or Proprietary Funds	Period-end balance of investment funds	0.007
	Capital Transactions	Gains and losses of transactions	0.23
	Comprehensive Services	Transaction amount	0.05

5.4.4 Related Party Transactions in Joint External Investment

During the reporting period, the Bank did not carry out material related party transaction arising from joint external investment with its related parties under the rules of the 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 January – June 2023	Withdrawn Amount January – June 2023	Closing Balance
CITIC Finance	None	0.00%-2.35%	69.75	182.86	221.57	31.04

During the reporting period, the Group had no deposits with related finance company.

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*

During the reporting period, the Group granted a total credit line of RMB12.0 billion to CITIC Finance, with a credit balance of RMB18 million as at the end of the reporting period. During the reporting period, CITIC Finance granted a total credit line of RMB20.0 billion to the Group, with a credit balance of RMB3.454 billion as at the end of the reporting period.

5.4.6.4 *Other financial business*

During the reporting period, the Group handled RMB84,867.8 thousand re-discounting of commercial drafts for CITIC Finance, and charged total fees of RMB238.8 thousand on various settlement services provided.

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 133 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 RMB1.224 billion. The Bank is of the view that the above-mentioned litigation or arbitration cases have no 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 Financial Holdings issued the *Undertaking of CITIC Financial Holdings to Subscribe for All the Offered A Rights Shares to be Issued by China CITIC Bank Corporation Limited*. 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.

According to the *Report on Acquisition of China CITIC Bank Corporation Limited*, CITIC Financial Holdings made a commitment on continuously maintaining independent operation of the listed company, avoiding horizontal competition and standardizing related party transactions. For details, please refer to the announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 8 November 2022. During the reporting period, the Bank did not identify any violation of the aforesaid commitments.

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

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

To the best of the Bank's knowledge, during the reporting period, the Bank was not investigated for any suspected crimes according to law, and none of its controlling shareholder, de facto controller, 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 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 2023, 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.

With the changes in the external operating environment, regulatory requirements and the Bank's business scope and scale, the Bank's internal control requires continuous improvement. The Bank will continue to improve internal control management in accordance with external regulatory requirements and the work requirements for listed companies as well as the standards of international leading banks.

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 2022.

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 failed to execute valid court documents or to repay matured debts of considerable amounts.

5.12 Events Relating to Bankruptcy and/or Restructuring

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

5.13 Other Important Events

5.13.1 Change of Accounting Firms

After completion of the audit for 2022, PricewaterhouseCoopers Zhong Tian LLP ("PwC Zhong Tian") and PricewaterhouseCoopers ("PwC") had provided audit services for the Bank for eight years, reaching the maximum term of consecutive engagement as specified by the Ministry of Finance. Therefore, the Bank shall change auditors in 2023. The annual general meeting of the Bank reviewed and approved the *Proposal regarding the Engagement of Accounting Firms and Their Fees for the Year 2023* on 21 June 2023, and agreed to engage KPMG Huazhen LLP as its domestic auditor for 2023 and KPMG as its international auditor for 2023. For details, please refer to the *Announcement on Proposed Change of Auditors* published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 29 April 2023.

5.13.2 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 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: Shares

	31 December 2022		Changes during the reporting period (+, –)					30 June 2023	
	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:	**48,934,843,657**	**100.00**	–	-	-	**+ 32,021,807**	**+ 32,021,807**	**48,966,865,464**	**100.00**
1. Renminbi denominated ordinary shares	34,052,680,680	69.59	–	-	-	+ 32,021,807	+ 32,021,807	34,084,702,487	69.61
2. Domestically-listed foreign shares	–	–	–	-	-	-	-	-	-
3. Overseas-listed foreign shares	14,882,162,977	30.41	–	-	-	-	-	14,882,162,977	30.39
4. Others	–	–	–	-	-	-	-	-	-
Total shares	**48,934,843,657**	**100.00**	–	-	-	**+ 32,021,807**	**+ 32,021,807**	**48,966,865,464**	**100.00**

6.1.2 Shares Subject to Restrictions on Sale

During the reporting period, none of the Bank's shareholders held shares subject to restrictions on sale.

6.2 Issuance and Listing of Securities

6.2.1 Equity Financing

The Bank planned to issue rights shares to existing shareholders (hereinafter referred to as the "Rights Issue"), and the proceeds raised from the Rights Issue are expected to be not more than RMB40.0 billion (inclusive). All the proceeds raised from the Rights Issue, after deduction of relevant expenses relating to the issuance, will be used for the replenishment of the Bank's core tier-one capital, so as to increase its capital adequacy ratio, support its sustainable and healthy business development in the future, and enhance its capital strength and competitiveness. The Bank obtained the approval from the former CBIRC on the Rights Issue Plan in October 2022, and the Rights Issue application was accepted by the SSE on 3 March 2023. The Rights Issue Plan may only be implemented after obtaining the approval of the SSE, the decision of consent to registration by CSRC and other necessary approvals in relation to the Rights Issue. The Bank held the Annual General Meeting of 2022, the Second A Shareholders Class Meeting of 2023 and the Second H Shareholders Class Meeting of 2023 on 21 June 2023, which reviewed and approved the proposal regarding the extension of the effective period for the resolutions passed in relation to the Rights Issue. Please refer to the relevant announcements dated 28 October 2022, 6 March 2023 and 22 June 2023 published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details thereof.

During the reporting period, the Bank did not issue 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 [2023] No. 32), the Bank was approved for the issuance of financial bonds, and the newly increased balance of financial bonds in 2023 shall not exceed RMB110.0 billion. The 2023 Green Financial Bonds of China CITIC Bank Corporation Limited (Tranche 1) ("23 CITIC Green 01") were book-built on 23 March 2023 and its issuance was completed in the national interbank bond market on 27 March 2023. The size of the issuance of the three-year fixed-rate 23 CITIC Green 01 was RMB10.0 billion and the coupon rate was 2.79%. The proceeds from the issuance were used for green industrial projects specified in the *Projects Supported by Green Bonds (2021)* pursuant to applicable laws and upon approval by regulators. The 2023 Financial Bonds of China CITIC Bank Corporation Limited (Tranche 1) ("23 CITIC 01") were book-built on 11 April 2023 and its issuance was completed in the national interbank bond market on 13 April 2023. The size of the issuance of the three-year fixed-rate 23 CITIC 01 was RMB30.0 billion and the coupon rate was 2.77%. The proceeds from the issuance were used to optimize the structure of medium and long-term assets and liabilities, increase stable sources of medium and long-term liabilities and support the development of medium and long-term asset business. The 2023 Green Financial Bonds of China CITIC Bank Corporation Limited (Tranche 2) ("23 CITIC Green 02") were book-built on 12 May 2023 and its issuance was completed in the national interbank bond market on 16 May 2023. The size of the issuance of the three-year fixed-rate 23 CITIC Green 02 was RMB10.0 billion and the coupon rate was 2.68%. The proceeds from the issuance were used for green industrial projects specified in the *Projects Supported by Green Bonds (2021)* pursuant to applicable laws and upon approval by regulators.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details of the issuance of the above financial bonds on 28 March 2023, 14 April 2023 and 17 May 2023, respectively.

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 135,679 accounts of ordinary shareholders in total, including 108,905 accounts of A shareholders and 26,774 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: Shares

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 Financial Holdings	State-owned legal person	A share, H share	31,406,992,773	64.14	0	+31,406,992,773	0
2	Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	H share	12,134,783,370	24.78	0	+581,079,773	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	266,020,802	0.54	0	+89,994,938	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	56,934,842	0.12	0	+2,195,102	0
9	National Social Security Fund Portfolio 110	Other	A share	53,973,429	0.11	0	-76,075,000	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) 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 and individual investors registered with the company as at the end of the reporting period. Hong Kong Securities Clearing Company Limited is an institution that is designated by others to hold shares, including the Shanghai Stock Connect shares held by Hong Kong and overseas investors, on behalf of others in its capacity as nominee shareholder.

(4) CITIC Financial Holdings is a wholly-owned subsidiary of CITIC Corporation Limited. CITIC Corporation Limited is a wholly-owned subsidiary of CITIC Limited. CITIC Financial Holdings confirmed that as at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited and CITIC Financial Holdings) together owned 32,284,227,773 shares of the Bank, accounting for 65.93% of the Bank's total shares, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Financial Holdings directly owned 31,406,992,773 shares of the Bank, accounting for 64.14% of the Bank's total shares, including 28,938,928,294 A shares and 2,468,064,479 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 4.682% 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 2023 of China Construction Bank Corporation*, as at 31 March 2023, 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 abstained 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 as 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 Financial Holdings	H share	Beneficiary owner	2,468,064,479(L)	16.58	5.04
	A share		33,042,816,318(L)	96.94	67.48
CITIC Corporation Limited	H share	Beneficiary owner	581,736,000(L)	3.91	1.19
	H share	Interest of controlled corporations	2,478,377,479(L)	16.65	5.06
	A share		33,042,816,318(L)	96.94	67.48
CITIC Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.83
	A share		33,042,816,318(L)	96.94	67.48
CITIC Polaris Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.83
	A share		33,042,816,318(L)	96.94	67.48
CITIC Glory Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.83
	A share		33,042,816,318(L)	96.94	67.48
CITIC Group	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.83
	A share		33,042,816,318(L)	96.94	67.48
Summit Idea Limited	H share	Beneficiary owner	2,292,579,000(L)	15.41	4.682
Total Partner Global Limited	H share	Interest of controlled corporations	2,292,579,000(L)	15.41	4.682
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	4.682
Xinhu Zhongbao Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.996
Zhejiang Xinhu Group Corporation Limited	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.996
Zhejiang Hengxingli Holding Group Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.996
Ningbo Jiayuan Industrial Development Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.996
Huang Wei	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.996
Li Ping	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.996
UBS SDIC Fund Management Co., Ltd.	H share	Investment Manager	1,279,932,079(L)	8.60	2.61
EasternGate SPC	H share	Investment Manager	811,326,282(L)	5.45	1.66

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

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

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

(4) Among the 33,042,816,318 A shares of the Bank by CITIC Financial Holdings, 28,938,928,294 A shares were directly held, and 4,103,888,024 A shares represented the number of A shares convertible from CITIC Convertible Bonds with a par value of RMB26,388 million at the conversion price at the end of the reporting period.

Except for the aforementioned disclosures, as at the end of the reporting period, the Bank was not aware of any person (except the directors, supervisors and chief executives of the Bank as 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

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

Name	Position	Class of shares	Identity	Number of shares held	Shareholding percentage of the issued shares of the same class (%)	Shareholding percentage of the total issued ordinary shares (%)
Fang Heying	Chairman, Executive Director	H share	Beneficiary owner	915,000(L)	0.0061	0.0019
Liu Cheng	Executive Director, President	H share	Beneficiary owner	624,000(L)	0.0042	0.0013
Guo Danghuai	Executive Director, Vice President	H share	Beneficiary owner	1,176,000(L)	0.0079	0.0024
Li Rong	Shareholder Representative Supervisor	H share	Beneficiary owner	364,000(L)	0.0024	0.0007
Cheng Pusheng	Employee Representative Supervisor	H share	Beneficiary owner	354,000(L)	0.0024	0.0007
Chen Panwu	Employee Representative Supervisor	H share	Beneficiary owner	334,000(L)	0.0022	0.0007
Zeng Yufang	Employee Representative Supervisor	H share	Beneficiary owner	188,000(L)	0.0013	0.0004

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

(2) The above disclosures are mainly based on the information released on SEHK (www.hkexnews.hk).

6.6 Controlling Shareholder and De Facto Controller of the Bank

As at the end of the reporting period, CITIC Financial Holdings was the controlling shareholder of the Bank; CITIC Corporation Limited was the single direct controlling shareholder of CITIC Financial Holdings; 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 incorporation, CITIC Group has been a pilot unit for national economic reform and an important window for China's opening up to the 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 industry, demonstrating strong competitive advantages and great momentum of growth.

In December 2011, with approval from the State Council, and in alignment with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., CITIC Group contributed the majority of its existing net operating assets to establish CITIC Corporation Limited (named "CITIC Limited" when first established). In particular, CITIC Group held 99.9% equity interest in CITIC Limited, and Beijing CITIC Enterprise Management Co., Ltd. held 0.1%. CITIC Group as a whole was restructured into a wholly state-owned company. To complete the aforementioned capital contribution, CITIC Group transferred its entire equity in the Bank to CITIC Corporation Limited as capital contribution. As a result, CITIC Corporation Limited held 28,938,929,004 shares in the Bank both directly and indirectly, accounting for 61.85% of the Bank's total share capital. The above-mentioned share transfer was approved by the State Council, the Ministry of Finance (MOF), former CBRC, the CSRC and the Hong Kong Monetary Authority. In February 2013, the relevant formalities for the share transfer were officially completed with approvals from the SSE and China Securities Depositary and Clearing Corporation Limited Shanghai Branch. On 26 December 2018, the MOF and the Ministry of Human Resources and Social Security (MOHRSS) decided to transfer MOF's 10% equity in CITIC Group to the National Council for Social Security Fund in a lump sum. According to relevant regulations, the National Council for Social Security Fund, as a financial investor, is entitled to the equity income and other relevant rights and interests corresponding to the state-owned equity transferred, and does not intervene 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 in progress.

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 plan to increase shareholding in the Bank 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.

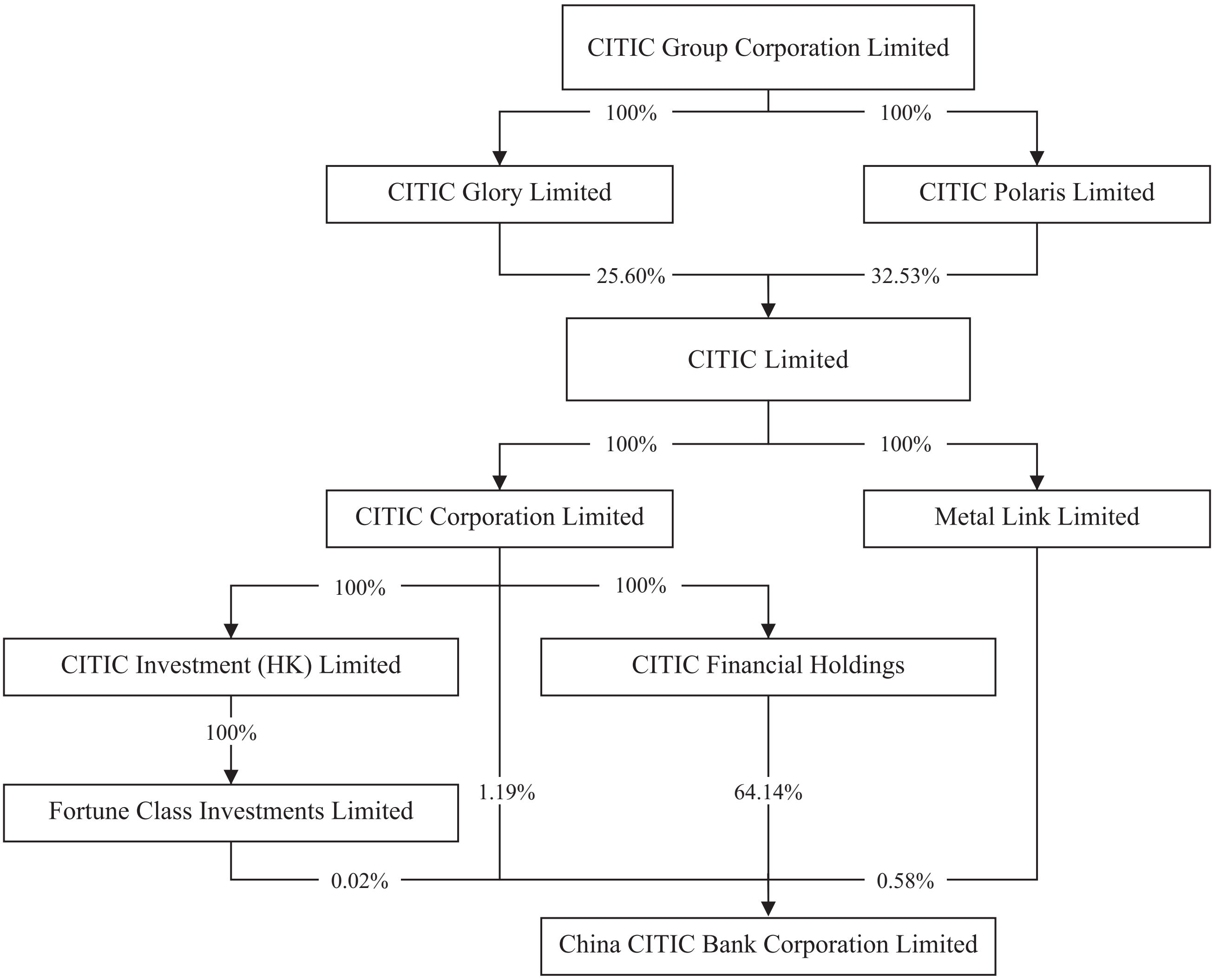
In April 2023, the share transfer registration was completed for the transfer for nil consideration of 28,938,928,294 A shares and 2,468,064,479 H shares from CITIC Corporation Limited to CITIC Financial Holdings. Upon the completion of the above-mentioned share transfer registration, CITIC Corporation Limited still holds a total of 581,736,000 H shares of the Bank, representing 1.19% of the total issued shares of the Bank, and CITIC Financial Holdings directly holds a total of 31,406,992,773 shares of the Bank, representing 64.18% of the total issued shares of the Bank. CITIC Financial Holdings replaced CITIC Corporation Limited and became the controlling shareholder of the Bank. CITIC Group remains as the de facto controller 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 business items that may only be conducted with approval according to the law as per approval of competent authorities; 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 Financial Holdings had a registered capital of RMB5,000,000,000; and Mr. Xi Guohua was its legal representative. Its business scope covered: 1. General projects: management of enterprise headquarters (The market entity shall independently carry out operating activities according to law based on its business license in addition to projects subject to approval according to law); 2. licensed projects: financial holding company business. (The market entity shall conduct business items that may only be conducted with approval according to law as per approval of competent authorities; 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 Financial Holdings) held 32,284,227,773 shares of the Bank in aggregate, representing 65.93% of the total issued shares of the Bank, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Financial Holdings directly owned 31,406,992,773 shares in the Bank, accounting for 64.14%[39] of the total share capital of the Bank, including 28,938,928,294 A shares and 2,468,064,479 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]:



[39] There was no change in the number of shares held by CITIC Limited and its subsidiaries (including CITIC Financial Holdings) in the Bank during the reporting period. The change in shareholding proportion was due to the increase in the total share capital of the Bank after the conversion of some convertible bonds issued by the Bank to share capital during the reporting period.

[40] CITIC Glory Limited and CITIC Polaris Limited are both wholly-owned subsidiaries of CITIC Group. CITIC Financial Holdings directly owned 64.14% of the total share capital of the Bank, in addition to which, CITIC Limited also held part of the Bank's equity along with 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 Financial Holdings are as follows:

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

6.7 Change of Controlling Shareholder

On 28 April 2023, the Bank was notified by CITIC Financial Holdings that the share transfer registration was completed for the transfer with nil consideration of 28,938,928,294 A shares and 2,468,064,479 H shares from CITIC Corporation Limited to CITIC Financial Holdings on 27 April 2023 and 26 April 2023 respectively. CITIC Financial Holdings replaced CITIC Corporation Limited and became the controlling shareholder of the Bank. CITIC Group remains unchanged as the de facto controller of the Bank. Please refer to the *Announcement on Completion of Registration for the Gratuitous Transfer of Shares and Change in Controlling Shareholder of the Bank* published on the websites of SSE (www.sse.com.cn), HKEXnews (www. hkexnews.hk) and the Bank (www. citicbank. com) on 29 April 2023 for detailed information thereof.

6.8 Information on Other Substantial Shareholders

Pursuant to 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 one 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 4.682% 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 2022, Xinhu Zhongbao recorded a registered capital of RMB8.6 billion, total assets of RMB124.5 billion and net assets of RMB42.0 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, without pledge of the Bank's equity as collateral. China Tobacco is an enterprise owned by the whole people with a registered capital of RMB57.0 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 Financial Holdings.

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, had been listed on the 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.

During the reporting period, the Bank did not issue any preference share.

7.2 Number of Preference Shareholders and Their Shareholdings

As at the end of the reporting period, the Bank recorded 36 accounts of preference shareholders ("CITIC Excellent 1", preference share stock code: 360025). Information on the top 10 preference shareholders at the end of the reporting period is set out in the table below:

Unit: Shares

No.	Name of shareholder (full name)	Nature of shareholder	Changes in shareholding in the reporting period (+, -)	Number of shares held at the end of the period	Shareholding percentage (%)	Class of shares held	Number of shares subject to restrictions on sale	Shares pledged or frozen Status	Quantity
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	–	43,860,000	12.53	Onshore preference shares	–	–	–
2	China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai	Other	–	38,430,000	10.98	Onshore preference shares	–	–	–
3	China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai	Other	–	38,400,000	10.97	Onshore preference shares	–	–	–
4	Ping An Life Insurance Company of China, Ltd. – Universal – Individual Universal Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
5	Ping An Life Insurance Company of China, Ltd. – Dividend – Dividends for Individual Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
6	AVIC Trust Co., Ltd. – AVIC Trust · Tianji Win-Win No. 2 Securities Investment Collective Capital Trust Plan	Other	+10,000,000	21,930,000	6.27	Onshore preference shares	–	–	–

No.	Name of shareholder (full name)	Nature of shareholder	Changes in shareholding in the reporting period (+, -)	Number of shares held at the end of the period	Shareholding percentage (%)	Class of shares held	Number of shares subject to restrictions on sale	Shares pledged or frozen Status	Quantity
7	Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – Ordinary Insurance Products	Other	+17,100,000	19,290,000	5.51	Onshore preference shares	–	–	–
8	China Resources SZITIC Trust Co., Ltd. – CR Trust · Yuanqi No. 80 Collective Capital Trust Plan	Other	+14,875,000	14,875,000	4.25	Onshore preference shares	–	–	–
9	Hwabao Trust Co., Ltd. – Hwabao Trust – Baofu Investment No. 1 Collective Capital Trust Plan	Other	–	11,650,000	3.33	Onshore preference shares	–	–	–
10	Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Client Asset Management Plan	Other	–	10,300,000	2.94	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 party 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 party 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 among Ping An Life Insurance Company of China, Ltd. – Universal – Individual Universal Insurance, Ping An Life Insurance Company of China, Ltd. – Dividend – Dividends for Individual Insurance and Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – Ordinary Insurance Products. Except for these, the Bank was not aware of any other related party 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 in the total number of issued preference shares.

7.3 Dividend Distribution for Preference Shares

7.3.1 Policy on dividend distribution of preference shares

A nominal dividend rate subject to phase-specific adjustment shall be applied to the Bank's preference shares. Every five years since the payment date of the subscribed shares constitutes an interest-bearing period and the same nominal dividend rate shall be applied to the 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 bearing date being the payment date of the subscribed shares (i.e., 26 October 2016). Dividends on the above preference shares shall not be cumulative, i.e., the shortage from a full-amount dividend payout in the current year will not be accumulated to the next interest-bearing year. Except for access to the dividends agreed upon in accordance with the issuance plan, the above-mentioned preference shareholders shall not participate in the distribution of residual profits together with the ordinary shareholders.

Since 26 October 2021, the benchmark interest rate of "CITIC Excellent 1" was 2.78%, with a fixed premium of 1.30%, and the nominal dividend rate recorded 4.08% for the second interest-bearing period. Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 27 October 2021 for detailed information thereof.

7.3.2 Payment of dividends on preference shares during the reporting period

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 2023 Plan on Payment of Dividends on Preference Shares at the Board meeting convened on 24 August 2023, approving that the preference share dividends accrued between 26 October 2022 and 25 October 2023 would be paid on 26 October 2023. 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 2023. The Bank will pay out a preference share dividend of RMB4.08 per share (tax inclusive), which was calculated at a nominal dividend rate of 4.08%, with total dividend payment for preference shares amounting to RMB1.428 billion (tax inclusive).

7.4 Redemption or Conversion of Preference Shares

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

7.5 Restoration of Voting Right of Preference Shares

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

7.6 Accounting Policies for Preference Shares and the Underlying Principles

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 shares issuance, the above-mentioned preference shares are eligible to be classified as equity instrument. Hence, the preference shares are accounted as 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 RMB40.0 billion, which came to net proceeds of RMB39.9156402 billion after the deduction of the issuance costs. These A-share convertible bonds, referred to as "CITIC Convertible Bonds" with the code of 113021, were listed and traded on the Shanghai Stock Exchange on 19 March 2019. All proceeds from the issuance of A-share convertible bonds have been used for operation to support business development, and will be used to replenish the Bank's core tier-one capital after the conversion to shares according to relevant regulations. The maturity of A-share convertible bonds is six years from the date of issuance, i.e., from 4 March 2019 to 3 March 2025, and the interest bearing date is the first day of issuance, i.e., 4 March 2019. The coupon rate is 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year.

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

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

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

Unit: RMB Yuan

A-share convertible bondholders at the period end (accounts)		**11,041**
Guarantors of A-share convertible bonds of the Bank		**None**
Name of top ten A-share convertible bondholders	**Nominal value of bonds held at the end of the period**	**Percentage of bonds held (%)**
CITIC Financial Holdings	26,388,000,000	66.31
China National Tobacco Corporation	2,521,129,000	6.34
Special account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China Limited)	1,421,149,000	3.57
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China Limited)	1,132,497,000	2.85
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank Corporation)	1,016,401,000	2.55
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	565,889,000	1.42
Special account for collateralized bond repurchase in the securities depository and clearing system (Agricultural Bank of China Limited)	480,758,000	1.21
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of Communications Co., Ltd.)	356,064,000	0.89
Bank of China Limited – Huatai Baoxing Zuncheng One-year Time Open-ended Bond Securities Investment Fund	160,000,000	0.40
Special account for collateralized bond repurchase in the securities depository and clearing system (Shanghai Pudong Development Bank Co., Ltd.)	159,977,000	0.40

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

For the A-share convertible bonds issued by the Bank, the conversion period commenced from the first trading day after six months since the completion of the issuance of the convertible bonds to the convertible bond maturity date, i.e., from 11 September 2019 and will expire on 3 March 2025. As at the end of the reporting period, CITIC Convertible Bonds amounted to a total of RMB206,236,000 have been converted to A-share ordinary shares of the Bank, with the total number of converted shares reaching 32,068,891, which accounted for 0.065534% of the total ordinary shares issued by the Bank before the conversion of CITIC Convertible Bonds.

8.4 Previous Adjustments of Conversion Prices

On 20 July 2023, the Bank distributed cash dividends on ordinary shares (A share) for the year 2022. 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 RMB6.43 per share to RMB6.10 per share since 20 July 2023 (the ex-dividend date). Previous adjustments to conversion prices are set out in the table below:

Unit: RMB Yuan/share

Date of adjustment to conversion prices	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for adjustment to conversion prices
22 July 2019	7.22	15 July 2019	*China Securities Journal, Shanghai Securities News, Securities Times,* website of SSE, website of the Bank	The implementation of profit distribution for ordinary shares (A share) for 2018
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
20 July 2023	6.10	13 July 2023	*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 2022
The latest conversion price at the disclosure date of this report				6.10

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

In accordance with the applicable provisions in the *Administrative Measures for the Issuance and Trading of Corporate Bonds* of CSRC and relevant regulations, the Bank entrusted the credit rating agency Dagong Global Credit Rating Co., Ltd. (hereinafter referred to as "Dagong Global") to track the credit standing of the CITIC Convertible Bonds issued by the Bank 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 (2023)* 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 operations, as exemplified by its reasonable asset structure, liabilities without obvious changes, and robust credit position. In future years, income from ordinary operations, cash inflows, and realization of current assets will constitute the principal cash sources for the Bank's repayment of debt.

China CITIC Bank Corporation Limited

(Incorporated in the People's Republic of China with Limited Liability)

Interim Financial Information (Unaudited)
For the six months ended 30 June 2023
(Prepared under International Financial Reporting Standards)

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)

Introduction

We have reviewed the interim financial information set out on pages 1 to 133, which comprises the consolidated interim statement of financial position of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (collectively the "Group") as at 30 June 2023 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 explanatory notes. 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, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial information in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial information 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 the interim financial information consists of making enquiries, 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.

Report On Review of Interim Financial Information To the Board of Directors of China CITIC Bank Corporation Limited (continued)

(Incorporated in the People's Republic of China with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 August 2023

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income For the six months ended 30 June 2023

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*Six months ended 30 June* *2023* *Unaudited*	*2022* *Unaudited*
Interest income		159,237	154,442
Interest expense		(86,031)	(80,594)
Net interest income	4	73,206	73,848
Fee and commission income		20,949	20,680
Fee and commission expense		(1,886)	(1,845)
Net fee and commission income	5	19,063	18,835
Net trading gain	6	3,344	3,139
Net gain from investment securities	7	9,783	12,140
Other operating income		489	256
Operating income		105,885	108,218
Operating expenses	8	(29,247)	(27,387)
Operating profit before impairment		76,638	80,831
Credit impairment losses	9	(34,464)	(42,387)
Impairment losses on other assets	10	(242)	(32)
Revaluation gains/(losses) on investment properties		9	(13)
Share of profit of associates and joint ventures		426	312
Profit before tax		42,367	38,711
Income tax expense	11	(5,660)	(5,776)
Profit for the period		36,707	32,935
Net profit attributable to:			
Equity holders of the Bank		36,067	32,524
Non-controlling interests		640	411

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income (continued)
For the six months ended 30 June 2023

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2023 Unaudited	2022 Unaudited
Profit for the period		36,707	32,935
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		(159)	31
Items that may be reclassified subsequently to profit or loss (net of tax):			
- Other comprehensive income transferable to profit or loss under equity method		14	(29)
- Fair value changes on financial assets at fair value through other comprehensive income		3,614	(3,331)
- Impairment allowance on financial assets at fair value through other comprehensive income		448	(108)
- Exchange difference on translation of foreign financial statements statements		2,453	1,882
- Others		(9)	6
Other comprehensive income, net of tax	12	6,361	(1,549)
Total comprehensive income for the period		43,068	31,386
Total comprehensive income attribute to:			
Equity holders of the Bank		42,510	31,175
Non-controlling interests		558	211
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	13	0.70	0.63
Diluted earnings per share (RMB)	13	0.63	0.57

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

Consolidated Interim Statement of Financial Position
As at 30 June 2023

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*30 June 2023 Unaudited*	*31 December 2022 Audited*
Assets			
Cash and balances with central banks	14	440,425	477,381
Deposits with banks and non-bank financial institutions	15	74,942	78,834
Precious metals		12,644	5,985
Placements with and loans to banks and non-bank financial institutions	16	207,944	218,164
Derivative financial assets	17	70,306	44,383
Financial assets held under resale agreements	18	60,247	13,730
Loans and advances to customers	19	5,263,735	5,038,967
Financial investments	20		
- at fair value through profit or loss		636,463	557,594
- at amortised cost		1,164,716	1,135,452
- at fair value through other comprehensive income		684,340	804,695
- designated at fair value through other comprehensive income		4,706	5,128
Investments in associates and joint ventures	21	6,664	6,341
Investment properties	23	549	516
Property, plant and equipment	24	34,661	34,430
Right-of-use assets	25	10,617	10,824
Intangible assets		3,415	3,715
Goodwill	26	946	903
Deferred tax assets	27	53,000	55,011
Other assets	28	102,977	55,490
Total assets		8,833,297	8,547,543

Consolidated Interim Statement of Financial Position (continued)
As at 30 June 2023
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*30 June 2023 Unaudited*	*31 December 2022 Audited*
Liabilities			
Borrowings from central banks		155,251	119,422
Deposits from banks and non-bank financial institutions	30	1,030,141	1,143,776
Placements from banks and non-bank financial institutions	31	74,285	70,741
Financial liabilities at fair value through profit or loss		5,386	1,546
Derivative financial liabilities	17	71,230	44,265
Financial assets sold under repurchase agreements	32	119,081	256,194
Deposits from customers	33	5,591,493	5,157,864
Accrued staff costs	34	18,545	21,905
Taxes payable	35	4,701	8,487
Debt securities issued	36	975,004	975,206
Lease liabilities	25	10,209	10,272
Provisions	37	9,191	9,736
Deferred tax liabilities	27	2	3
Other liabilities	38	57,765	42,296
Total liabilities		8,122,284	7,861,713

Consolidated Interim Statement of Financial Position (continued)
As at 30 June 2023

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	*30 June 2023 Unaudited*	*31 December 2022 Audited*
Equity			
Share capital	39	48,967	48,935
Other equity instruments	40	118,060	118,076
Capital reserve	41	59,404	59,216
Other comprehensive income	42	5,008	(1,621)
Surplus reserve	43	54,727	54,727
General reserve	44	100,696	100,580
Retained earnings	45	303,474	285,505
Total equity attributable to equity holders of the Bank		690,336	665,418
Non-controlling interests	46	20,677	20,412
Total equity		711,013	685,830
Total liabilities and equity		8,833,297	8,547,543

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

Approved and recognized for issue by the board of directors on 24 August 2023.

Fang Heying Chairman Executive Director	Liu Cheng Executive Director President	
Wang Kang Vice President Chief Financial Officer	Xue Fengqing Head of the Finance and Accounting Department	Company stamp

Consolidated Interim Statement of Changes in Equity
For the six months ended 30 June 2023

(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 2023		48,935	118,076	59,216	(1,621)	54,727	100,580	285,505	9,220	11,192	685,830
(i) Profit for the period		-	-	-	-	-	-	36,067	343	297	36,707
(ii) Other comprehensive income	12	-	-	-	6,443	-	-	-	(82)	-	6,361
Total comprehensive income		-	-	-	6,443	-	-	36,067	261	297	43,068
(iii) Investor capital											
- Capital injection by issuing convertible corporate bonds		32	(16)	192	-	-	-	-	-	-	208
(iv) Profit appropriations											
- Appropriations to general reserve	44	-	-	-	-	-	116	(116)	-	-	-
- Dividend distribution to ordinary shareholders of the Bank	45	-	-	-	-	-	-	(16,110)	-	-	(16,110)
- Dividend distribution to non-controlling interests		-	-	-	-	-	-	-	(6)	-	(6)
- Interest paid to holders of perpetual bonds	45/46	-	-	-	-	-	-	(1,680)	-	(297)	(1,977)
(v) Transfers within the owners' equity											
- Other comprehensive income transferred to retained earnings		-	-	-	186	-	-	(186)	-	-	-
- Equity transaction with non-controlling shareholders		-	-	(4)	-	-	-	(6)	10	-	-
As at 30 June 2023		48,967	118,060	59,404	5,008	54,727	100,696	303,474	9,485	11,192	711,013

Consolidated Interim Statement of Changes in Equity (continued)
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 general reserve		-	-	-	-	-	292	(292)	-	-	-
- Dividend distribution to ordinary shareholders of the Bank		-	-	-	-	-	-	(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

Consolidated Interim Statement of Changes in Equity (continued)
For year ended 31 December 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*
As at 1 January 2022		48,935	118,076	59,216	1,644	48,937	95,490	254,005	9,121	7,202	642,626
(i) Net profit		-	-	-	-	-	-	62,103	384	463	62,950
(ii) Other comprehensive income		-	-	-	(3,422)	-	-	-	(279)	-	(3,701)
Total comprehensive income		-	-	-	(3,422)	-	-	62,103	105	463	59,249
(iii) Investor capital											
- Issuance of perpetual bonds		-	-	-	-	-	-	-	-	3,990	3,990
(iv) Profit appropriations											
- Appropriations to surplus reserve	43	-	-	-	-	5,790	-	(5,790)	-	-	-
- Appropriations to general reserve	44	-	-	-	-	-	5,090	(5,090)	-	-	-
- Dividend distribution to ordinary shareholders of the Bank		-	-	-	-	-	-	(14,778)	-	-	(14,778)
- Dividend distribution to non-controlling interests		-	-	-	-	-	-	-	(6)	-	(6)
- Dividend distribution to preference shareholders		-	-	-	-	-	-	(1,428)	-	-	(1,428)
- Interest paid to holders of perpetual bonds		-	-	-	-	-	-	(3,360)	-	(463)	(3,823)
(v) Transfers within the owners' equity											
- Other comprehensive income transferred to retained earnings		-	-	-	157	-	-	(157)	-	-	-
As at 31 December 2022		48,935	118,076	59,216	(1,621)	54,727	100,580	285,505	9,220	11,192	685,830

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

Consolidated Interim Statement of Cash Flows
For the six months ended 30 June 2023

(Amounts in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2023	*2022*
	Unaudited	*Unaudited*
Operating activities		
Profit before tax	42,367	38,711
Adjustments for:		
- revaluation gains on investments, derivatives and investment properties	(2,807)	(2,207)
- investment gains	(7,190)	(8,302)
- net losses on disposal of property, plant and equipment, intangible assets and other assets	12	6
- unrealised foreign exchange losses / (gains)	1,043	(285)
- credit impairment losses	34,464	42,387
- impairment losses on other assets	242	32
- depreciation and amortisation	2,276	1,908
- interest expense on debt securities issued	12,287	13,788
- dividend income from equity investment	(119)	(34)
- depreciation of right-of-use assets and interest expense on lease liabilities	1,843	1,840
- income tax paid	(10,174)	(14,007)
Subtotal	74,244	73,837

Consolidated Interim Statement of Cash Flows
For the six months ended 30 June 2023 (continued)

(Amounts in millions of Renminbi unless otherwise stated)

	Six months ended 30 June 2023 Unaudited	2022 Unaudited
Changes in operating assets and liabilities:		
Increase in balances with central banks	(8,802)	(5,122)
Decrease in deposits with banks and non-bank financial institutions	2,381	9,718
Decrease/(Increase) in placements with and loans to banks and non-bank financial institutions	17,193	(70,826)
Increase at fair value through the profit or loss in financial assets	(61,516)	(17,464)
(Increase)/Decrease in financial assets held under resale agreements	(46,313)	46,580
Increase in loans and advances to customers	(233,886)	(179,437)
Increase/(Decrease) in borrowings from central banks	34,767	(1,506)
Decrease in deposits from banks and non-bank financial institutions	(115,433)	(157,565)
Increase/(Decrease) in placements from banks and non-bank financial institutions	2,168	(12,407)
Increase in financial liabilities at fair value through profit or loss	3,755	4,290
(Decrease)/Increase in financial assets sold under repurchase agreements	(137,640)	20,581
Increase in deposits from customers	412,473	351,799
Increase in other operating assets	(62,017)	(47,943)
(Decrease)/Increase in other operating liabilities	(4,392)	21,684
Subtotal	(197,262)	(37,618)
Net cash flows (used in) / from operating activities	(123,018)	36,219

Consolidated Interim Statement of Cash Flows (continued)
For the six months ended 30 June 2023
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2023 Unaudited	2022 Unaudited
Investing activities			
Proceeds from disposal and redemption of investments		1,320,829	1,336,535
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		18	42
Cash received from equity investment income		368	265
Cash received from disposal of associates		30	-
Payments on acquisition of investments		(1,272,807)	(1,331,906)
Payments on acquisition of property, plant and equipment, land use rights and other assets		(4,046)	(827)
Net cash flows from investing activities		44,392	4,109
Financing activities			
Cash received from issuing other equity instruments		-	3,915
Cash received from debt securities issued		519,116	362,177
Cash paid for redemption of debt securities issued		(521,085)	(400,708)
Interest paid on debt securities issued		(11,168)	(13,163)
Dividends paid		(1,984)	(1,860)
Principle and interest paid for leasing liabilities		(1,717)	(1,696)
Net cash flows used in financing activities		(16,838)	(51,335)
Net decrease in cash and cash equivalents		(95,464)	(11,007)
Cash and cash equivalents as at 1 January		307,871	252,818
Effect of exchange rate changes on cash and cash equivalents		5,766	4,271
Cash and cash equivalents as at 30 June	47	218,173	246,082
Cash flows from operating activities include:			
Interest received		160,473	158,599
Interest paid		(73,598)	(63,802)

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

Notes to the Unaudited Consolidated Interim Financial Statements
For the six months ended 30 June 2023
(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 National Administration of Financial Regulation (the former “China Banking and Insurance Regulatory Commission”,the former “CBIRC”), 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 2023, 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 24 August 2023.

2 Basis of preparation

The consolidated interim financial statements for the six months ended 30 June 2023 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 2022.

The consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022, which have been audited.

(a) Standards and amendments effective in 2023 relevant to and adopted by the Group

In the current reporting 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 reporting period.

- IFRS 17, Insurance contracts
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12, Income taxes: International tax reform – Pillar Two model rules

The adoption of these standards and amendments do not have significant impacts on the consolidated financial statements of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Net interest income

	Six months ended 30 June	
	2023	*2022*
Interest income arising from (Note (i)):		
Deposits with central banks	3,220	2,885
Deposits with banks and non-bank financial institutions	890	800
Placements with and loans to banks and non-bank financial institutions	3,912	2,729
Financial assets held under resale agreements	462	609
Loans and advances to customers		
- corporate loans	59,686	53,243
- personal loans	58,493	60,085
- discounted bills	4,034	5,503
Financial investments		
- at amortised cost	18,907	20,478
- at fair value through other comprehensive income	9,605	8,105
Others	28	5
Subtotal	159,237	154,442
Interest expense arising from:		
Borrowings from central banks	(1,904)	(2,821)
Deposits from banks and non-bank financial institutions	(11,731)	(12,930)
Placements from banks and non-bank financial institutions	(1,070)	(754)
Financial assets sold under repurchase agreements	(1,373)	(845)
Deposits from customers	(57,407)	(49,231)
Debt securities issued	(12,287)	(13,788)
Lease liabilities	(223)	(221)
Others	(36)	(4)
Subtotal	(86,031)	(80,594)
Net interest income	73,206	73,848

Note:

(i) Interest income includes interest income accrued on credit-impaired financial assets of RMB291 million for the six months ended 30 June 2023 (Six months ended 30 June 2022: RMB220 million).

5 Net fee and commission income

	Six months ended 30 June *2023*	*2022*
Fee and commission income:		
Bank card fees	8,200	8,040
Commission for custodian business and other fiduciary	5,399	5,364
Agency fees and commission (Note (i))	3,558	3,091
Guarantee and advisory fees	2,479	2,975
Settlement and clearance fees	1,213	1,164
Others	100	46
Total	20,949	20,680
Fee and commission expense	(1,886)	(1,845)
Net fee and commission income	19,063	18,835

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 *2023*	*2022*
Debt securities and certificates of interbank deposit	2,339	1,440
Foreign currencies	(2,113)	(2,165)
Derivatives and related exposures	3,118	3,864
Total	3,344	3,139

7 Net gain from investment securities

	Six months ended 30 June *2023*	*2022*
Financial investments		
- at fair value through profit or loss	7,762	8,538
- at amortised cost	871	347
- at fair value through other comprehensive income	(57)	(50)
Revaluation gain on transfer out of equity at disposal	417	1,875
Net gain from bills rediscounting	256	982
Proceeds from the resale of forfaiting	-	433
Net gain from securitisation of financial assets	245	-
Others	289	15
Total	9,783	12,140

8 Operating expenses

	Six months ended 30 June 2023	2022
Staff costs		
- salaries and bonuses	11,919	11,759
- welfare expenses	476	426
- social insurance	735	822
- housing fund	930	814
- labor union expenses and employee education expenses	404	430
- post-employment benefits – defined contribution plans	1,543	1,353
- other benefits	172	195
Subtotal	16,179	15,799
Property and equipment related expenses		
- depreciation of right-of-use assets	1,620	1,619
- depreciation of property, plant and equipment	1,410	1,253
- rent and property management expenses	435	379
- maintenance	242	226
- amortisation expenses	866	655
- electronic equipment operating expenses	151	133
- others	189	159
Subtotal	4,913	4,424
Tax and surcharges	1,036	1,058
Other general operating and administrative expenses	7,119	6,106
Total	29,247	27,387

9 Credit impairment losses

	Six months ended 30 June	
	2023	*2022*
Credit impairment losses		
Impairment reversal of deposits with banks and non-bank financial institutions	(17)	(1)
Impairment (reversals)/losses of placements with and loans to banks and non-bank financial institutions	(31)	75
Impairment losses of financial assets held under resale agreements	59	16
Impairment losses of loans and advances to customers	27,535	31,143
Impairment losses of financial investments		
- at amortised cost	2,487	3,920
- at fair value through other comprehensive income	782	53
Impairment losses of other financial assets and accrued interest	3,751	2,434
Impairment (reversals)/losses of off-balance sheet items	(102)	4,747
Total	34,464	42,387

10 Impairment losses on other assets

	Six months ended 30 June	
	2023	*2022*
Impairment losses of other assets-repossessed assets	242	32

11 Income tax

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

	Note	Six months ended 30 June 2023	2022
Current tax			
- Mainland China		4,591	8,746
- Hong Kong		131	219
- Overseas		73	19
Deferred tax	27(c)	865	(3,208)
Income tax		5,660	5,776

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 2023	2022
Profit before tax	42,367	38,711
Income tax calculated at PRC statutory tax rate	10,592	9,678
Effect of different tax rates in other regions	(156)	(149)
Tax effect of non-deductible expenses	660	1,286
Tax effect of non-taxable income		
- interest income arising from PRC government bonds and local government bonds	(3,575)	(3,431)
- dividend income from investment funds	(1,581)	(1,411)
- others	(280)	(197)
Income tax	5,660	5,776

12 Other comprehensive income, net of tax

	Six months ended 30 June 2023	2022
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	(136)	32
- income tax	(23)	(1)
Subtotal	(159)	31
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	14	(29)
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	5,127	(2,496)
- net amount transferred to profit or loss	(401)	(1,888)
- Income tax	(1,112)	1,053
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note (ii))		
- net changes during the period	584	(159)
- Income tax	(136)	51
Others		
- Pre-tax amount incurred in the current period	(9)	6
Exchange differences on translation of financial statements	2,453	1,882
Subtotal	6,520	(1,580)
Other comprehensive income, net of tax	6,361	(1,549)

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.

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

13 Earnings per share

Earnings per share information for the six months ended 30 June 2023 and 2022 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 2023.

The Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in 2022, 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 2023.

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 2023, 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	
	2023	*2022*
Profit for the period attributable to equity holders of the Bank	36,067	32,524
Less: profit for the period attributable to preference shareholders of the Bank	1,680	1,680
Profit for the period attributable to ordinary shareholders of the Bank	34,387	30,844
Weighted average number of shares (in million shares)	48,940	48,935
Basic earnings per share (in RMB)	0.70	0.63
Diluted earnings per share (in RMB)	0.63	0.57

14 Cash and balances with central banks

	Notes	*30 June 2023*	*31 December 2022*
Cash		4,061	5,532
Balances with central banks			
- statutory deposit reserve funds	(i)	373,216	365,362
- surplus deposit reserve funds	(ii)	59,401	104,315
- fiscal deposits	(iii)	285	298
- foreign exchange reserve	(iv)	3,294	1,693
Accrued interest		168	181
Total		440,425	477,381

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 2023, the statutory deposit reserve funds placed with the PBOC was calculated at 7.25% (31 December 2022: 7.5%) of eligible Renminbi deposits for domestic branches of the Bank and at 6% (31 December 2022: 6%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 6% (31 December 2022: 6%) 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 2022: 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 (except for regulations provided by the local People's Bank).

(iv) The foreign exchange reserve is maintained with the PBOC in accordance with the related notice issued by the PBOC. The reserve is provided as of 20% of customer-driven foreign exchange forward transactions volume on a monthly basis. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the Notice.

15 Deposits with banks and non-bank financial institutions

(a) *Analysed by types and locations of counterparties*

	Note	*30 June 2023*	*31 December 2022*
In Mainland China			
- banks		50,880	49,930
- non-bank financial institutions		10,151	6,734
Subtotal		61,031	56,664
Outside Mainland China			
- banks		12,859	18,836
- non-bank financial institutions		635	2,995
Subtotal		13,494	21,831
Accrued interest		499	437
Gross balance		75,024	78,932
Less: Allowances for impairment losses	29	(82)	(98)
Net balance		74,942	78,834

(b) *Analysed by remaining maturity*

	Note	*30 June 2023*	*31 December 2022*
Demand deposits (Note (i))		39,077	36,373
Time deposits with remaining maturity			
- within one month		1,500	4,883
- between one month and one year		33,948	37,239
Subtotal		74,525	78,495
Accrued interest		499	437
Gross balance		75,024	78,932
Less: Allowances for impairment losses	29	(82)	(98)
Net balance		74,942	78,834

Note:

(i) As at 30 June 2023, within the demand deposits there were pledged deposits of RMB818 million (as at 31 December 2022: RMB555 million). These deposits were mainly maintenance margins with a regulatory body.

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

(a) Analysed by types and locations of counterparties

	Note	30 June 2023	31 December 2022
In Mainland China			
- banks(Note (i))		21,399	15,215
- non-bank financial institutions		123,958	160,739
Subtotal		145,357	175,954
Outside Mainland China			
- banks		61,229	41,302
Subtotal		61,229	41,302
Accrued interest		1,470	1,048
Gross balance		208,056	218,304
Less: Allowances for impairment losses	29	(112)	(140)
Net balance		207,944	218,164

Note:

(i) The leased gold between Banks is included in the Placements with and loans to banks and non-bank financial institutions, measured at fair value through profit or loss. As at 30 June 2022, the carrying amount of leased gold was RMB12,180 million (as at 31 December 2022: RMB8,739 million)

(b) Analysed by remaining maturity

	Note	30 June 2023	31 December 2022
Within one month		60,925	43,800
Between one month and one year		113,911	131,706
Over one year		31,750	41,750
Accrued interest		1,470	1,048
Gross balance		208,056	218,304
Less: Allowances for impairment losses	29	(112)	(140)
Net balance		207,944	218,164

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 2023			*31 December 2022*		
	Nominal amount	*Assets*	*Liabilities*	*Nominal amount*	*Assets*	*Liabilities*
Hedging instruments						
- interest rate derivatives	734	18	-	600	9	-
Non-Hedging instruments						
- interest rate derivatives	3,635,318	18,958	18,810	3,083,202	14,950	14,887
- currency derivatives	3,308,639	51,133	51,365	2,506,299	29,173	28,780
- precious metal derivatives	45,910	197	1,055	35,523	250	598
- credit derivatives	-	-	-	30	1	-
Total	6,990,601	70,306	71,230	5,625,654	44,383	44,265

(a) *Nominal amount analysed by remaining maturity*

	30 June 2023	*31 December 2022*
Within three months	2,842,845	2,257,129
Between three months and one year	2,563,802	1,910,625
Between one year and five years	1,546,540	1,425,950
Over five years	37,414	31,950
Total	6,990,601	5,625,654

(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 former 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 2023, the total amount of credit risk weighted amount for counterparty was RMB29,208 million (31 December 2022: RMB24,579 million).

18 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	*30 June 2023*	*31 December 2022*
In Mainland China			
- banks		37,637	11,100
- non-bank financial institutions		18,109	848
Subtotal		55,746	11,948
Outside Mainland China			
- banks		3,876	149
- non-bank financial institutions		657	1,628
Subtotal		4,533	1,777
Accrued interest		27	5
Gross balance		60,306	13,730
Less: Allowance for impairment losses	29	(59)	-
Net balance		60,247	13,730

(b) Analysed by types of collateral

	Note	*30 June 2023*	*31 December 2022*
Debt securities		58,274	13,725
Discounted bills		2,005	-
Subtotal		60,279	13,725
Accrued interest		27	5
Gross balance		60,306	13,730
Less: Allowance for impairment losses	29	(59)	-
Net balance		60,247	13,730

(c) Analysed by remaining maturity

	Note	30 June 2023	31 December 2022
Within one month		59,652	13,403
Between one month and one year		627	322
Accrued interest		27	5
Gross balance		60,306	13,730
Less: Allowance for impairment losses	29	(59)	-
Net balance		60,247	13,730

19 Loans and advances to customers

(a) Analysed by nature

	Note	30 June 2023	31 December 2022
Loans and advances to customers at amortised cost			
Corporate loans and advances			
- loans		2,624,180	2,418,718
- discounted bills		2,670	3,704
- finance lease receivables		49,934	46,566
Subtotal		2,676,784	2,468,988
Personal loans and advances			
- residential mortgages		985,350	975,807
- credit cards		519,471	511,101
- business loans		428,489	378,819
- personal consumption		277,420	250,813
- finance lease receivables		561	370
Subtotal		2,211,291	2,116,910
Accrued interest		18,858	17,180
Gross balance		4,906,933	4,603,078
Less: Allowances impairment losses on loans	29		
- principal		(134,688)	(130,573)
- interest		(536)	(412)
Loans and advances to customers at amortised cost, net		4,771,709	4,472,093
Loans and advances to customers at fair value through other comprehensive income			
- loans		60,788	54,851
- discounted bills		425,854	508,142
Carrying amount of loans and advances at fair value through other comprehensive income		486,642	562,993
- fair value changes through other comprehensive income		163	(547)
Loans and advances to customers at fair value through profit or loss			
- loans		5,384	3,881
Total		5,263,735	5,038,967
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	29	(384)	(629)

19 Loans and advances to customers (continued)

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

	30 June 2023			
	Stage one	*Stage two*	*Stage three (Note (i))*	*Total*
Gross loans and advances to customers at amortised costs	4,721,745	91,179	75,151	4,888,075
Accrued interest	18,015	347	496	18,858
Less: Allowance for impairment losses	(61,873)	(25,437)	(47,914)	(135,224)
Carrying amount of loans and advances to customers measured at amortised cost	4,677,887	66,089	27,733	4,771,709
Carrying amount of loans and advances to customers at fair value through other comprehensive income	486,219	423	-	486,642
Total	5,164,106	66,512	27,733	5,258,351
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	(340)	(44)	-	(384)

	31 December 2022			
	Stage one	*Stage two*	*Stage three (Note (i))*	*Total*
Gross loans and advances to customers at amortised costs	4,422,344	88,606	74,948	4,585,898
Accrued interest	14,342	2,125	713	17,180
Less: Allowance for impairment losses	(60,204)	(22,497)	(48,284)	(130,985)
Carrying amount of loans and advances to customers measured at amortised cost	4,376,482	68,234	27,377	4,472,093
Carrying amount of loans and advances to customers at fair value through other comprehensive income	562,118	720	155	562,993
Total	4,938,600	68,954	27,532	5,035,086
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	(523)	(27)	(79)	(629)

19 Loans and advances to customers (continued)

Note:

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

	30 June 2023	*31 December 2022*
Secured portion	37,553	43,044
Unsecured portion	37,598	32,059
Gross balance	75,151	75,103
Allowance for impairment losses	(47,914)	(48,363)

As at 30 June 2023, the maximum exposure covered by pledge and collateral held on secured portion is RMB 37,553 million (as at 31 December 2022: RMB42,470 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 2023				
	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	14,781	9,423	1,825	361	26,390
Guaranteed loans	3,687	1,940	2,238	2,712	10,577
Loans with pledged assets					
- loans secured by collateral	11,867	11,608	7,310	1,908	32,693
- pledged loans	2,965	1,378	2,066	775	7,184
Total	33,300	24,349	13,439	5,756	76,844

	31 December 2022				
	Overdue within three months	*Overdue between three months and one year*	*Overdue between one year and three years*	*Overdue over three years*	*Total*
Unsecured loans	17,083	9,242	1,695	280	28,300
Guaranteed loans	1,800	1,926	2,215	1,990	7,931
Loans with pledged assets					
- loans secured by collateral	12,302	11,924	7,091	2,337	33,654
- pledged loans	2,751	6,601	2,189	763	12,304
Total	33,936	29,693	13,190	5,370	82,189

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

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 2023	*31 December 2022*
Within one year (including one year)	16,269	14,247
One year to two years (including two years)	11,245	10,568
Two years to three years (including three years)	7,940	7,503
Over three years	15,041	14,618
Gross balance	50,495	46,936
Less: Allowance for impairment losses		
- stage one	(915)	(960)
- stage two	(547)	(499)
- stage three	(497)	(419)
Net balance	48,536	45,058

20 Financial investments

(a) Analysed by types

	Note	30 June 2023	31 December 2022
Financial assets at fair value through profit or loss			
Investment funds		458,082	431,958
Debt securities		110,284	80,690
Certificates of deposit		57,496	35,543
Equity instruments		7,484	7,887
Wealth management products		3,117	1,516
Net balance		636,463	557,594
Financial assets at amortised cost			
Debt securities		931,365	887,763
Trust investment plans		214,864	222,819
Investment management products managed by securities companies		36,109	39,628
Certificates of deposit and interbank certificates of deposit		1,090	3,424
Subtotal		1,183,428	1,153,634
Accrued interest		11,736	10,384
Less: Allowance for impairment losses	29	(30,448)	(28,566)
- principles		(30,414)	(28,528)
- accrued interest		(34)	(38)
Net balance		1,164,716	1,135,452

20 Financial investments (continued)

	Note	*30 June 2023*	*31 December 2022*
Financial assets at fair value through other comprehensive income (Note (i))			
Debt securities		658,512	777,438
Certificates of deposit		20,911	21,501
Subtotal		679,423	798,939
Accrued interest		4,917	5,756
Net balance		684,340	804,695
Allowances for impairment losses on financial investments at fair value through other comprehensive income	29	(3,577)	(2,717)
Financial assets designated at fair value through other comprehensive income (Note (i))		4,706	5,128
Total		2,490,225	2,502,869

Notes:

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

		30 June 2023		
	Note	*Equity instruments*	*Debt securities instruments*	*Total*
Costs/Amortised cost		5,300	681,572	686,872
Accumulated fair value change in other comprehensive income		(594)	(2,149)	(2,743)
Fair value		4,706	679,423	684,129
Allowance for impairment losses	29		(3,577)	(3,577)

20 Financial investments (continued)

	Note	31 December 2022 Equity instruments	Debt securities instruments	Total
Costs/Amortised cost		5,783	804,867	810,650
Accumulated fair value change in other comprehensive income		(655)	(5,928)	(6,583)
Fair value		5,128	798,939	804,067
Allowance for impairment losses	29		(2,717)	(2,717)

(b) Analysed by location of counterparties

	Note	30 June 2023	31 December 2022
In Chinese Mainland			
- governments		1,151,637	1,097,552
- policy banks		68,896	88,726
- banks and non-bank financial institutions		1,060,699	1,097,864
- corporates		87,304	99,992
Subtotal		2,368,536	2,384,134
Outside Chinese Mainland			
- governments		43,798	57,946
- banks and non-bank financial institutions		41,277	32,736
- corporates		46,508	39,171
- public entities		3,901	1,308
Subtotal		135,484	131,161
Accrued interest		16,653	16,140
Total		2,520,673	2,531,435
Less: Impairment allowance for financial assets at amortised cost	29	(30,448)	(28,566)
Net balance		2,490,225	2,502,869
Listed in Hong Kong		34,412	50,959
Listed outside Hong Kong		2,106,751	2,074,660
Unlisted		349,062	377,250
Total		2,490,225	2,502,869

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

20 Financial investments (continued)

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

	30 June 2023			
	Stage one	*Stage two*	*Stage three*	*Total*
Financial assets at amortised costs	1,123,727	5,994	53,707	1,183,428
Accrued interest	11,388	280	68	11,736
Less: Allowance for impairment losses	(2,870)	(1,566)	(26,012)	(30,448)
Net balance	1,132,245	4,708	27,763	1,164,716
Financial assets at fair value through other comprehensive income	678,303	143	977	679,423
Accrued interest	4,884	-	33	4,917
Net balance	683,187	143	1,010	684,340
Total carrying amount of financial assets affected by credit risk	1,815,432	4,851	28,773	1,849,056
Allowance for impairment losses of other debt instruments included in other comprehensive income	(2,059)	(108)	(1,410)	(3,577)

	31 December 2022			
	Stage one	*Stage two*	*Stage three*	*Total*
Financial assets at amortised costs	1,094,231	4,958	54,445	1,153,634
Accrued interest	10,227	138	19	10,384
Less: Allowance for impairment losses	(2,483)	(1,387)	(24,696)	(28,566)
Net balance	1,101,975	3,709	29,768	1,135,452
Financial assets at fair value through other comprehensive income	797,850	136	953	798,939
Accrued interest	5,733	-	23	5,756
Net balance	803,583	136	976	804,695
Total carrying amount of financial assets affected by credit risk	1,905,558	3,845	30,744	1,940,147
Allowance for impairment losses of other debt instruments included in other comprehensive income	(1,416)	(98)	(1,203)	(2,717)

21 Investments in associates and joint ventures

	Note	*30 June 2023*	*31 December 2022*
Investments in joint ventures	(a)	6,175	5,811
Investments in associates	(b)	489	530
Total		6,664	6,341

(a) Investment in joint ventures

The details of the joint ventures as at 30 June 2023 were as follows:

Name of company	*Form of business structure*	*Place of incorporation*	*Effective percentage of shares*	*Principal activities*	*Nominal value of issued shares*
CITIC aiBank Corporation Limited ("CITIC aiBank")(Note (i))	Corporation	Beijing	65.7%	Financial services	RMB5.634 billion
JSC Altyn Bank (Note (ii))	Corporation	Kazakhstan	50.1%	Financial services	KZT7.05 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.

Financial statements of the joint ventures are as follow:

	As at or for the period ended 30 June 2023				
Name of Company	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net gain*
CITIC aiBank	101,655	93,707	7,948	2,317	479
JSC Altyn Bank	15,167	13,554	1,613	447	277

	As at or for the year ended 2022				
Name of Company	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net gain*
CITIC aiBank	96,922	89,487	7,435	3,968	656
JSC Altyn Bank	14,621	13,204	1,417	684	359

21 Investments in associates and joint ventures (continued)

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

	Six months ended 30 June 2023	*Year ended 31 December 2022*
Initial investment cost	5,265	5,265
As at 1 January	5,811	5,220
Dividend received	(110)	-
Other changes in equity	13	(20)
Share of net gain/(loss) of the joint ventures for the period	457	611
Exchange difference	4	-
As at 30 June/31 December	6,175	5,811

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 30 June 2023 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
Tianjin Leasing Asset Trading Center (Note (i))	Corporation	Tianjin	20%	Services and investment	RMB500 million

Notes:

(i) According to the announcement of Tianjin Local Financial Regulatory Commission, Binhai (Tianjin) Financial Assets Exchange Company Limited changed its name to Tianjin Leasing Asset Trading Center and the industrial registration was completed on 6 April 2022.

21 Investments in associates and joint ventures (continued)

Financial statements of the associates are as follow:

	As at or for the period ended 30 June 2023				
Name of Company	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net gain*
CIAM	881	53	828	(12)	(31)
Tianjin Leasing Asset Trading Center	572	33	539	35	10

	As at or for the year ended 2022				
Name of Company	*Total assets*	*Total liabilities*	*Total net assets*	*Operating income*	*Net (loss)/income*
CIAM	916	59	857	(12)	(6)
Tianjin Leasing Asset Trading Center	563	38	525	189	70

Movement of the Group's interests in associates:

	Six months ended 30 June 2023	*Year ended 31 December 2022*
Initial investment cost	1,099	1,129
As at 1 January	530	533
Changes in investment in joint ventures	(30)	(39)
Share of net loss of associates for the period/year	(31)	12
Other changes in equity	-	(8)
Exchange difference	20	32
As at 31 December	489	530

22 Investments in subsidiaries

	Notes	*30 June 2023*	*31 December 2022*
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 2023 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*	*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	HKD1,871 million	Investment and lending services	100%	100%
Lin'an Rural Bank (Note (iii))	Hangzhou, Zhejiang Province	Hangzhou, Zhejiang Province	RMB200 million	Commercial banking	51%	51%
CFLL (Note (iv))	Tianjin	Tianjin	RMB4,000 million	Financial lease operations	100%	100%
CITIC Wealth (Note (v))	Shanghai	Shanghai	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").

22 Investments in subsidiaries (continued)

(ii) CNCB (Hong Kong) Investment Limited (CNCB Investment), founded in Hong Kong in 1984, formerly China Investment and Finance Limited, incorporated and operating in Hong Kong, holds a money lending licence issued by the Hong Kong 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.In March 2023, CNCB Investment repurchased and cancelled its 0.95% equity held by CBI. Since the completion date of the transaction, The Bank holds 100% of its shares and voting rights.

(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.

23 Investment properties

	Six months ended 30 June 2023	*Year ended 31 December 2022*
Fair value as at 1 January	516	547
Change in fair value	9	(74)
Exchange difference	24	43
Fair value as at 30 June/31 December	549	516

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 2023.

All investment properties of the Group were revalued at 30 June 2023 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 2023	33,939	2,930	14,512	51,381
Additions	59	139	1,436	1,634
Disposals	-	-	(249)	(249)
Exchange differences	24	-	42	66
As at 30 June 2023	34,022	3,069	15,741	52,832
Accumulated depreciation:				
As at 1 January 2023	(8,336)	-	(8,615)	(16,951)
Depreciation charges	(525)	-	(885)	(1,410)
Disposals	-	-	237	237
Exchange differences	(15)	-	(32)	(47)
As at 30 June 2023	(8,876)	-	(9,295)	(18,171)
Net carrying value:				
As at 1 January 2023	25,603	2,930	5,897	34,430
As at 30 June 2023 (Note (i))	25,146	3,069	6,446	34,661

	Buildings	*Construction in progress*	*Computer equipment and others*	*Total*
Cost or deemed cost:				
As at 1 January 2022	33,639	2,546	14,117	50,302
Additions	322	384	2,193	2,899
Disposals	(61)	-	(1,873)	(1,934)
Exchange differences	39	-	75	114
As at 31 December 2022	33,939	2,930	14,512	51,381
Accumulated depreciation:				
As at 1 January 2022	(7,306)	-	(8,812)	(16,118)
Depreciation charges	(1,043)	-	(1,515)	(2,558)
Disposals	36	-	1,778	1,814
Exchange differences	(23)	-	(66)	(89)
As at 31 December 2022	(8,336)	-	(8,615)	(16,951)
Net carrying value:				
As at 1 January 2022	26,333	2,546	5,305	34,184
As at 31 December 2022 (Note (i))	25,603	2,930	5,897	34,430

24 Property, plant and equipment (continued)

Note:

(i) As at 30 June 2023, the registration of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB10,898 million (as at 31 December 2022: RMB11,058 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 2023	19,236	1,221	83	58	20,598
Additions	1,369	-	1	14	1,384
Disposals	(1,103)	-	(3)	(7)	(1,113)
Exchange differences	70	-	-	-	70
As at 30 June 2023	19,572	1,221	81	65	20,939
Accumulated depreciation:					
As at 1 January 2023	(9,315)	(359)	(68)	(32)	(9,774)
Accrual	(1,590)	(15)	(9)	(6)	(1,620)
Disposals	1,101	-	3	4	1,108
Exchange differences	(36)	-	-	-	(36)
As at 30 June 2023	(9,840)	(374)	(74)	(34)	(10,322)
Net carrying value:					
As at 1 January 2023	9,921	862	15	26	10,824
As at 30 June 2023	9,732	847	7	31	10,617

25 Right-of-use assets (continued)

	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	3,533	-	2	8	3,543
Disposals	(1,514)	-	(11)	(3)	(1,528)
Exchange differences	72	-	-	-	72
As at 31 December 2022	19,236	1,221	83	58	20,598
Accumulated depreciation:					
As at 1 January 2022	(7,464)	(328)	(57)	(24)	(7,873)
Accrual	(3,229)	(30)	(19)	(11)	(3,289)
Disposals	1,409	(1)	8	3	1,419
Exchange differences	(31)	-	-	-	(31)
As at 31 December 2022	(9,315)	(359)	(68)	(32)	(9,774)
Net carrying value:					
As at 1 January 2022	9,681	893	35	29	10,638
As at 31 December 2022	9,921	862	15	26	10,824

As at 30 June 2023, the balance of the Group's lease liabilities amounted to RMB10,209million (31 December 2022: RMB10,272 million), including RMB2,809 million of lease liabilities that will mature within a year (31 December 2022: RMB5,701 million).

As at 30 June 2023, lease payments relating to lease contracts signed but to be executed amounted to RMB141 million (31 December 2022: RMB68 million).

For the six months ended 30 June 2023, 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 RMB70 million (for the six months ended 30 June 2022: RMB60 million).

26 Goodwill

	Six months ended 30 June 2023	*Year ended 31 December 2022*
As at 1 January	903	833
Exchange difference	43	70
As at 30 June/31 December	946	903

Based on the result of impairment test, no impairment losses on goodwill were recognized as at 30 June 2023 (31 December 2022: Nil).

27 Deferred tax assets/(liabilities)

	30 June 2023	*31 December 2022*
Deferred tax assets	53,000	55,011
Deferred tax liabilities	(2)	(3)
Net	52,998	55,008

(a) Analysed by nature and jurisdiction

	30 June 2023		*31 December 2022*	
	Deductible/ (taxable) temporary differences	*Deferred tax assets/ (liabilities)*	*Deductible/ (taxable) temporary differences*	*Deferred tax assets/ (liabilities)*
Deferred tax assets				
- allowance for impairment losses	200,090	49,879	203,539	50,766
- fair value adjustments	(5,762)	(1,607)	64	16
- employee retirement benefits and salaries payable	13,885	3,471	11,685	2,924
- others	4,916	1,257	5,095	1,305
Subtotal	213,129	53,000	220,383	55,011
Deferred tax liabilities				
- fair value adjustments	(6)	(1)	(5)	(1)
- others	(2)	(1)	(14)	(2)
Subtotal	(8)	(2)	(19)	(3)
Total	213,121	52,998	220,364	55,008

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

As at 30 June 2023, the deferred tax assets/liabilities offset by the Group were RMB4,593 million (31 December 2022: RMB3,131 million).

27 Deferred tax assets/(liabilities) (continued)

(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 2023	50,766	15	2,924	1,303	55,008
Recognized in profit or loss	(899)	(469)	547	(44)	(865)
Recognized in other comprehensive income	-	(1,171)	-	-	(1,171)
Exchange differences	12	17	-	(3)	26
As at 30 June 2023	49,879	(1,608)	3,471	1,256	52,998
As at 1 January 2022	45,076	(1,890)	2,552	1,159	46,897
Recognized in profit or loss	5,661	(528)	405	117	5,655
Recognized in other comprehensive income	8	2,407	(33)	33	2,415
Exchange differences	21	26	-	(6)	41
As at 31 December 2022	50,766	15	2,924	1,303	55,008

28 Other assets

	Notes	*30 June 2023*	*31 December 2022*
Advanced payments and settlement accounts		52,170	11,286
Fee and commission receivables		12,068	9,861
Assets with continuing involvement		11,422	11,114
Precious metal leasing		5,398	5,101
Interest receivables	(i)	6,317	4,488
Repossessed assets	(ii)	1,171	1,478
Prepayments for properties and equipment		3,385	2,125
Leasehold improvements		758	801
Prepaid rent		6	12
Others	(iii)	10,282	9,224
Total		102,977	55,490

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 RMB5,849 million (as at 31 December 2022: RMB5,415 million).

28 Other assets (continued)

(ii) Repossessed assets

	30 June 2023	*31 December 2022*
Premises	2,355	2,722
Others	5	6
Gross balance	2,360	2,728
Less: Allowance for impairment losses	(1,189)	(1,250)
Net balance	1,171	1,478

As at 30 June 2023, 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 2022: Nil).

(iii) Others

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

29 Movements of allowance for impairment losses

	Notes	Six months ended 30 June 2023 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	98	(17)	-	1	82
Placements with and loans to banks and non-bank financial institutions	16	140	(31)	-	3	112
Financial assets held under resale agreements	18	-	59	-	-	59
Loans and advances to customers	19	131,202	27,535	(30,297)	6,632	135,072
Financial investments						
- at amortised cost	20	28,528	2,487	(616)	15	30,414
- at fair value through other comprehensive income	20	2,717	782	-	78	3,577
Other financial assets and accrued interest		7,349	3,751	(2,497)	395	8,998
Off balance sheet credit assets	37	8,957	(102)	-	18	8,873
Subtotal		178,991	34,464	(33,410)	7,142	187,156
Allowance for impairment losses on other assets						
Other assets - repossessed assets		1,250	242	(303)	-	1,189
Subtotal		1,250	242	(303)	-	1,189

	Notes	Year ended 31 December 2022 As at 1 January	(Reversal)/ charge for the year	Write-offs/ transfer out	Others Notes (i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	15	145	(48)	-	1	98
Placements with and loans to banks and non-bank financial institutions	16	89	50	-	1	140
Financial assets held under resale agreements	18	47	(47)	-	-	-
Loans and advances to customers	19	121,471	55,786	(57,791)	11,736	131,202
Financial investments						
- at amortised cost	20	26,624	1,542	(1,530)	1,892	28,528
- at fair value through other comprehensive income	20	2,387	269	(28)	89	2,717
Other financial assets and accrued interest		5,134	5,220	(4,352)	1,347	7,349
Off balance sheet credit assets	37	11,428	8,587	(11,112)	54	8,957
Subtotal		167,325	71,359	(74,813)	15,120	178,991
Allowance for impairment losses on other assets						
Other assets - repossessed assets		1,286	45	(119)	38	1,250
Subtotal		1,286	45	(119)	38	1,250

29 Movements of allowance for impairment losses (continued)

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.

30 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2023	*31 December 2022*
In Mainland China		
- banks	249,738	310,409
- non-bank financial institutions	767,898	822,110
Subtotal	1,017,636	1,132,519
Outside Mainland China		
- banks	7,108	7,085
- non-bank financial institutions	147	70
Subtotal	7,255	7,155
Accrued interest	5,250	4,102
Total	1,030,141	1,143,776

31 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2023	31 December 2022
In Mainland China		
- banks	49,734	51,186
Subtotal	49,734	51,186
Outside Mainland China		
- banks	23,611	18,684
- non-bank financial institutions	747	709
Subtotal	24,358	19,393
Accrued interest	193	162
Total	74,285	70,741

32 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	30 June 2023	31 December 2022
In Mainland China		
- PBOC	88,075	217,858
- Banks	11,818	33,779
Subtotal	99,893	251,637
Outside Mainland China		
- Banks	19,065	4,427
- Non-bank financial institutions	74	55
Subtotal	19,139	4,482
Accrued interest	49	75
Total	119,081	256,194

32 Financial assets sold under repurchase agreements (continued)

(b) Analysed by type of collateral

	30 June 2023	*31 December 2022*
Debt securities	36,339	186,765
Discounted bills	82,693	69,354
Accrued interest	49	75
Total	119,081	256,194

The Group did not derecognize financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 30 June 2023, no legal title of the collateral has been transferred to counterparties. The above information of collateral is included in the Note 49.

33 Deposits from customers

Analysed by nature

	30 June 2023	*31 December 2022*
Demand deposits		
- corporate customers	2,218,776	1,937,135
- personal customers	350,579	349,013
Subtotal	2,569,355	2,286,148
Time and call deposits		
- corporate customers	1,849,158	1,855,977
- personal customers	1,099,639	942,803
Subtotal	2,948,797	2,798,780
Outward remittance and remittance payables	16,531	14,420
Accrued interest	56,810	58,516
Total	5,591,493	5,157,864

33 Deposits from customers (continued)

Guarantee deposits included in above deposits:

	30 June 2023	31 December 2022
Bank acceptances	338,978	348,926
Guarantees	20,225	17,091
Letters of credit	29,572	25,132
Others	47,514	55,709
Total	436,289	446,858

34 Accrued staff costs

		Six months ended 30 June 2023			
	Notes	As at 1 January	Additions during the period	Reductions during the period	As at 30 June
Salaries and bonuses		20,643	11,919	(15,349)	17,213
Social insurance		15	735	(737)	13
Welfare expenses		4	476	(479)	1
Housing fund		10	930	(930)	10
Labor union expenses and employee education expenses		988	404	(316)	1,076
Post-employment benefits - defined contribution plans	(a)	18	1,543	(1,544)	17
Post-employment benefits - defined benefit plans	(b)	18	-	(1)	17
Other benefits		209	172	(183)	198
Total		21,905	16,179	(19,539)	18,545

		Year ended 31 December 2022			
	Notes	As at 1 January	Additions during the year	Reductions during the year	As at 31 December
Salaries and bonuses		18,248	28,102	(25,707)	20,643
Social insurance		9	2,027	(2,021)	15
Welfare expenses		4	1,352	(1,352)	4
Housing fund		7	1,758	(1,755)	10
labor union expenses and employee education expenses		750	888	(650)	988
housing subsidies		54	-	-	54
Post-employment benefits - defined contribution plans	(a)	19	3,579	(3,580)	18
Post-employment benefits - defined benefit plans	(b)	18	1	(1)	18
Other benefits		144	375	(364)	155
Total		19,253	38,082	(35,430)	21,905

34 Accrued staff costs (continued)

(a) Post-employment benefits - defined contribution plans

Post-employment benefits defined contribution plans include contributions to statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group 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 2023, the Bank has made annuity contributions at 7% (31 December 2022: 7%) of its employees' gross wages. For six months ended 30 June 2023, the Bank made annuity contribution amounted to RMB439 million (year ended 30 June 2022: RMB382 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.

(b) Post-employment benefits - defined benefit plans

The Group offers supplementary retirement benefits for certain of its qualified employees in Mainland China. Retired employees are eligible to join this supplementary retirement 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 2023	*31 December 2022*
Income tax	462	4,415
VAT and surcharges	4,208	4,060
Others	31	12
Total	4,701	8,487

36 Debt securities issued

	Notes	30 June 2023	31 December 2022
Long-term debt securities issued	(a)	138,605	116,344
Subordinated bonds issued:			
- by the Bank	(b)	89,988	89,987
- by CBI	(c)	3,628	3,444
Certificates of deposit issued	(d)	1,679	1,035
Certificates of interbank deposit issued	(e)	696,441	720,431
Convertible corporate bonds	(f)	39,794	39,977
Accrued interest		4,869	3,988
Total		975,004	975,206

(a) Long-term debt securities issued by the Group as at 30 June 2023:

Bond Type	*Issue Date*	*Maturity Date*	*Annual Interest Rate*	*30 June 2023 Nominal Value* RMB	*31 December 2022 Nominal Value* RMB
Fixed rate bond	18 March 2020	18 March 2023	2.750%	-	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%	1,453	1,381
Fixed rate bond	2 February 2021	2 February 2026	1.250%	2,543	2,417
Fixed rate bond	17 November 2021	17 November 2024	1.750%	3,640	3,453
Fixed rate bond	28 April 2022	28 April 2025	2.800%	30,000	30,000
Fixed rate bond	5 August 2022	5 August 2025	2.500%	30,000	30,000
Fixed rate bond	20 December 2022	17 November 2024	5.139%	1,965	1,865
Fixed rate bond	13 April 2023	13 April 2026	2.770%	30,000	-
Fixed rate bond	27 March 2023	27 March 2026	2.790%	10,000	-
Fixed rate bond	16 May 2023	16 May 2026	2.680%	10,000	-
Fixed rate bond	26 April 2023	26 April 2024	3.900%	1,813	-
Total nominal value				141,414	119,116
Less: Unamortised issuance cost				(19)	(24)
Less: offset				(2,790)	(2,748)
Carrying value				138,605	116,344

36 Debt securities issued (continued)

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

	Notes	*30 June 2023*	*31 December 2022*
Subordinated fixed rate bonds maturing:			
- in September 2028	(i)	29,994	29,993
- in October 2028	(ii)	20,000	20,000
- in August 2030	(iii)	39,994	39,994
Total		89,988	89,987

Notes:

(i) 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.

(ii) 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.

(iii) 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 2023*	*31 December 2022*
Subordinated fixed rate notes maturing:			
- in February 2029	(i)	3,628	3,444
Total		3,628	3,444

Notes:

(i) CBI issued USD 500 million subordinated notes at a coupon rate of 4.625% per annum on 28 February 2019. CBI has an option to redeem these notes on each coupon payment date on and after 28 February 2024. If CBI does not exercise the redemption option, the coupon rate per annum will be the 5-year US treasury bond rate on 28 February 2024, plus 2.25%. The notes are listed on the Hong Kong Stock Exchange.

36 Debt securities issued (continued)

(d) These certificates of deposit were issued by CBI with interest rate ranging from 0% to 5.38% per annum.

(e) As at 30 June 2023, the Bank's outstanding large transferable certificates of interbank deposits amounted to RMB696,441 million (31 December 2022: RMB720,431 million), with reference yields ranging from 1.90% to 2.75% per annum (31 December 2022: 1.65% to 2.68%). Their original expiry terms range from one months to one year.

(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, 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 20 July 2023, the conversion price of the convertible corporate bonds has been adjusted to RMB6.10 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.

36 Debt securities issued (continued)

As at 30 June 2023, convertible corporate bonds of RMB206,236,000 were converted to 32,068,891 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 2023		3,192	-	3,192
Accumulated conversion amount as at 1 January 2023		-	-	-
Balance as at 1 January 2023		39,977	3,135	43,112
Amortisation during this period		23	-	23
Conversion amount during this period		(206)	(16)	(222)
Balance as at 30 June 2023		39,794	3,119	42,913

37 Provisions

	30 June 2023	31 December 2022
Allowance for impairment losses on off balance sheet items	8,873	8,957
Litigation provisions	318	779
Total	9,191	9,736

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

Movement of provisions:

	Six months 30 June 2023	Year ended 31 December 2022
As at 1 January	779	499
Accruals	-	280
Payment	(461)	-
As at 30 June/31 December	318	779

38 Other liabilities

	30 June 2023	*31 December 2022*
Dividends payable	16,110	-
Settlement and clearing accounts	14,453	13,134
Continuing involvement liabilities	11,422	11,114
Advances and deferred expenses	4,356	4,391
Payment and collection accounts	4,403	4,500
Leasing deposits	521	521
Accrued expenses	523	841
Others	5,977	7,795
Total	57,765	42,296

39 Share capital

	30 June 2023 and 31 December 2022	
	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 30 June 2023*	*Year ended 31 December 2022*
As at 1 January		48,935	48,935
Convertible bond settlement	(i)	32	-
As at 30 June/31 December		48,967	48,935

Note:

(i) For the six months ended 30 June 2023, convertible corporate bonds of RMB205,901,000 were converted to 32,021,807 A-shares (In 2022, convertible corporate bonds of RMB8,000 were converted to 1,188 A-shares).

40 Other equity instruments

	30 June 2023	*31 December 2022*
Preference shares (Note (i))	34,955	34,955
Perpetual bonds (Note (ii))	79,986	79,986
Equity of convertible corporate bonds (Note 36(f))	3,119	3,135
Total	118,060	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.

40 Other equity instruments (continued)

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 former CBIRC requirements.

(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. On 26 April 2021, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market. The denomination of these Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 4.20%, resetting every 5 years.

The duration of these Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the former 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 former 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.

40 Other equity instruments (continued)

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 former CBIRC requirements.

Interests attributable to equity instruments' holder:

	30 June 2023	*31 December 2022*
Total equity attributable to equity holders of the Bank	690,336	665,418
Equity attributable to ordinary equity holders of the Bank	572,276	547,342
Equity attributable to other equity instruments holders of the Bank	118,060	118,076
- Dividend distribution for the period	1,680	4,788
Total equity attributable to non-controlling interests	20,677	20,412
Equity attribute to non-controlling interests of ordinary shares	9,485	9,220
Equity attributable to non-controlling interests of other equity instruments	11,192	11,192

During the six months ended 30 June 2023, no dividends payment was paid to the preference shareholders (2022: RMB1,428 million), 1,680 million was paid to to holders of perpetual bonds (2022: RMB3,360 million).

41 Capital reserves

	30 June 2023	*31 December 2022*
Share premium	59,084	58,896
Other reserves	320	320
Total	59,404	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 30 June 2023	*Year ended 31 December 2022*
As at 1 January	54,727	48,937
Appropriations	-	5,790
As at 30 June/31 December	54,727	54,727

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.

44 General reserve

	Six months 30 June 2023	*Year ended 31 December 2022*
As at 1 January	100,580	95,490
Appropriations	116	5,090
As at 30 June/31 December	100,696	100,580

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.

44 General reserve (continued)

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, China CITIC Bank International shall draw operational risk reserves according to the requirements of the Administrative Measures for Financial Subsidiaries of General reserve. During the six months ended June 30 2023, a total of RMB116 million of corresponding risk provisions was drawn.

45 Profit appropriations and retained earnings

(a) The proposal of cash dividend of RMB3.29 per ten ordinary shares related to 2022, amounting to RMB16,110 million in total was approved at the Annual General Meeting held on 21 June 2023. The cash dividends were recognized as dividends payable as at 30 June 2023.

(b) On 26 April 2021, the Bank issued RMB40 billion write-down undated capital bonds in the domestic interbank bond market. The Bank paid RMB1,680 million in interest at a coupon rate of 4.20% to investors of perpetual bonds on 26 April 2023.

(c) As at 30 June 2023, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB846 million (31 December 2022: RMB846 million). Such statutory surplus reserves cannot be distributed.

46 Non-controlling interests

As at 30 June 2023, 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 RMB11,192 million (31 December 2022: RMB11,192 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	USD 500 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	USD 600 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	USD 600 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 RMB297 million was paid to the holders of the Capital Securities mentioned above during the six months ended 30 June 2023 (During the six months ended 30 June 2022: RMB180 million).

47 Notes to consolidated interim statement of cash flows

Cash and cash equivalents

	Six months ended 30 June 2023	2022
Cash	4,061	5,431
Cash equivalents		
- Surplus deposit reserve funds	59,401	21,192
- Deposits with banks and non-bank financial institutions due within three months when acquired	36,146	58,901
- Placements with and loans to banks and non-bank financial institutions due within three months when acquired	40,861	65,132
- Investment securities due within three months when acquired	77,704	95,426
Subtotal	214,112	240,651
Total	218,173	246,082

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.

48 Commitments and contingent liabilities (continued)

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 2023	*31 December 2022*
Contractual amount		
Loan commitments		
- with an original maturity within one year	14,790	16,319
- with an original maturity of one year or above	29,891	41,642
Subtotal	44,681	57,961
Bank acceptances	770,190	795,833
Credit card commitments	721,119	704,268
Letters of guarantee issued	203,254	186,617
Letters of credit issued	271,632	270,837
Total	2,010,876	2,015,516

(b) Credit commitments analysed by credit risk weighted amount

	30 June 2023	*31 December 2022*
Credit risk weighted amount of credit commitments	523,517	541,153

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the former 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 2023	*31 December 2022*
For the purchase of property and equipment		
- contracted for	1,863	2,011

48 Commitments and contingent liabilities (continued)

(d) Outstanding contingencies including litigation and disputes

The Group has assessed and has made provisions for any probable outflow of economic benefits in relation to commitments and contingent liabilities at the reporting date in accordance with its accounting policies including litigation and disputes.

As at 30 June 2023, the Group was involved in certain pending litigation as defendant with gross claims of RMB1,224 million (as at 31 December 2022: RMB577 million). Such contingencies, including litigation and disputes, are not expected to have material impact on the financial position and operations of the Bank(Note 37).

(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 2023	*31 December 2022*
Redemption commitment for PRC treasury bonds	3,004	2,904

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 2023 and 31 December 2022, the Group did not have unfulfilled commitment in respect of securities underwriting business.

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 2023	*31 December 2022*
Debt securities	250,330	368,922
Discounted bills	82,981	69,593
Total	333,311	438,515

As at 30 June 2023 and 31 December 2022, 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 2023, the Group pledged deposits with banks and other financial institutions with carrying amount totalling RMB804 million (31 December 2022: RMB542 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 2023, the Group held no collateral that can be resold or re-pledged (31 December 2022: Nil). During the six months ended 30 June 2023, the Group did not resell or re-pledge any of these collateral (Six months ended 30 June 2022: Nil).

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 2023	*31 December 2022*
Entrusted loans	398,448	305,416
Entrusted funds	398,450	305,417

(b) Wealth management services

As at 30 June 2023, 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, crisk 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 2023, 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.

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.

51 Segment reporting (continued)

	Six months ended 30 June 2023				
	Corporate Banking	*Personal Banking*	*Treasury Business*	*Others and Unallocated*	*Total*
External net interest income/(expense)	22,457	44,317	19,502	(13,070)	73,206
Internal net interest income/(expense)	16,950	(13,416)	(18,016)	14,482	-
Net interest income	39,407	30,901	1,486	1,412	73,206
Net fee and commission income/(expense)	5,877	12,358	(252)	1,080	19,063
Other net income /(expense) (Note (i))	739	745	13,406	(1,274)	13,616
Operating income	46,023	44,004	14,640	1,218	105,885
Operating expenses					
- depreciation and amortisation	(1,159)	(957)	(1,278)	(502)	(3,896)
- others	(9,790)	(13,869)	(514)	(1,178)	(25,351)
Credit impairment losses	(14,154)	(17,940)	(2,361)	(9)	(34,464)
Impairment losses on other assets	(242)	-	-	-	(242)
Revaluation loss on investment properties	-	-	-	9	9
Share of profits of associates and joint ventures	-	-	-	426	426
Profit before tax	20,678	11,238	10,487	(36)	42,367
Income tax					(5,660)
Profit for the period					36,707
Capital expenditure	265	210	295	320	1,090

	30 June 2023				
	Corporate Banking	*Personal Banking*	*Treasury Business*	*Others and Unallocated*	*Total*
Segment assets	2,858,685	2,198,275	3,119,775	596,898	8,773,633
Interest in associates and joint ventures	-	-	-	6,664	6,664
Deferred tax assets					53,000
Total asset					8,833,297
Segment liabilities	4,121,515	1,527,387	1,270,022	1,203,358	8,122,282
Deferred tax liabilities					2
Total liabilities					8,122,284
Off-balance sheet credit commitments	1,278,275	729,859	-	2,742	2,010,876

51 Segment reporting (continued)

	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	5,688	11,514	644	989	18,835
Other net income /(expense) (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

	31 December 2022				
	Corporate Banking	*Personal Banking*	*Treasury Business*	*Others and Unallocated*	*Total*
Segment assets	2,933,628	2,207,675	2,713,020	631,868	8,486,191
Interest in associates and joint ventures	-	-	135	6,206	6,341
Deferred tax assets					55,011
Total asset					8,547,543
Segment liabilities	3,881,053	1,357,988	1,065,610	1,557,059	7,861,710
Deferred tax liabilities					3
Total liabilities					7,861,713
Off-balance sheet credit commitments	1,311,248	704,268	-	-	2,015,516

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.

51 Segment reporting (continued)

	Six months ended 30 June 2023									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
External net interest income	13,289	4,518	(4,271)	9,253	7,741	635	38,711	3,330	-	73,206
Internal net interest (expense)/income	489	(159)	13,565	(1,262)	(2,298)	212	(10,558)	11	-	-
Net interest income	13,778	4,359	9,294	7,991	5,443	847	28,153	3,341	-	73,206
Net fee and commission income	2,614	942	1,689	785	520	106	11,662	745	-	19,063
Other net income /(expense) (Note (i))	780	251	47	(144)	59	16	12,031	576	-	13,616
Operating income	17,172	5,552	11,030	8,632	6,022	969	51,846	4,662	-	105,885
Operating expense										
- depreciation and amortisation	(516)	(398)	(458)	(322)	(357)	(96)	(1,446)	(303)	-	(3,896)
- others	(2,379)	(2,047)	(2,511)	(1,532)	(1,925)	170	(13,351)	(1,776)	-	(25,351)
Credit impairment losses	(8,276)	(4,769)	(1,694)	(3,065)	(1,073)	(536)	(14,350)	(701)	-	(34,464)
Impairment losses on other assets	(65)	-	(37)	(27)	(111)	(2)	-	-	-	(242)
Revaluation loss on investment properties	-	-	-	-	-	-	-	9	-	9
Share of gains/(loss) of associates and joint ventures	-	-	-	-	-	-	456	(30)	-	426
Profit before tax	5,936	(1,662)	6,330	3,686	2,556	505	23,155	1,861	-	42,367
Income tax										(5,660)
Profit for the period										36,707
Capital expenditure	71	93	68	41	49	11	501	256	-	1,090

51 Segment reporting (continued)

	30 June 2023									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*Northeastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
Segment assets	1,920,330	1,009,149	1,955,705	847,199	679,809	120,313	3,606,274	491,082	(1,856,228)	8,773,633
Interest in associates and joint ventures	-	-	-	-	-	-	6,176	488	-	6,664
Deferred tax assets										53,000
Total assets										8,833,297
Segment liabilities	1,960,524	1,121,204	2,023,259	864,967	696,789	125,416	2,765,807	420,544	(1,856,228)	8,122,282
Deferred tax liabilities										2
Total liabilities										8,122,284
Off-balance sheet credit commitments	369,925	257,971	220,997	263,000	135,262	19,659	710,482	33,580	-	2,010,876

51 Segment reporting (continued)

	Six months ended 30 June 2022									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*North eastern*	*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

51 Segment reporting (continued)

	31 December 2022									
	Yangtze River Delta	*Pearl River Delta and West Strait*	*Bohai Rim*	*Central*	*Western*	*North eastern*	*Head Office*	*Overseas*	*Elimination*	*Total*
Segment assets	1,883,859	989,734	1,853,384	830,699	671,733	120,001	3,386,176	452,313	(1,701,708)	8,486,191
Interest in associates and joint ventures	-	-	-	-	-	-	5,811	530	-	6,341
Deferred tax assets										55,011
Total assets										8,547,543
Segment liabilities	1,650,156	777,003	1,440,598	759,105	610,456	111,866	3,827,767	392,380	(1,707,621)	7,861,710
Deferred tax liabilities										3
Total liabilities										7,861,713
Off-balance sheet credit commitments	357,706	252,497	223,088	270,915	163,125	19,830	694,944	33,411	-	2,015,516

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 unfavorable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance sheet or off-balance sheet business in the Group.
- **Liquidity risk** Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.
- **Operational risk** Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategic risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorized or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposures of the Group mainly arise from the Group's loans and advances to customers, bonds, interbank business,receivables, lease receivables, other debt investments, and other on-balance sheet assets, and also off-balance sheet items. , such as credit commitments.

The Group has standardized management on the entire credit business process including loan application and its investigation, approval and granting of loan, and monitoring of non-performing loans. Through strictly standardized credit business process, strengthening the whole process management of pre-lending investigation, credit rating and credit granting, examination and approval, loan review and post-lending monitoring, improving risk mitigating impact of collateral, accelerating the collection and disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

52 Financial risk management (continued)

The Group writes off financial asset when it cannot reasonably expect to recover all or part of the asset. Signs indicating that the recoverable amount cannot be reasonably expected to recover include: (1) the enforcement has been terminated, and (2) the Group's recovery method is to confiscate and dispose of the collateral, but the expected value of the collateral cannot cover the entire principal and interest.

In addition to the credit risk caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee businesses to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

Measurement of expected credit losses ("ECL")

The Group adopts the "expected credit loss model" on its debt instruments which are classified as financial assets measured at amortised cost and at fair value through other comprehensive income and off-balance sheet credit assets in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses, the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The impairment model is used to measure their allowances for impairment losses respectively to recognize expected credit losses and their movements:

Stage 1: Financial assets with no significant increase in credit risk since initial recognition will be classified as "Stage 1" and the Group continuously monitors their credit risk. The loss allowance of financial assets in Stage 1 is measured based on the expected credit losses in the next 12 months, which represent the proportion of the lifetime expected credit losses that may arise from possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk from initial recognition, the Group transfers the related financial assets to Stage 2, but does not consider them as credit-impaired instruments. The expected credit losses of financial assets in Stage 2 are measured based on the lifetime expected credit losses.

Stage 3: If a financial asset has shown signs of credit impairment from initial recognition, it will be moved to Stage 3. The expected credit losses of financial assets in Stage 3 are measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

52 Financial risk management (continued)

The Group measures ECLs of financial assets through testing models including the risk parameters model and discounted cash flows model. The risk parameters model method is applicable to the financial assets in Stages 1 and 2. Both the risk parameter model and discounted cash flows model are applicable to the Stage 3 financial assets.

The discounted cash flow model is used to calculate the impairment allowance for an asset based on the regular forecasts of the future cash flows of the asset. At each measurement date, the Group makes forecasts of the future cash inflows of the asset in different periods and in different scenarios, applies probability weightings to obtain the weighted averages of the future cash flows, applies appropriate discount rates to the weighted averages and adds these discounted weighted averages to obtain the present value of the future cash inflows.

The risk parameter model has two main components: 1) the assessment methods under, the Internal Rating-Based (IRB) approach for key parameters, such as probability of default (PD) and loss given default (LGD); and 2) the forward-looking adjustment model for multi-scenario forecasts based on the key parameters. The expected credit losses of financial assets are assessed individually by measuring PDs, LGDs and forward-looking adjustments. The key judgments involved and assumptions adopted by the Group in assessing expected credit losses are as follows:

(1) Grouping of risks

According to the nature of the businesses, the Group mainly divides its financial assets into three major categories, i. e., corporate assets, personal loans and credit card assets according to the asset categories, and further divides them into risk groups in light of their credit risk characteristics, including the industries in which the customers operate, product type and staging assessments.

(2) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. When one or more quantitative or qualitative threshold, or pre-set upper limit are triggered, the credit risk of financial instruments would be considered as having increased significantly.

By setting quantitative and qualitative criteria, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The criteria mainly include days past due, the absolute level and relative level of default probability changes, changes in credit risk classification and other circumstances indicating significant changes in credit risk.

In accordance with the policies of the central government and regulatory authorities and in light of its credit management needs, the Group makes prudential assessments of the repayment ability of borrowers who apply for loan extensions, To eligible borrowers provides a number of relief options, including deferred repayment of interest and adjustment of repayment schedules., and at the same time, the Group makes individual and collective assessments to assess whether there has been a significant increase in the credit risk of these borrowers.

52 Financial risk management (continued)

(3) Definition of credit-impaired assets

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that significant adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower is in significant financial difficulties;
- The borrower is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc.;
- The creditor gives the debtor concession that would not be offered otherwise, considering for economic or contractual reasons relating to the debtor’s financial difficulties;
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

(4) Inputs for measurement of expected credit losses

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

- The probability of default (“PD”) represents the likelihood of a borrower defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default (“LGD”) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.
- Exposure at default (“EAD”) is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

52 Financial risk management (continued)

The Group regularly monitors and reviews the assumptions related to the calculation of ECL, including the PDs for various maturities and the changes in the values of collateral over time.

The Group classifies exposures with similar risk characteristics into groups and collectively estimates their risk parameters, including PDs, LGDs, and EADs. In the first half of 2023, based on data accumulation, the Group optimized and updated the relevant models and parameters. The Group has obtained sufficient information to ensure its statistical reliability.The Group makes allowances for its expected credit losses based on on-going assessment of and follow-up on changes in its customers and their financial assets on an individual basis.

(4) Forward-looking information

The assessment of significant increases in credit risk and the calculation of expected credit losses both involve forward-looking information. Based on historical analysis , the Group has identified the key economic variables impacting expected credit losses for various risk groups.

These economic variables have different impacts on the probabilities of default and the losses given default of different risk groups. The Group makes, forecasts of these economic indicators at least semi-annually. In this process, the Group also resorts to expert judgment, and applies expert judgment to determine the impact of these economic variables on the probabilities of and the losses given default..

In addition to the neutral economic scenario, the Group determines the possible scenarios and their weightings by a combination of statistical analysis and expert judgment. The Group measures expected credit losses as either a probability weighted 12 months expected credit losses (Stage 1) or a probability weight lifetime expected credit losses (Stage 2 and Stage 3). These probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit losses model and multiplying it by the appropriate scenario weighting.

Macroeconomic scenario and weighting information

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. Based on comprehensive considerations of internal and external dataexpert forecasts, and the best estimate of future, outcomes, the Group makes regular forecasts of the macro indicators in three macro-economic scenarios, i. e., the positive, neutral, and negative scenarios, to determine the coefficients for forward-looking adjustments. Neutral is defined as the most likely to happen in the future, as compared to other scenarios. Positive scenario and negative scenario represent the likely scenario that is better off or worse off as compared to the neutral scenario.

The Group reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data. The economic indicators currently applied in the neutral scenario, including consumer price index, narrow money supply and per capita disposable income of urban residents, etc., are basically consistent with the forecasts of research institutions.

52 Financial risk management (continued)

Considered different macroeconomic scenarios and the key macroeconomic scenario assumptions uesd in estimating ECL are set out below:

Variables	*Range*
Consumer Price Index	0.50% - 2.40%
Narrow Money Supply (M1)	0.30% - 10.90%
Per capita Disposable Income of Urban Residents	5.40% - 8.10%

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.

(5) Sensitivity information and management overlay

Changes to the inputs and forward-looking information used in ECL measurement will affect the assessment of significant increase in credit risk and the measurement expected of credit losses.

As at 30 June 2023, assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the Group's credit impairment losses would be reduced by no more than 5% of the current credit impairment losses; assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the Group's credit impairment losseswould increase by no more than 5% of the current credit impairment losses.

As at 30 June 2023, assuming an overall increase or decrease of 5%in the macroeconomic factors , the change to the impairment loss allowances for the main credit assets of the Group and the Bank would not exceed 10% of the current impairment loss allowances 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

For risks in specific areas the impacts of deferred principal also considered and applied management overlays to increase the impairment provisions to furtherboostits risk mitigation capacity, and the subsequent increase in the impairment loss allowances didnot exceed 5% of the current impairment loss allowances

Allowance for impairment losses of performing loans and advances to customers consists of ECLs for Stage 1 and Stage 2 assets, which represent 12 months ECL and lifetime ECL respectively. Loans and advances to customers in Stage 1 transfer to Stage 2 when there is a significant increase in credit risk. The following table presents the estimated impact if the ECLs of all performing loans and advances to customers are measured based on 12 months ECL, assuming all other risk factors remain the same.

52 Financial risk management (continued)

	30 June 2023	*31 December 2022*
Performing loans and advances to customers		
Allowance of impairment losses assuming performing loans and advances to customers are in Stage 1	81,176	78,523
Impact of stage transfers	5,461	4,316
Current allowance for impairment losses	86,637	82,839

(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 2023				
	Stage 1	*Stage 2*	*Stage 3*	*Not applicable*	*Total*
Balances with central banks	436,364	-	-	-	436,364
Deposits with bank and non-bank financial institutions	74,942	-	-	-	74,942
Placements with and loans to banks and non-bank financial institutions	195,764	-	-	12,180	207,944
Derivative financial assets	-	-	-	70,306	70,306
Financial assets held under resale agreements	60,247	-	-	-	60,247
Loans and advances to customers	5,164,106	66,512	27,733	5,384	5,263,735
Financial investments					
- at fair value through profit or loss	-	-	-	636,463	636,463
- at amortised cost	1,132,245	4,708	27,763	-	1,164,716
- at fair value through other comprehensive income	683,187	143	1,010	-	684,340
- designated at fair value through other comprehensive income	-	-	-	4,706	4,706
Other financial assets	23,025	12,592	832	-	36,449
Subtotal	7,769,880	83,955	57,338	729,039	8,640,212
Credit commitments	2,009,029	1,818	29	-	2,010,876
Maximum credit risk exposure	9,778,909	85,773	57,367	729,039	10,651,088

52 Financial risk management (continued)

	31 December 2022				
	Stage 1	*Stage 2*	*Stage 3*	*Not applicable*	*Total*
Balances with central banks	471,849	-	-	-	471,849
Deposits with bank and non-bank financial institutions	78,834	-	-	-	78,834
Placements with and loans to banks and non-bank financial institutions	209,425	-	-	8,739	218,164
Derivative financial assets	-	-	-	44,383	44,383
Financial assets held under resale agreements	13,730	-	-	-	13,730
Loans and advances to customers (Notes (i))	4,938,600	68,954	27,532	3,881	5,038,967
Financial investments					
- at fair value through profit or loss	-	-	-	557,594	557,594
- at amortised cost	1,101,975	3,709	29,768	-	1,135,452
- at fair value through other comprehensive income	803,583	136	976	-	804,695
- designated at fair value through other comprehensive income	-	-	-	5,128	5,128
Other financial assets	11,513	4,484	1,303	-	17,300
Subtotal	7,629,509	77,283	59,579	619,725	8,386,096
Credit commitments	2,014,016	1,245	255	-	2,015,516
Maximum credit risk exposure	9,643,525	78,528	59,834	619,725	10,401,612

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.

52 Financial risk management (continued)

The following table provides an analysis of loans and advances to customers and financial investments that are included in the ECL assessment according to the credit risk level. The book value of the following financial assets is the Group's maximum exposure to credit risk for these assets.

	30 June 2023						
	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	3,836,060	1,240,312	149,607	-	5,225,979	(61,873)	5,164,106
Stage 2	5,731	11,480	74,738	-	91,949	(25,437)	66,512
Stage 3	-	-	-	75,647	75,647	(47,914)	27,733
Financial investments at amortised cost							
Stage 1	647,769	487,025	321	-	1,135,115	(2,870)	1,132,245
Stage 2	-	-	6,274	-	6,274	(1,566)	4,708
Stage 3(Note (ii))	-	-	-	53,775	53,775	(26,012)	27,763
Financial investments at fair value through other comprehensive income							
Stage 1	374,800	308,387	-	-	683,187	(2,059)	683,187
Stage 2	-	143	-	-	143	(108)	143
Stage 3	-	-	108	902	1,010	(1,410)	1,010
Maximum credit risk exposure	4,864,360	2,047,347	231,048	130,324	7,273,079	(169,249)	7,107,407

52 Financial risk management (continued)

	31 December 2022						
	Risk level 1	*Risk level 2*	*Risk level 3*	*Default*	*Subtotal*	*Allowance for impairment losses*	*Net balance*
Loans and advances to customers (Note (i))							
Stage 1	3,893,401	992,389	113,014	-	4,998,804	(60,204)	4,938,600
Stage 2	1,398	18,111	71,942	-	91,451	(22,497)	68,954
Stage 3	-	-	-	75,816	75,816	(48,284)	27,532
Financial investments at amortised cost							
Stage 1	745,762	356,012	2,684	-	1,104,458	(2,483)	1,101,975
Stage 2	-	-	5,096	-	5,096	(1,387)	3,709
Stage 3(Note (ii))	-	-	-	54,464	54,464	(24,696)	29,768
Financial investments at fair value through other comprehensive income							
Stage 1	412,730	390,853	-	-	803,583	(1,416)	803,583
Stage 2	-	136	-	-	136	(98)	136
Stage 3	-	-	-	976	976	(1,203)	976
Maximum credit risk exposure	5,053,291	1,757,501	192,736	131,256	7,134,784	(162,268)	6,975,233

Notes:

(i) Loans and advances to customers include loans and advances to customers measured at fair value through other comprehensive income, and its corresponding impairment are not included in the "Allowance for impairment losses" as shown in the table.

(ii) Claims in Stage 3 mainly represent investment management products and trust investment plans (Note 52(a)(viii)).

52 Financial risk management (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 2023		
	Stage 1	*Stage 2*	*Stage 3*
As at 1 January 2023	4,998,804	91,451	75,816
Movements			
Net transfers out from Stage 1	(65,049)	-	-
Net transfers into Stage 2	-	5,256	-
Net transfers into Stage 3	-	-	59,793
Net transactions incurred during the period (Note(i))	270,726	(3,282)	(29,465)
Write-off	-	-	(30,297)
Others (Note (ii))	21,498	(1,476)	(200)
As at 30 June 2023	5,225,979	91,949	75,647

	Year ended 31 December 2022		
	Stage 1	*Stage 2*	*Stage 3*
As at 1 January 2022	4,708,658	85,046	75,329
Movements			
Net transfers out from Stage 1	(109,279)	-	-
Net transfers into Stage 2	-	28,507	-
Net transfers into Stage 3	-	-	80,772
Net transactions incurred during the period (Note(i))	380,470	(23,863)	(23,508)
Write-off	-	-	(57,791)
Others (Note (ii))	18,955	1,761	1,014
As at 31 December 2022	4,998,804	91,451	75,816

52 Financial risk management (continued)

The following table shows the movement in carrying value of financial investment in current reporting period:

	Six months ended 30 June 2023		
	Stage 1	*Stage 2*	*Stage 3*
As at 1 January 2023	1,908,041	5,232	55,440
Movements			
Net transfers out from Stage 1	(2,111)	-	-
Net transfers into Stage 2	-	1,087	-
Net transfers into Stage 3	-	-	1,024
Net transactions incurred during the period (Note(i))	(93,080)	(51)	(1,125)
Write-off	-	-	(617)
Others (Note (ii))	5,452	149	63
As at 30 June 2023	1,818,302	6,417	54,785

	Year ended 31 December 2022		
	Stage 1	*Stage 2*	*Stage 3*
As at 1 January 2022	1,780,877	16,208	51,728
Movements			
Net transfers out from Stage 1	(3,525)	-	-
Net transfers into Stage 2	-	(7,376)	-
Net transfers into Stage 3	-	-	10,901
Net transactions incurred during the period (Note(i))	121,588	(3,412)	(5,634)
Write-off	-	-	(1,558)
Others (Note (ii))	9,101	(188)	3
As at 31 December 2022	1,908,041	5,232	55,440

Notes:

(i) Net transactions during the period / year mainly include changes in carrying amount due to purchase, origination, or derecognition (excluding write-offs).

(ii) Others include changes in accrued interest receivables and effect of exchange differences during the period / year.

52 Financial risk management (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 2023		
	Stage 1	*Stage 2*	*Stage 3*
As at 1 January 2023	60,727	22,524	48,363
Movements (Note(i))			
Net transfers out from Stage 1	(2,517)	-	-
Net transfers into Stage 2	-	2,620	-
Net transfers into Stage 3	-	-	18,902
Net transactions incurred during the period (Note(ii))	5,013	(174)	6,003
Changes in parameters for the year (Note (iii))	(1,107)	688	(2,044)
Write-off	-	-	(30,297)
Others (Note (iv))	97	(177)	6,987
As at 30 June 2023	62,213	25,481	47,914

	Year ended 31 December 2022		
	Stage 1	*Stage 2*	*Stage 3*
As at 1 January 2022	51,215	21,686	48,805
Movements (Note(i))			
Net transfers out from Stage 1	(2,776)	-	-
Net transfers into Stage 2	-	3,011	-
Net transfers into Stage 3	-	-	33,661
Net transactions incurred during the period (Note(ii))	5,338	(4,560)	(14,373)
Changes in parameters for the year (Note (iii))	7,408	498	27,579
Write-off	-	-	(57,791)
Others (Note (iv))	(458)	1,889	10,482
As at 31 December 2022	60,727	22,524	48,363

52 Financial risk management (continued)

The following table shows the movement in allowance for impairment of financial investment in current reporting period:

	Six months ended 30 June 2023		
	Stage 1	*Stage 2*	*Stage 3*
As at 1 January 2023	3,899	1,485	25,899
Movements (Note(i))			
Net transfers out from Stage 1	(158)	-	-
Net transfers into Stage 2	-	191	-
Net transfers into Stage 3	-	-	624
Net transactions incurred during the period (Note(ii))	512	5	1,200
Changes in parameters for the year (Note (iii))	608	(23)	328
Write-off	-	-	(617)
Others (Note (iv))	67	17	(12)
As at 30 June 2023	4,928	1,675	27,422

	Year ended 31 December 2022		
	Stage 1	*Stage 2*	*Stage 3*
As at 1 January 2022	5,197	4,234	19,683
Movements (Note(i))			
Net transfers out from Stage 1	(209)	-	-
Net transfers into Stage 2	-	(2,184)	-
Net transfers into Stage 3	-	-	6,436
Net transactions incurred during the period (Note(ii))	160	(630)	(2,313)
Changes in parameters for the year (Note (iii))	(1,200)	56	1,695
Write-off	-	-	(1,558)
Others (Note (iv))	(49)	9	1,956
As at 31 December 2022	3,899	1,485	25,899

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 include changes in allowance for impairment due to financial assets purchased newly originated, purchased or derecognized (excluding write-offs).

(iii) Changes in parameters mainly include changes in risk exposures and the impacts on ECLs due to changes in PDs and LGDs following regular updates on modelling parameters rather than stages movements.

(iv) Others include recovery of loans written off, changes of impairment losses of accrued interest, and effect of exchange differences.

52 Financial risk management (continued)

(iii) Loans and advances to customers analysed by industry sector:

	30 June 2023			*31 December 2022*		
	Gross balance	*%*	*Loans and advances secured by collateral*	*Gross balance*	*%*	*Loans and advances secured by collateral*
Corporate loans						
- rental and business services	536,570	10.0	162,179	491,301	9.5	193,562
- manufacturing	476,596	8.8	173,318	419,507	8.1	171,117
- water, environment and public utility management	440,005	8.1	112,859	413,399	8.0	129,983
- real estate	283,203	5.2	182,424	277,173	5.4	229,939
- wholesale and retail	206,685	3.8	96,675	177,612	3.4	95,000
- transportation, storage and postal services	148,739	2.8	76,678	149,891	2.9	79,475
- construction	117,470	2.2	49,765	103,335	2.0	54,426
- production and supply of electric power, gas and water	94,117	1.7	39,096	89,609	1.7	41,650
- financial industry	92,059	1.7	6,565	73,619	1.4	7,413
- Information transmission, software and information technology services	54,660	1.0	21,152	46,343	0.9	22,076
- others	290,182	5.5	88,822	282,227	5.5	89,725
Subtotal	2,740,286	50.8	1,009,533	2,524,016	48.8	1,114,366
Personal loans	2,211,291	41.0	1,476,712	2,116,910	41.0	1,423,097
Discounted bills	428,524	7.9	-	511,846	9.9	-
Accrued interest	18,858	0.3	-	17,180	0.3	-
Gross loans and advances to customers	5,398,959	100.0	2,486,245	5,169,952	100.0	2,537,463

(iv) Loans and advances to customers analysed by geographical sector:

	30 June 2023			*31 December 2022*		
	Gross balance	*%*	*Loans and advances secured by collateral*	*Gross balance*	*%*	*Loans and advances secured by collateral*
Yangtze River Delta	1,517,723	28.1	737,184	1,381,673	26.7	721,324
Bohai Rim (including Head Office)	1,344,725	25.0	428,742	1,400,562	27.2	442,754
Pearl River Delta and West Strait	788,481	14.6	467,303	731,224	14.1	498,620
Central	768,487	14.2	380,520	730,240	14.1	390,082
Western	640,679	11.9	316,032	598,729	11.6	330,962
Northeastern	87,358	1.6	55,595	87,630	1.7	57,244
Outside Mainland China	232,648	4.3	100,869	222,714	4.3	96,477
Accrued interest	18,858	0.3	-	17,180	0.3	-
Total	5,398,959	100.0	2,486,245	5,169,952	100.0	2,537,463

52 Financial risk management (continued)

(v) Loans and advances to customers analysed by type of security

	30 June 2023	*31 December 2022*
Unsecured loans	1,505,292	1,384,754
Guaranteed loans	960,040	718,709
Secured loans	2,486,245	2,537,463
- loans secured by collateral	2,019,732	2,018,796
- pledged loans	466,513	518,667
Subtotal	4,951,577	4,640,926
Discounted bills	428,524	511,846
Accrued interest	18,858	17,180
Gross loans and advances to customers	5,398,959	5,169,952

(vi) Rescheduled loans and advances to customers

	30 June 2023		*31 December 2022*	
	Gross balance	*% of total loans and advances*	*Gross balance*	*% of total loans and advances*
Rescheduled loans and advances	11,989	0.22%	12,511	0.24%
- rescheduled loans and advances overdue more than 3 months	4,837	0.09%	5,695	0.11%

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 2023, 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.

52 Financial risk management (continued)

(vii) Debt securities analysed by credit rating

The Group adopts a credit rating approach to manage credit risk of its debt instruments portfolio. The ratings are obtained from major rating agencies where the debt instruments are issued. As at 30 June 2023 and 31 December 2022, debt instruments investments analysed by rating as at the end of the reporting period are as follows:

	30 June 2023					
	Unrated (Note (i))	*AAA*	*AA*	*A*	*Below A*	*Total*
Debt securities issued by:						
- governments	1,009,033	176,971	17,844	1,208	-	1,205,056
- policy banks	61,361	-	-	8,140	254	69,755
- public entities	-	-	3,901	-	-	3,901
- banks and non-bank financial institutions	80,719	284,720	9,080	18,775	4,100	397,394
- corporates	12,869	56,910	16,598	9,497	17,998	113,872
Investment management products managed by securities companies	27,024	-	-	-	-	27,024
Trust investment plans	199,835	-	-	-	-	199,835
Total	1,390,841	518,601	47,423	37,620	22,352	2,016,837

	31 December 2022					
	Unrated (Note (i))	*AAA*	*AA*	*A*	*Below A*	*Total*
Debt securities issued by:						
- governments	884,388	236,364	40,794	3,965	-	1,165,511
- policy banks	81,966	-	-	7,661	-	89,627
- public entities	-	-	1,308	-	-	1,308
- banks and non-bank financial institutions	77,584	337,801	6,270	17,645	4,257	443,557
- corporates	25,519	43,702	25,746	10,576	11,376	116,919
Investment management products managed by securities companies	31,593	-	-	-	-	31,593
Trust investment plans	207,865	-	-	-	-	207,865
Total	1,308,915	617,867	74,118	39,847	15,633	2,056,380

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.

52 Financial risk management (continued)

(viii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	30 June 2023	*31 December 2022*
Investment management products managed by securities companies and trust investment plans		
- credit assets	250,973	262,447
Total	250,973	262,447

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.

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance sheet and off-balance sheet businesses for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has established a market risk management system that formulates procedures to identify, measure, supervision and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Management of the Group is responsible for approving market risk management policies, establishing appropriate organizational structure and information systems to effectively identify, measure, monitor and control market risks, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorization limits, providing independent report of market risk to identify, measure and monitor the Group’s market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated with the relevant operations, so as to ensure the dynamic balance between business development and risk undertaking.

The Group uses sensitivity analysis, foreign exchange exposure and interest rate re-pricing gap analysis as the primary instruments to monitor market risk.

Interest rate risk and currency risk are the major market risks that the Group is exposed to.

52 Financial risk management (continued)

Interest rate risk

The Group's interest rate exposures mainly arise from the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjust the ratio of floating and fixed rate exposures, the loan re-pricing cycle, as well as optimization of the term structure of its deposits accordingly.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure, manage and report the interest rate risk on a regular basis.

The following tables summarise the average interest rates, and the next re-pricing dates or contractual maturity date whichever is earlier for the assets and liabilities as at the end of each reporting date.

	30 June 2023						
	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	1.59%	440,425	13,063	427,362	-	-	-
Deposits with banks and non-bank financial institutions	2.08%	74,942	2,806	46,174	25,962	-	-
Placements with and loans to banks and non-bank financial institutions	3.02%	207,944	1,470	77,319	97,415	31,740	-
Financial assets held under resale agreements	1.51%	60,247	27	60,220	-	-	-
Loans and advances to customers (Note (ii))	4.66%	5,263,735	18,322	3,330,538	1,644,572	248,081	22,222
Financial investment							
- at fair value through profit or loss		636,463	457,608	68,476	86,246	7,549	16,584
- at amortised cost	3.28%	1,164,716	-	85,238	186,896	647,491	245,091
- at fair value through other comprehensive income	2.73%	684,340	549	87,258	110,201	324,536	161,796
- designated at fair value through other comprehensive income		4,706	4,606	-	-	-	100
Others		295,779	295,779	-	-	-	-
Total assets		8,833,297	794,230	4,182,585	2,151,292	1,259,397	445,793

52 Financial risk management (continued)

	30 June 2023						
	Average interest rate (Note (i))	*Total*	*Non-interest bearing*	*Less than three months*	*Between three months and one year*	*Between one and five years*	*More than five years*
Liabilities							
Borrowings from central banks	2.65%	155,251	1,954	4,998	148,246	53	-
Deposits from banks and non-bank financial institutions	2.08%	1,030,141	6,612	843,123	180,406	-	-
Placements from banks and non-bank financial institutions	3.08%	74,285	193	41,714	30,638	1740	-
Financial liabilities at fair value through profit or loss		5,386	2	-	2	105	5,277
Financial assets sold under repurchase agreements	2.20%	119,081	49	107,903	11,129	-	-
Deposits from customers	2.14%	5,591,493	84,696	3,686,357	718,554	1,101,007	879
Debt securities issued	2.58%	975,004	4,869	312,579	412,340	155,228	89,988
Lease liabilities	4.39%	10,209	-	781	2,028	5,967	1,433
Others		161,434	161,434	-	-	-	-
Total liabilities		8,122,284	259,809	4,997,455	1,503,343	1,264,100	97,577
Interest rate gap		711,013	534,421	(814,870)	647,949	(4,703)	348,216

52 Financial risk management (continued)

	31 December 2022						
	Average interest rate (Note (i))	*Total*	*Non-interest bearing*	*Less than three months*	*Between three months and one year*	*Between one and five years*	*More than five years*
Assets							
Cash and balances with central banks	1.50%	477,381	7,705	469,676	-	-	-
Deposits with banks and non-bank financial institutions	1.75%	78,834	3,090	39,442	36,302	-	-
Placements with and loans to banks and non-bank financial institutions	2.49%	218,164	1,048	67,007	108,371	41,738	-
Financial assets held under resale agreements	1.45%	13,730	5	13,725	-	-	-
Loans and advances to customers (Note (ii))	4.81%	5,038,967	17,331	2,665,381	1,596,021	733,001	27,233
Financial investment							
- at fair value through profit or loss		557,594	435,561	70,773	28,234	8,464	14,562
- at amortised cost	3.55%	1,135,452	-	87,626	259,083	556,979	231,764
- at fair value through other comprehensive income	2.66%	804,695	478	146,837	122,169	382,895	152,316
- designated at fair value through other comprehensive income		5,128	5,128	-	-	-	-
Others		217,598	217,598	-	-	-	-
Total assets		8,547,543	687,944	3,560,467	2,150,180	1,723,077	425,875

52 Financial risk management (continued)

	31 December 2022						
	Average interest rate (Note (i))	*Total*	*Non-interest bearing*	*Less than three months*	*Between three months and one year*	*Between one and five years*	*More than five years*
Liabilities							
Borrowings from central banks	2.94%	119,422	-	20,917	98,505	-	-
Deposits from banks and non-bank financial institutions	2.09%	1,143,776	4,908	814,885	323,983	-	-
Placements from banks and non-bank financial institutions	2.41%	70,741	162	49,080	19,992	1,507	-
Financial liabilities at fair value through profit or loss		1,546	2	4	13	125	1,402
Financial assets sold under repurchase agreements	2.00%	256,194	75	247,237	8,882	-	-
Deposits from customers	2.06%	5,157,864	82,696	3,493,074	781,501	800,591	2
Debt securities issued	2.80%	975,206	3,968	264,606	486,864	129,781	89,987
Lease liabilities	4.51%	10,272	3,066	170	251	2,827	3,958
Others		126,692	126,692	-	-	-	-
Total liabilities		7,861,713	221,569	4,889,973	1,719,991	934,831	95,349
Interest rate gap		685,830	466,375	(1,329,506)	430,189	788,246	330,526

52 Financial risk management (continued)

Notes:

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category includes overdue amounts (net of allowance for impairment losses) of RMB15,385 million as at 30 June 2023 (as at 31 December 2022: RMB34,823 million).

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 30 June 2023 and 31 December 2022.

	30 June 2023		*31 December 2022*	
	Net interest Income	*Other comprehensive income*	*Net interest Income*	*Other comprehensive income*
+100 basis points	(3,289)	(5,348)	(10,068)	(6,517)
- 100 basis points	3,289	5,348	10,068	6,517

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain assumptions as discussed below. The analysis measures only the impact of changes in interest rates within one year, showing how annualized interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within the three months bracket, and the beyond three months but within one year bracket both are repriced or mature at the beginning of the respective periods, (ii) it does not reflect the potential impact of unparalleled yield curve movements, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income and other comprehensive income resulted from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance sheet and off-balance sheet business of the Group. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial instruments, mainly foreign exchange swaps, to manage its exposure.

52 Financial risk management (continued)

The exposures at the reporting date were as follows:

	30 June 2023				
	RMB	*USD (RMB equivalent)*	*HKD (RMB equivalent)*	*Others (RMB equivalent)*	*Total*
Assets					
Cash and balances with central banks	425,174	14,561	490	200	440,425
Deposits with banks and non-bank financial institutions	56,109	13,337	1,868	3,628	74,942
Placements with and loans to banks and non-bank financial institutions	132,560	33,704	29,398	12,282	207,944
Financial assets held under resale agreements	55,730	4,517	-	-	60,247
Loans and advances to customers	4,942,884	157,303	129,982	33,566	5,263,735
Financial investments					
- at fair value through profit or loss	610,085	18,366	8,012	-	636,463
- at amortised cost	1,149,612	10,542	-	4,562	1,164,716
- at fair value through other comprehensive income	560,137	91,151	22,613	10,439	684,340
- designated at fair value through other comprehensive income	4,482	161	63	-	4,706
Others	278,014	12,057	4,709	999	295,779
Total assets	8,214,787	355,699	197,135	65,676	8,833,297
Liabilities					
Borrowings from central banks	155,251	-	-	-	155,251
Deposits from banks and non-bank financial institutions	994,188	34,814	292	847	1,030,141
Placements from banks and non-bank financial institutions	49,467	21,477	1,889	1,452	74,285
Financial liabilities at fair value through profit or loss	4,124	1,261	1	-	5,386
Financial assets sold under repurchase agreements	99,897	17,554	-	1,630	119,081
Deposits from customers	5,172,170	243,015	149,739	26,569	5,591,493
Debt securities issued	947,535	26,969	500	-	975,004
Lease liability	9,338	41	716	114	10,209
Others	153,996	3,212	3,924	302	161,434
Total liabilities	7,585,966	348,343	157,061	30,914	8,122,284
Net on-balance sheet position	628,821	7,356	40,074	34,762	711,013
Credit commitments	1,907,207	87,470	5,019	11,180	2,010,876
Derivatives (Note (i))	(89,058)	126,408	(10,174)	(71,859)	(44,683)

52 Financial risk management (continued)

	31 December 2022				
	RMB	*USD (RMB equivalent)*	*HKD (RMB equivalent)*	*Others (RMB equivalent)*	*Total*
Assets					
Cash and balances with central banks	460,550	15,991	653	187	477,381
Deposits with banks and non-bank financial institutions	53,989	15,928	4,453	4,464	78,834
Placements with and loans to banks and non-bank financial institutions	172,752	34,443	9,020	1,949	218,164
Financial assets held under resale agreements	11,950	1,780	-	-	13,730
Loans and advances to customers	4,732,459	160,506	118,379	27,623	5,038,967
Financial investments					
- at fair value through profit or loss	535,552	17,131	4,911	-	557,594
- at amortised cost	1,122,942	8,356	-	4,154	1,135,452
- at fair value through other comprehensive income	671,715	94,174	25,881	12,925	804,695
- designated at fair value through other comprehensive income	4,719	148	261	-	5,128
Others	201,395	9,833	5,735	635	217,598
Total assets	7,968,023	358,290	169,293	51,937	8,547,543
Liabilities					
Borrowings from central banks	119,422	-	-	-	119,422
Deposits from banks and non-bank financial institutions	1,132,064	10,660	198	854	1,143,776
Placements from banks and non-bank financial institutions	48,566	20,397	1,336	442	70,741
Financial liabilities at fair value through profit or loss	99	1,446	1	-	1,546
Financial assets sold under repurchase agreements	251,685	4,509	-	-	256,194
Deposits from customers	4,721,203	252,574	159,353	24,734	5,157,864
Debt securities issued	959,984	15,085	137	-	975,206
Lease liability	9,395	754	1	122	10,272
Others	120,517	3,449	2,438	288	126,692
Total liabilities	7,362,935	308,874	163,464	26,440	7,861,713
Net on-balance sheet position	605,088	49,416	5,829	25,497	685,830
Credit commitments	1,912,368	87,219	6,125	9,804	2,015,516
Derivatives (Note (i))	37,956	(55,048)	32,009	(26,305)	(11,388)

52 Financial risk management (continued)

Note:

(i) Derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 30 June 2023 and 31 December 2022, the results of the Group's foreign exchange rate sensitivity analysis.

	30 June 2023		*31 December 2022*	
	Profit before tax	*Other comprehensive income*	*Profit before tax*	*Other comprehensive income*
5% appreciation	6,361	(33)	1,613	(43)
5% depreciation	(6,361)	33	(1,613)	43

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.

52 Financial risk management (continued)

Analysis of the remaining contractual maturity of assets and liabilities

	30 June 2023						
Assets	*Repayable on demand*	*Within three months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated (Note (i))*	*Total*
Cash and balances with central banks	63,629	-	3,294	-	-	373,502	440,425
Deposits with banks and non-bank financial institutions	39,998	8,684	26,260	-	-	-	74,942
Placements with and loans to banks and non-bank financial institutions	-	78,109	98,000	31,835	-	-	207,944
Financial assets held under resale agreements	-	60,247	-	-	-	-	60,247
Loans and advances to customers (Note (ii))	12,122	849,034	1,304,756	1,272,230	1,790,669	34,924	5,263,735
Financial investments							
- at fair value through profit or loss	-	69,324	86,198	7,543	17,263	456,135	636,463
- at amortised cost	-	56,329	185,506	644,086	244,418	34,377	1,164,716
- at fair value through other comprehensive income	7	76,041	111,741	333,740	161,801	1,010	684,340
- designated at fair value through other comprehensive income	-	-	-	-	-	4,706	4,706
Others	87,881	50,282	21,179	67,883	2,194	66,360	295,779
Total assets	203,637	1,248,050	1,836,934	2,357,317	2,216,345	971,014	8,833,297

52 Financial risk management (continued)

	30 June 2023						
Liabilities	*Repayable on demand*	*Within three months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated (Note (i))*	*Total*
Borrowings from central banks	-	6,953	148,245	53	-	-	155,251
Deposits from banks and non-bank financial institutions	597,948	249,893	182,300	-	-	-	1,030,141
Placements from banks and non-bank financial institutions	-	58,086	14,219	1,980	-	-	74,285
Financial liabilities at fair value through profit or loss	-	-	2	88	5,296	-	5,386
Financial assets sold under repurchase agreements	-	107,952	11,129	-	-	-	119,081
Deposits from customers	2,676,570	1,093,479	719,580	1,101,864	-	-	5,591,493
Debt securities issued	-	312,630	412,402	156,773	93,199	-	975,004
Lease liabilities	-	781	2,028	5,967	1,433	-	10,209
Others	40,326	57,561	20,870	29,442	2,335	10,900	161,434
Total liabilities	3,314,844	1,887,335	1,510,775	1,296,167	102,263	10,900	8,122,284
(Short)/Long position	(3,111,207)	(639,285)	326,159	1,061,150	2,114,082	960,114	711,013

52 Financial risk management (continued)

	31 December 2022						
Assets	*Repayable on demand*	*Within three months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated (Note (i))*	*Total*
Cash and balances with central banks	110,572	-	1,693	-	-	365,116	477,381
Deposits with banks and non-bank financial institutions	38,772	3,496	36,566	-	-	-	78,834
Placements with and loans to banks and non-bank financial institutions	-	67,838	108,588	41,738	-	-	218,164
Financial assets held under resale agreements	-	13,730	-	-	-	-	13,730
Loans and advances to customers (Note (ii))	20,458	855,226	1,238,912	1,139,067	1,736,343	48,961	5,038,967
Financial investments							
- at fair value through profit or loss	-	71,505	28,237	8,481	5,377	443,994	557,594
- at amortised cost	-	67,441	255,615	552,436	229,916	30,044	1,135,452
- at fair value through other comprehensive income	-	140,796	123,462	387,261	149,933	3,243	804,695
- designated at fair value through other comprehensive income	-	-	-	-	-	5,128	5,128
Others	40,857	30,382	12,437	68,494	2,167	63,261	217,598
Total assets	210,659	1,250,414	1,805,510	2,197,477	2,123,736	959,747	8,547,543

52 Financial risk management (continued)

	31 December 2022						
Liabilities	*Repayable on demand*	*Within three months*	*Between three months and one year*	*Between one and five years*	*More than five years*	*Undated (Note (i))*	*Total*
Borrowings from central banks	-	20,917	98,505	-	-	-	119,422
Deposits from banks and non-bank financial institutions	582,376	235,726	325,674	-	-	-	1,143,776
Placements from banks and non-bank financial institutions	-	46,226	24,052	463	-	-	70,741
Financial liabilities at fair value through profit or loss	-	4	14	126	1,402	-	1,546
Financial assets sold under repurchase agreements	-	247,312	8,882	-	-	-	256,194
Deposits from customers	2,385,973	1,188,967	782,255	800,667	2	-	5,157,864
Debt securities issued	-	265,317	482,743	135,930	91,216	-	975,206
Lease liabilities	3,006	718	1,977	3,527	1,015	29	10,272
Others	50,723	20,801	16,205	25,769	2,321	10,873	126,692
Total liabilities	3,022,078	2,025,988	1,740,307	966,482	95,956	10,902	7,861,713
(Short)/Long position	(2,811,419)	(775,574)	65,203	1,230,995	2,027,780	948,845	685,830

52 Financial risk management (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 2023						
	Repayable on demand	*Within three 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	63,629	1,539	8,101	-	-	373,502	446,771
Deposits with banks and non-bank financial institutions	39,998	8,802	26,824	-	-	-	75,624
Placements with and loans to banks and non-bank financial institutions	-	78,808	99,751	32,192	-	-	210,751
Financial assets held under resale agreements	-	60,254	-	-	-	-	60,254
Loans and advances to customers (Note (ii))	12,122	1,037,213	1,557,159	1,592,809	2,279,103	34,924	6,513,330
Financial investments							
- at fair value through profit or loss	-	70,151	88,174	8,715	31,234	458,806	657,080
- at amortised cost	-	64,927	212,557	729,245	283,430	35,643	1,325,802
- at fair value through other comprehensive income	7	80,160	123,205	378,368	185,229	1,010	767,979
- designated at fair value through other comprehensive income	-	-	-	-	-	4,706	4,706
Others	87,881	50,282	21,179	67,883	2,194	66,360	295,779
Total assets	203,637	1,452,136	2,136,950	2,809,212	2,781,190	974,951	10,358,076

52 Financial risk management (continued)

	30 June 2023						
	Repayable on demand	*Within 3 months*	*Three months and one year*	*One and five years*	*More than five years*	*Undated (Note (i))*	*Total*
Liabilities							
Borrowings from central banks	-	7,041	152,196	54	-	-	159,291
Deposits from banks and non-bank financial institutions	597,948	250,400	192,123	-	-	-	1,040,471
Placements from banks and non-bank financial institutions	-	58,448	14,955	3,196	-	-	76,599
Financial liabilities at fair value through profit or loss	-	-	2	88	5,296	-	5,386
Financial assets sold under repurchase agreements	-	108,345	11,305	-	-	-	119,650
Deposits from customers	2,676,570	1,109,083	761,893	1,209,815	-	-	5,757,361
Debt securities issued	-	321,778	427,595	177,268	98,953	-	1,025,594
Lease liability	-	784	2,080	6551	1736	-	11,151
Others	40,326	57,561	20,870	29,442	2,335	10,900	161,434
Total liabilities	3,314,844	1,913,440	1,583,019	1,426,414	108,320	10,900	8,356,937
(Short)/Long position	(3,111,207)	(461,304)	553,931	1,382,798	2,672,870	964,051	2,001,139
Derivative cash flow							
Derivative financial instrument settled on a net basis	-	3,124	6,372	5,887	16	-	15,399
Derivative financial instruments settled on a gross basis	-	(36,383)	10,573	(6,168)	(19)	-	(31,997)
- cash inflow	-	1,529,744	1,323,217	252,822	1,046	-	3,106,829
- cash outflow	-	(1,566,127)	(1,312,644)	(258,990)	(1,065)	-	(3,138,826)

52 Financial risk management (continued)

	31 December 2022						
	Repayable on demand	*Within three 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	110,573	1,501	6,534	-	-	365,115	483,723
Deposits with banks and non-bank financial institutions	38,772	3,750	37,373	-	-	-	79,895
Placements with and loans to banks and non-bank financial institutions	-	68,416	110,718	44,012	-	-	223,146
Financial assets held under resale agreements	-	13,732	-	-	-	-	13,732
Loans and advances to customers (Note (ii))	20,458	897,769	1,343,254	1,458,349	2,194,769	54,499	5,969,098
Financial investments							
- at fair value through profit or loss	-	74,613	29,072	9,932	5,799	444,029	563,445
- at amortised cost	-	75,708	284,176	630,543	273,623	31,416	1,295,466
- at fair value through other comprehensive income	-	144,503	137,130	430,875	170,692	3,273	886,473
- designated at fair value through other comprehensive income	-	-	-	-	-	5,128	5,128
Others	40,857	30,382	12,437	68,494	2,167	63,261	217,598
Total assets	210,660	1,310,374	1,960,694	2,642,205	2,647,050	966,721	9,737,704

52 Financial risk management (continued)

	31 December 2022						
	Repayable on demand	*Within three months*	*Three months and one year*	*One and five years*	*More than five years*	*Undated (Note (i))*	*Total*
Liabilities							
Borrowings from central banks	-	21,495	101,118	-	-	-	122,613
Deposits from banks and non-bank financial institutions	582,376	240,606	338,448	-	-	-	1,161,430
Placements from banks and non-bank financial institutions	-	46,249	24,052	463	-	-	70,764
Financial liabilities at fair value through profit or loss	-	4	14	126	1,402	-	1,546
Financial assets sold under repurchase agreements	-	247,730	9,060	-	-	-	256,790
Deposits from customers	2,385,973	1,209,399	823,601	880,908	2	-	5,299,883
Debt securities issued	-	271,693	498,663	156,939	98,308	-	1,025,603
Lease liability	3,006	721	2,028	3,932	1,232	29	10,948
Others	50,723	20,801	16,205	25,769	2,321	10,873	126,692
Total liabilities	3,022,078	2,058,698	1,813,189	1,068,137	103,265	10,902	8,076,269
(Short)/Long position	(2,811,418)	(748,324)	147,505	1,574,068	2,543,785	955,819	1,661,435
Derivative cash flow							
Derivative financial instrument settled on a net basis	-	30	11	472	992	-	1,505
Derivative financial instruments settled on a gross basis	-	10,299	(19,510)	4,712	(4)	-	(4,503)
- cash inflow	-	1,243,343	865,045	241,355	1,139	-	2,350,882
- cash outflow	-	(1,233,044)	(884,555)	(236,643)	(1,143)	-	(2,355,385)

52 Financial risk management (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 2023			
	Less than 1 year	*1-5 years*	*Over 5 years*	*Total*
Bank acceptances	770,190	-	-	770,190
Credit card commitments	721,119	-	-	721,119
Guarantees	130,984	71,744	526	203,254
Loan commitments	15,404	13,776	15,501	44,681
Letters of credit	270,908	724	-	271,632
Total	1,908,605	86,244	16,027	2,010,876

	31 December 2022			
	Less than 1 year	*1-5 years*	*Over 5 years*	*Total*
Bank acceptances	795,833	-	-	795,833
Credit card commitments	704,268	-	-	704,268
Guarantees	119,249	65,802	1,566	186,617
Loan commitments	16,728	18,428	22,805	57,961
Letters of credit	269,893	944	-	270,837
Total	1,905,971	85,174	24,371	2,015,516

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 strategic risk and reputational risk.

The Group manages operational risk through a control-based environment by establishing a sound mechanism of operational risk management in order to identify, assess, monitor, control, mitigate and report operational risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. Key controls include:

- by establishing a matrix authorisation management system of the whole group, carrying out the annual unified authorisation work, and strictly restricting the institutions and personnel at all levels to carry out business activities within the scope of authority granted, the management requirements of prohibiting the overstepping of authority to engage in business activities were further clarified at the institutional level;

- through consistent legal responsibility framework, taking strict disciplinary actions against non-compliance in order to ensure accountability;

- promoting the culture establishments throughout the organisation; building a team of operational risk management,strength training and performance appraisal management in raising risk management awareness;

- strengthening cash and account management in accordance with the relevant policies and procedures, intensifying the monitoring of suspicious transactions. Ensure our staff are well-equipped with the necessary knowledge and basic skills on anti-money laundering through continuous training;

- Disaster backup systems and recovery plans covering all the important activities, in order to minimize any unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain disruptive events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operational risk. The Group’s management information system has the functionalities of recording and capturing lost data and events of operational risk to further support operational risk control and self-assessment, as well as monitoring of key risk indicators.

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 former 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 former 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 former CBIRC. The required information is filed with the former CBIRC by the Group and the Bank quarterly.

53 Capital Adequacy Ratio (continued)

The Group's ratios calculated based on the relevant requirements promulgated by the former CBIRC are listed as below.

	30 June 2023	*31 December 2022*
Core Tier-One capital adequacy ratio	8.85%	8.74%
Tier-One capital adequacy ratio	10.68%	10.63%
Capital adequacy ratio	13.22%	13.18%
Components of capital base		
Core Tier-One capital:		
Share capital	48,967	48,935
Capital reserve	59,360	59,172
Other comprehensive income and qualified portion of other equity instruments	7,982	1,505
Surplus reserve	54,727	48,932
General reserve	100,696	98,103
Retained earnings	303,787	293,956
Qualified portion of non-controlling interests	8,639	7,992
Total core Tier-One capital	584,158	558,595
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	(946)	(903)
Other intangible assets other than land use right (net of related deferred tax liability)	(3,562)	(3,831)
Core Tier-One capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope	-	-
Other deductible amounts of net deferred tax assets depending on Bank's future earnings	-	(1,998)
Net core Tier-One capital	579,650	551,863
Other Tier-One capital (Note (i))	119,873	119,614
Tier-One capital	699,523	671,477
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	89,988	89,987
Surplus allowance for loan impairment	73,870	68,481
Qualified portion of non-controlling interests	2,246	2,142
Net capital base	865,627	832,087
Total risk-weighted assets	6,547,544	6,315,506

Note:

(i) As at 30 June 2023, 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.

54 Fair value (continued)

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 2023, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(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 2023	*31 December 2022*	*30 June 2023*	*31 December 2022*
Financial assets:				
Financial investments				
- at amortised cost	1,164,716	1,135,452	1,167,703	1,141,092
Financial liabilities:				
Debt securities issued				
- certificates of deposit (not for trading purpose) issued	1,700	1,047	1,700	1,047
- debt securities issued	139,664	118,255	135,987	114,609
- subordinated bonds issued	96,884	94,714	97,965	95,813
- certificates of interbank deposit issued	696,538	720,446	675,428	704,197
- convertible corporate bonds	40,218	40,744	46,231	44,688

54 Fair value (continued)

Fair value of financial assets and liabilities above at fair value hierarchy is as follows:

	30 June 2023			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets:				
Financial investments				
- at amortised cost	14,652	924,879	228,172	1,167,703
Financial liabilities:				
Debt securities issued				
- certificates of deposit (not for trading purpose) issued	157	359	1,184	1,700
- debt securities issued	13,855	122,132	-	135,987
- subordinated bonds issued	3,653	94,312	-	97,965
- certificates of interbank deposit issued	-	675,428	-	675,428
- convertible corporate bonds issued	-	-	46,231	46,231

	31 December 2022			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets:				
Financial investments				
- at amortised cost	7,248	886,459	247,385	1,141,092
Financial liabilities:				
Debt securities issued				
- certificates of deposit (not for trading purpose) issued	-	-	1,047	1,047
- debt securities issued	11,163	103,446	-	114,609
- subordinated bonds issued	3,462	92,351	-	95,813
- certificates of interbank deposit issued	-	704,197	-	704,197
- convertible corporate bonds issued	-	-	44,688	44,688

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 2023				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
- loans	-	60,788	-	60,788
- discounted bills	-	425,854	-	425,854
Loans and advances to customers at fair value through current profit or loss				
- loans	-	-	5,384	5,384
Financial investments at fair value through profit or loss				
- investment funds	151,765	273,570	32,747	458,082
- debt securities	12,134	93,094	5,056	110,284
- certificates of deposit	-	57,496	-	57,496
- wealth management	-	2,869	248	3,117
- equity instruments	1,677	-	5,807	7,484
Financial investments at fair value through other comprehensive income				
- debt securities	98,734	559,334	444	658,512
- certificates of deposit	15,713	5,198	-	20,911
Financial investments designated at fair value through other comprehensive income				
- equity instruments	160	-	4,546	4,706
Derivative financial assets				
- interest rate derivatives	28	18,948	-	18,976
- currency derivatives	47	51,086	-	51,133
- precious metals derivatives	-	197	-	197
Total financial assets measured at fair value	280,258	1,548,434	54,232	1,882,924
Liabilities				
Financial liabilities at fair value through profit or loss				
- short position in debt securities	178	4,124	-	4,302
- structured products	-	-	1,084	1,084
Derivative financial liabilities				
- interest rate derivatives	3	18,807	-	18,810
- currency derivatives	195	51,170	-	51,365
- precious metals derivatives	-	1,055	-	1,055
Total financial liabilities measured at fair value	376	75,156	1,084	76,616

54 Fair value (continued)

	Level 1 (Note (i))	*Level 2 (Note (i))*	*Level 3 (Note (ii))*	*Total*
As at 31 December 2022				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
- loans	-	54,851	-	54,851
- discounted bills	-	508,142	-	508,142
Loans and advances to customers at fair value through current profit or loss				
- loans	-	-	3,881	3,881
Financial investments at fair value through profit or loss				
- investment funds	141,302	262,741	27,915	431,958
- debt securities	17,670	58,067	4,953	80,690
- certificates of deposit	-	35,543	-	35,543
- wealth management products	-	1,361	155	1,516
- equity instruments	2,562	-	5,325	7,887
Financial investments at fair value through other comprehensive income				
- debt securities	118,342	658,690	406	777,438
- certificates of deposit	15,135	6,366	-	21,501
- investments management products managed by securities companies	-	-	-	-
Financial investments designated at fair value through other comprehensive income				
- equity instruments	292	-	4,836	5,128
Derivative financial assets				
- interest rate derivatives	28	14,931	-	14,959
- currency derivatives	105	29,068	-	29,173
- precious metals derivatives	-	250	-	250
- credit derivatives	-	1	-	1
Total financial assets measured at fair value	295,436	1,630,011	47,471	1,972,918
Liabilities				
Financial liabilities at fair value through profit or loss				
- short position in debt securities	406	106	-	512
- structured products	-	-	1,034	1,034
Derivative financial liabilities				
- interest rate derivatives	58	14,829	-	14,887
- currency derivatives	310	28,470	-	28,780
- precious metals derivatives	-	598	-	598
Total financial liabilities measured at fair value	774	44,003	1,034	45,811

54 Fair value (continued)

Notes:

(i) During the current period, 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:

	Assets					*Liabilities*		
	Financial assets at fair value through profit or loss	*Financial assets at fair value through other comprehensive income*	*Financial assets designated at fair value through other comprehensive income*	*Loans and adcances to customers*	*Total*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2023	38,348	406	4,836	3,881	47,471	(1,034)	-	(1,034)
Total gains or losses								
- in profit or loss	1,029	-	-	-	1,029	-	-	-
- in comprehensive income	-	16	(231)	-	(215)	-	-	-
Purchases	5,261	-	-	1,787	7,048	-	-	-
Settlements	(365)	(3)	(54)	(284)	(706)	-	-	-
Transfer in/out	(225)	25	-	-	(200)	-	-	-
Exchange effect	(190)	-	(5)	-	(195)	(50)	-	(50)
As at 30 June 2023	43,858	444	4,546	5,384	54,232	(1,084)	-	(1,084)

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 Financial Holding Co., Ltd (incorporated in Mainland China), which owns 64.14% 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 Financial Holding Co., Ltd 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.

(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:

55 Related parties (continued)

	Six months ended 30 June 2023		
Profit and loss	*Ultimate holding company and affiliates*	*Other major equity holders and subsidiaries*	*Associates and joint ventures*
Interest income	3,316	410	697
Fee and commission income and other operating income/expense	101	1	1
Interest expense	(1,016)	(1,331)	(25)
Net trading gains/ (losses)	72	(17)	-
Other service fees	(1,169)	(445)	(66)

	Six months ended 30 June 2022		
Profit and loss	*Ultimate holding company and affiliates*	*Other major equity holders and subsidiaries*	*Associates and joint ventures*
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 gains	54	113	-
Other service fees	(1,198)	(476)	(1)

55 Related parties (continued)

	30 June 2023		
	Ultimate holding company and affiliates	*Other major equity holders and subsidiaries*	*Associates and joint ventures*
Assets			
Gross loans and advances to customers	45,776	16,829	-
Less: allowance for impairment losses on loans and advances	(1,048)	(282)	-
Loans and advances to customers (net)	44,728	16,547	-
Deposits with banks and non-bank financial institutions	-	-	60,004
Placements with and loans to banks and non-bank financial institutions	26,501	-	-
Derivative financial assets	1,137	-	-
Financial assets held under resale agreement	1,092	-	-
Investment in financial assets			
- at fair value through profit or loss	3,991	-	-
- at amortised cost	15,930	329	-
- at fair value through other comprehensive income	842	964	-
- designated at fair value through other comprehensive income	450	-	-
Investments in associates and joint ventures	-	-	6,664
Right-of-use assets	17	-	-
Other assets	354	2	-
Liabilities			
Deposits from banks and non-bank financial institutions	78,427	2,031	6,538
Placements from banks and non-bank financial institutions	-	-	-
Financial liabilities at fair value through profit or loss	1	-	-
Derivative financial liabilities	965	-	-
Deposits from customers	64,305	136,972	9
Debt securities issued	350	-	-
Lease liabilities	43	2	-
Other liabilities	10,428	-	-
Off-balance sheet items			
Guarantees and letters of credit	6,533	7,572	-
Acceptances	1,049	-	-
Nominal amount of derivatives financial instruments	199,531	-	-

55 Related parties (continued)

	31 December 2022		
	Ultimate holding company and affiliates	*Other major equity holders and subsidiaries*	*Associates and joint ventures*
Assets			
Gross loans and advances to customers	35,316	19,032	-
Less: allowance for impairment losses on loans and advances	(1,074)	(302)	-
Loans and advances to customers (net)	34,242	18,730	-
Deposits with banks and non-bank financial institutions	1	-	33,712
Placements with and loans to banks and non-bank financial institutions	25,810	-	-
Derivative financial assets	505	-	-
Financial assets held under resale agreement			
Investment in financial assets			
- at fair value through profit or loss	4,428	-	-
- at amortised cost	16,573	4,065	-
- at fair value through other comprehensive income	4,153	1,688	-
- designated at fair value through other comprehensive income	450	-	-
Investments in associates and joint ventures	-	-	6,302
Right-of-use assets			
Other assets	825	2	-
Liabilities			
Deposits from banks and non-bank financial institutions	55,167	492	663
Placements from banks and non-bank financial institutions	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-
Derivative financial liabilities	591	-	-
Deposits from customers	45,849	84,698	230
Debt securities issued	350	-	-
Lease liabilities	72	2	-
Other liabilities	324	-	-
Off-balance sheet items			
Guarantees and letters of credit	3,499	4,789	-
Acceptances	3,177	114	-
Nominal amount of derivatives financial instruments	193,962	-	-

Note:

(i) Other major equity holders include CNTC and Xinhu Zhongbao Co., Ltd.

The related party transactions and balances between the Group and CNTC, Xinhu Zhongbao disclosed above fell into the period when related party relationship exists. During the six-month period ended 30 June 2023, the transactions between the Group and the subsidiaries of CNTC 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 2023 to directors, supervisors and executive officers amounted to RMB0.60 million (as at 31 December 2022: RMB0.69 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank during the six months ended 30 June 2023 amounted to RMB13.94 million (Six months ended 30 June 2022: RMB13.98 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.

55 Related parties (continued)

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.

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 2023 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 2023				
	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	3,117	-	-	3,117	3,117
Investment management products managed by securities companies	-	36,109	-	36,109	36,109
Trust investment plans	-	214,864	-	214,864	214,864
Asset-backed securities	12,073	215,643	34,773	262,489	262,489
Investment funds	458,082	-	-	458,082	458,082
Total	473,272	466,616	34,773	974,661	974,661

	31 December 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	1,516	-	-	1,516	1,516
Investment management products managed by securities companies	-	39,628	-	39,628	39,628
Trust investment plans	-	222,819	-	222,819	222,819
Asset-backed securities	1,335	252,525	44,697	298,557	298,557
Investment funds	431,958	-	-	431,958	431,958
Total	434,809	514,972	44,697	994,478	994,478

56 Structured entities (continued)

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.

(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 2023, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB1,594,573 million (31 December 2022: RMB1,577,077 million).

During the six months ended 30 June 2023, the Group's interest in these wealth management products included fee and commission income of RMB3,954 million (Six months ended 30 June 2022: RMB3,637 million).

The Group enters into repo transactions at market interest rates with these wealth management products, and the outstanding balance of these transactions was represented the Group's maximum exposure to the wealth management products. During the six months ended 30 June 2023, net interest income which related to repo transactions entered into by the Group with these wealth management products were RMB24 million(Six months ended 30 June 2022: RMB22 million)

In order to achieve a smooth transition and steady development of the wealth management business, In the first half of 2023, 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 2023, assets of these wealth management products amounting to RMB176,383 million (31 December 2022: RMB233,528 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 2023, 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 2023 totaled RMB18,748 million (Six months ended 30 June 2022: RMB11,663 million) are set forth below.

Securitisation transactions

During the six months ended 30 June 2023, the Group, through securitisation, transferred financial assets at the original cost of RMB7,548 million, which qualified for full de-recognition (Six months ended 30 June 2022:RMB6,684 million, which qualified for full de-recognition).

Loan and other Financial assets transfers

During the six months ended 30 June 2023, the Group also transferred loan and other financial assets of book value before impairment of RMB11,200 million through other types of transactions (Six months ended 30 June 2022: RMB4,979 million). RMB7,990 million of this balance (Six months ended 30 June 2022: RMB4,472 million) was non-performing loans. RMB2,810 million of this balance (Six months ended 30 June 2022: RMB507 million) was non-performing financial investments. RMB400 million of this balance (Six months ended 30 June 2022:nil) was Bond financing. 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 2023, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

59 Interim statements of financial position and changes in equity of the Bank

Statement of financial position

	30 June 2023	*31 December 2022*
Assets		
Cash and balances with central banks	437,079	472,441
Deposits with banks and non-bank financial institutions	64,131	63,712
Precious metals	12,644	5,985
Placements with and loans to banks and non-bank financial institutions	148,911	190,693
Derivative financial assets	40,491	22,347
Financial assets held under resale agreements	52,669	11,295
Loans and advances to customers	4,970,648	4,760,238
Financial investments	2,389,946	2,394,927
- at fair value through profit or loss	629,997	553,863
-at amortised cost	1,165,304	1,137,654
- at fair value through other comprehensive income	590,605	699,157
- designated at fair value through other comprehensive income	4,040	4,253
Investments in subsidiaries and joint ventures	33,424	33,060
Property, plant and equipment	32,851	33,870
Right-of-use assets	9,774	9,956
Intangible assets	2,927	3,206
Deferred tax assets	51,027	53,088
Other assets	90,690	48,242
Total assets	8,337,212	8,103,060
Liabilities		
Borrowings from central banks	155,189	119,334
Deposits from banks and non-bank financial institutions	1,028,401	1,146,264
Placements from banks and non-bank financial institutions	10,024	19,374
Financial liabilities at fair value through profit or loss	4,124	290
Derivative financial liabilities	42,087	22,792
Financial assets sold under repurchase agreements	99,897	251,685
Deposits from customers	5,287,793	4,854,059
Accrued staff costs	17,765	20,680
Taxes payable	4,107	7,420
Debt securities issued	965,099	968,086
Lease liabilities	9,307	9,363
Provisions	9,083	9,618
Other liabilities	46,348	35,797
Total liabilities	7,679,224	7,464,762

59 Interim statements of financial position and changes in equity of the Bank (continued)

	30 June 2023	*31 December 2022*
Equity		
Share capital	48,967	48,935
Other equity instruments	118,060	118,076
Capital reserve	61,790	61,598
Other comprehensive income	2,029	(1,736)
Surplus reserve	54,727	54,727
General reserve	96,906	96,906
Retained earnings	275,509	259,792
Total equity	657,988	638,298
Total liabilities and equity	8,337,212	8,103,060

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 2023	48,935	118,076	61,598	(1,736)	54,727	96,906	259,792	638,298
(i) Profit for the period	-	-	-	-	-	-	33,749	33,749
(ii) Other comprehensive income	-	-	-	3,523	-	-	-	3,523
Total comprehensive income	-	-	-	3,523	-	-	33,749	37,272
(iii) Investor capital								
- Capital injection by issuing convertible corporate bonds	32	(16)	192	-	-	-	-	208
(iv) Profit appropriations								
- Dividend distribution to ordinary shareholders of the Bank	-	-	-	-	-	-	(16,110)	(16,110)
- Dividend distributions to holders of other equity instruments	-	-	-	-	-	-	(1,680)	(1,680)
(v) Transfers within the owners' equity								
- Other comprehensive income transferred to retained earnings	-	-	-	242	-	-	(242)	-
As at 30 June 2023	48,967	118,060	61,790	2,029	54,727	96,906	275,509	657,988

59 Interim statements of financial position and changes in equity of the Bank (continued)

	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

59 Interim statements of financial position and changes in equity of the Bank (continued)

	Share capital	*Preference shares*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General reserve*	*Retained earnings*	*Total equity*
As at 1 January 2022	48,935	118,076	61,598	4,524	48,937	94,430	229,886	606,386
(i) Net profit	-	-	-	-	-	-	57,895	57,895
(ii) Other comprehensive income	-	-	-	(6,417)	-	-	-	(6,417)
Total comprehensive income	-	-	-	(6,417)	-	-	57,895	51,478
(iii) Profit appropriations								
- Appropriations to surplus reserve	-	-	-	-	5,790	-	(5,790)	-
- Appropriations to general reserve	-	-	-	-	-	2,476	(2,476)	-
- Dividend distribution to ordinary shareholders of the bank	-	-	-	-	-	-	(14,778)	(14,778)
- Dividend distribution to preference shareholders	-	-	-	-	-	-	(1,428)	(1,428)
- In terest paid to holders of perpetual bonds	-	-	-	-	-	-	(3,360)	(3,360)
(iv) Transfers within the owners’ equity								
- Other comprehensive income transferred to retained earnings	-	-	-	157	-	-	(157)	-
As at 31 December 2022	48,935	118,076	61,598	(1,736)	54,727	96,906	259,792	638,298

China CITIC Bank Corporation Limited

Unaudited Supplementary Financial Information
For the six months ended 30 June 2023

Unaudited supplementary financial information

(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 2023 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 2023 or total equity as at 30 June 2023 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 2023	*31 December 2022*
Liquidity coverage ratio	136.16%	168.03%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional) issued by the former CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

(Expressed in millions of Renminbi unless otherwise stated)

3 Currency concentrations

	30 June 2023			
	US Dollars	*HK Dollars*	*Others*	*Total*
Spot assets	358,699	197,135	65,676	621,510
Spot liabilities	348,343	157,061	34,762	540,166
Forward purchases	1,705,875	208,361	171,284	2,085,519
Forward sales	(1,590,542)	(217,405)	(242,604)	(2,050,551)
Options	14,061	590	12	14,663
Net long position	836,436	345,742	29,130	1,211,307

	31 December 2022			
	US Dollars	*HK Dollars*	*Others*	*Total*
Spot assets	358,286	169,293	51,937	579,516
Spot liabilities	308,549	163,464	26,440	498,453
Forward purchases	1,171,960	163,351	128,686	1,463,997
Forward sales	(1,232,853)	(131,217)	(153,851)	(1,517,921)
Options	5,846	(125)	(1,139)	4,582
Net long position	611,788	364,766	52,073	1,028,627

(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 2023			
	Banks	*Official sector*	*Non-bank private sector*	*Total*
Asia Pacific excluding Mainland China	75,120	433	95,521	171,074
- of which attributed to Hong Kong	40,894	425	72,715	114,034
Europe	32,680	7,309	19,544	59,533
North and South America	17,913	18,449	18,280	54,642
Africa	6	-	6,057	6,063
Total	125,719	26,191	139,402	291,312

	31 December 2022			
	Banks	*Official sector*	*Non-bank private sector*	*Total*
Asia Pacific excluding Mainland China	65,338	399	56,314	122,051
- of which attributed to Hong Kong	37,340	392	47,084	84,816
Europe	21,779	1,536	18,605	41,920
North and South America	18,862	34,443	80,791	134,096
Africa	9	-	-	9
Total	105,988	36,378	155,710	298,076

(Expressed in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	30 June 2023		
	Gross loans and advances	Loans and advances overdue over 3 months	Credit-impaired loans
Bohai Rim (include Head Office)	1,344,725	16,247	23,917
Yangtze River Delta	1,517,723	4,520	12,131
Pearl River Delta and West Strait	788,481	7,116	12,115
Central	768,487	5,577	7,958
Western	640,679	5,537	11,935
Northeastern	87,358	826	2,343
Outside Mainland China	232,648	3,719	4,752
Accrued interest	18,858	-	-
Total	5,398,959	43,542	75,151

	31 December 2022		
	Gross loans and advances	Loans and advances overdue over 3 months	Credit-impaired loans
Bohai Rim (include Head Office)	1,400,562	19,936	29,021
Yangtze River Delta	1,381,673	6,717	9,128
Pearl River Delta and West Strait	731,224	7,130	11,485
Central	730,240	5,547	7,394
Western	598,729	5,201	12,985
Northeastern	87,630	849	1,525
Outside Mainland China	222,714	2,873	3,565
Accrued interest	17,180	-	-
Total	5,169,952	48,253	75,103

(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 2023, the Group had no overdue amounts due from banks and other financial institutions (31 December 2022: Nil).

(b) Gross amounts of overdue loans and advances to customers

	30 June 2023	*31 December 2022*
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	14,073	11,841
- between 6 and 12 months	10,278	17,942
- over 12 months	19,193	18,470
Total	43,544	48,253
As a percentage of total gross loans and advances to customers:		
- between 3 and 6 months	0.26%	0.23%
- between 6 and 12 months	0.19%	0.35%
- over 12 months	0.36%	0.36%
Total	0.82%	0.94%

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.

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (continued)

As at 30 June 2023, the loans and advances to customers of RMB43,544 million of the above overdue loans and advances were credit-impaired (As at 31 December 2022,the loans and advances to customers of RMB48,253 million of the above overdue loans and advances were credit-impaired).

Loans and advances to customers overdue for more than 3 months:

	30 June 2023	*31 December 2022*
Secured portion	25,045	30,905
Unsecured portion	18,499	17,348
Total	43,544	48,253
Allowance for impairment losses	(22,557)	(36,607)
Net balance	20,987	11,646
Maximum exposure covered by pledge and collateral held	37,553	44,019

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 2023, 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.