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***香港投資者敬請注意：**本行確認該等票據(定義見下文)擬僅供專業投資者(定義見香港聯合交易所有限公司證券上市規則第37章)購買，該計劃(定義見下文)已經及該等票據(如將於香港聯合交易所有限公司上市)將會按該基準於香港聯合交易所有限公司上市。因此，本行確認該等票據不適合作為香港散戶的投資。投資者應審慎考慮所涉及的風險。*

刊發發售通函

中信银行
CHINA CITIC BANK

中信銀行股份有限公司
China CITIC Bank Corporation Limited

(在中華人民共和國註冊成立的股份有限公司)

(「**本行**」)

(股份代號：998)

5,000,000,000美元中期票據計劃
(「該計劃」)

本公告乃根據香港聯合交易所有限公司(「**香港聯交所**」)證券上市規則(「**上市規則**」)第37.39A條刊發。

請參閱本公告隨附日期為2025年7月21日有關該計劃的發售通函(「**發售通函**」)。誠如發售通函所披露,根據該計劃發行的票據(「**該等票據**」)擬僅供專業投資者(定義見上市規則第37章)購買,該計劃已經及該等票據(如將於香港聯合交易所有限公司上市)將會按該基準於香港聯交所上市。

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承董事會命
中信銀行股份有限公司
方合英
董事長

2025年7月22日

於本公告日期,本行執行董事為方合英先生(董事長)、蘆葦先生(行長)及胡罡先生;非執行董事為黃芳女士及王彥康先生;及獨立非執行董事為廖子彬先生、周伯文先生、王化成先生及宋芳秀女士。

目錄

日期為2025年7月21日的發售通函

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND (IN THE CASE OF NOTES OFFERED OR SOLD IN RELIANCE ON CATEGORY 2 OF REGULATION S) ARE NOT U.S. PERSONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of your representation: The Offering Circular is being sent to you at your request, and by accepting the e-mail and accessing the attached document, you shall be deemed to represent to China CITIC Bank Corporation Limited 中信銀行股份有限公司 (the "**Bank**") or any branch of the Bank as specified in the relevant Pricing Supplement (each a "**Branch Issuer**" and, together with the Bank, the "**Issuers**" and each an "**Issuer**") and China CITIC Bank International Limited (the "**Arranger**") that (1) you and any customers you represent are not U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) that you consent to the delivery of the attached and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Bank, the Issuers, the Arranger, the dealers named herein (the "**Dealers**"), the agents named herein (the "**Agents**") nor their respective affiliates and their respective directors, officers, employees, representatives, agents and each person who controls the Bank, the Issuers, the Arranger, a Dealer, an Agent or their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you on request from the Arranger or Dealers.

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Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Bank, the Issuers, the Arranger or the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and an Arranger or a Dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuers in such jurisdiction.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.**

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CHINA CITIC BANK CORPORATION LIMITED
中信銀行股份有限公司

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

(Hong Kong Stock Exchange Stock Code: 00998;
Shanghai Stock Exchange Stock Code: 601998)
U.S.$5,000,000,000
Medium Term Note Programme

Under the Medium Term Note Programme (the "**Programme**"), China CITIC Bank Corporation Limited 中信銀行股份有限公司 (the "**Bank**") or any branch of the Bank as specified in the relevant Pricing Supplement (as defined below) (a "**Branch Issuer**" and together with the Bank, the "**Issuers**" and each an "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively, "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$5,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Bank (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Professional Investors**") only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Notes to be issued under the Programme are intended for purchase by Professional Investors only and the Programme and the Notes (to the extent such Notes are to be listed on the Hong Kong Stock Exchange) will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Bank or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Where applicable for a relevant Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes, the Notes will be issued within the relevant foreign debt issuance quota granted to the Bank or its affiliate by the National Development and Reform Commission of the PRC (the "**NDRC**") and registration will be completed or caused to be completed by the Bank with the NDRC pursuant to the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and effective as of 10 February 2023 and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "**NDRC Administrative Measures**"). After the issuance of such relevant Tranche of Notes, the Bank intends to provide or cause to be provided the requisite information and documents on the issuance of such Notes to the NDRC within the time period as required by the NDRC.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in a pricing supplement (the "**Pricing Supplement**").

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other stock exchanges or markets as may be agreed between the relevant Issuer and the relevant Dealers. The relevant Issuer may also issue unlisted Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or (in the case of Notes offered or sold in reliance on Category 2 of Regulation S) to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*" below.

Each Tranche of Notes of each Series (as defined in "*Form of the Notes*") in bearer form will be represented on issue by a temporary global note in bearer form (each a "**Temporary Bearer Global Note**" or "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Bearer Global Note**" or "**Permanent Global Note**"). Notes in registered form will initially be represented by a global note in registered form (each a "**Registered Global Note**" or "**Global Certificate**" and, together with any Temporary Bearer Global Notes and Permanent Bearer Global Notes, the "**Global Notes**" and each a "**Global Note**"). Registered Global Notes will be registered in the name of, or in the name of a nominee for, one or more clearing systems. Global Notes may be deposited on the issue date with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Global Notes may also be deposited with a sub-custodian for the Hong Kong Monetary Authority (the "**HKMA**"), as operator of the Central Moneymarkets Unit Service, operated by the HKMA (the "**CMU**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Form of the Notes*".

The relevant Issuer may agree with any Dealer that the Notes may be issued in a form not contemplated by the terms and conditions of the Notes set out herein under "*Terms and Conditions of the Notes*" (the "**Terms and Conditions of the Notes**"), in which event (in the case of Notes intended to be listed on the Hong Kong Stock Exchange) a supplemental offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Bank has been rated Baa2 by Moody's Investors Service, Inc. ("**Moody's**"), A- by S&P Global Ratings ("**S&P**") and BBB+ by Fitch Ratings Ltd. ("**Fitch**"). The Programme has been rated A- by S&P. Notes issued under the Programme may be rated or unrated. Where an issue of a certain series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme, and (where applicable) such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of the Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with the Notes. Investors should be aware that there are various other risks relating to the Notes, the Issuers, the Bank and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Notes. See "*Risk Factors*" beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Notes.

Arranger and Dealer

China CITIC Bank International

The date of this Offering Circular is 21 July 2025.

IMPORTANT NOTICE

The Bank, having made all reasonable enquiries, confirms that, to the best of its knowledge and belief: (i) this Offering Circular contains all information with respect to the Bank and its subsidiaries taken as a whole (the "**Group**") and to the Notes which is material in the context of the issue and offering of the Notes (including all information which, according to the particular nature of the Bank and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group and of the rights attaching to the Notes); (ii) the statements contained herein relating to the Bank, the Group and the Notes are in every material respect true and accurate and not misleading; and (iii) there are no other facts in relation to the Bank, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material aspect.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Bank and the Group. Each of the Issuer and the Bank accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

No person is or has been authorised by the Issuers or the Bank to give any information or to make any representations other than those contained in this Offering Circular in connection with the Programme or the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuers, the Bank, the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates.

The Arranger and the Dealers have not separately verified the information contained in this Offering Circular to the fullest extent permitted by law. None of the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates accepts any responsibility for the contents of this Offering Circular. Each of the Arranger and the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates accordingly disclaims all and any liability, whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any financial statements included or incorporated herein are intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by any of the Issuers, the Bank, the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates that any recipient of this Offering Circular or any such financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness,

of the relevant Issuer, the Bank and the risks involved. The purchase of Notes by investors should be based upon their investigation, as they deem necessary. None of the Arranger nor the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates undertakes to review the financial condition or affairs of the Issuers, the Bank and the Group during the life of the arrangements contemplated by this Offering Circular, nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates.

Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the relevant Issuer, the Bank, any of the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the relevant Issuer or the Bank is correct at any time subsequent to the date hereof, or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates expressly do not undertake to review the financial condition or affairs of the Issuers or the Bank during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES OF THE SERIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or (in the case of Notes offered or sold in reliance on Category 2 of Regulation S) to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Offering Circular, see "*Subscription and Sale*" and the applicable Pricing Supplement.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme (each such offering, a "**CMI Offering**"), including certain Dealers, may be "capital market intermediaries" (together, the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (together, the "**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the relevant Issuer, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the relevant Issuer, the CMI or the relevant group company. Prospective investors associated with the relevant Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the relevant Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated

with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the relevant Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of sales to UK Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by

virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*UK MiFIR product governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE – The Pricing Supplement in respect of any Notes may include a legend entitled "*Singapore Securities and*

Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 (2020 revised edition) of Singapore (the "**SFA**"). The relevant Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular or any Pricing Supplement and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuers, the Bank, the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by any of the Issuers, the Bank, the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the United States, the European Economic Area, the United Kingdom, Singapore, Japan, Hong Kong and the People's Republic of China. See "*Subscription and Sale*" and the relevant Pricing Supplement.

Industry and Market Data

Market data and certain information and statistics included in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuers believe the information to be reliable, it has not been independently verified by the Issuers, the Bank, the Arranger, the Dealers or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives and none of the Issuers, the Bank, the Arranger, the Dealers or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives makes any representation as to the accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the relevant Issuer, the Bank, the Group and the terms of the offering and the Notes, including the merits and risks involved. Where information has been sourced from a third party, the relevant Issuer confirms that this information has been accurately reproduced and that, as far as the relevant Issuer is

aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information to be inaccurate or misleading.

All hyperlink references in this Offering Circular to a website or webpage are guidance to sources of other information as is in the public domain only. The contents of such website or webpage (the "**Contents**") do not form part of this Offering Circular or the Programme. Neither the Bank, any Issuer, the Dealers nor any of them accept responsibility for any damages or losses incurred or suffered arising out of or in connection with the use of such hyperlink or such Contents. Such Contents have neither been prepared for the Programme nor for incorporation into this Offering Circular. Such hyperlink or Contents may be limited to persons located or residing in only that particular jurisdiction, and may not be intended for persons located or residing in jurisdictions that restrict the distribution of such hyperlink or Contents.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the audited consolidated financial statements of the Group as at and for the year ended 31 December 2022 (the "**2022 Annual Financial Statements**"), the audited consolidated financial statements of the Group as at and for the year ended 31 December 2023 (the "**2023 Annual Financial Statements**") and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2024 (the "**2024 Annual Financial Statements**"). The 2022 Annual Financial Statements, 2023 Annual Financial Statements and the 2024 Annual Financial Statements were prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**").

The 2022 Annual Financial Statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PricewaterhouseCoopers**"), the then independent auditor of the Bank, in accordance with Hong Kong Standards on Auditing ("**HKSAs**") and are included elsewhere in this Offering Circular.

The 2023 Annual Financial Statements and the 2024 Annual Financial Statements have been audited by KPMG, Certified Public Accountants, Hong Kong ("**KPMG**"), the current independent auditor of the Bank, in accordance with HKSAs and are included elsewhere in this Offering Circular.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to the "**Bank**" refer to China CITIC Bank Corporation Limited 中信銀行股份有限公司; references to the "**Issuer**" refer to the Bank or any branch of the Bank as specified in the relevant Pricing Supplement as being the issuer of a Series of Notes; references to the "**Group**" refer to the Bank and its subsidiaries taken as a whole; references to "**U.S. dollars**" and "**U.S.$**" are to the lawful currency of the United States of America (the "**USA**" or the "**U.S.**"); references to "**Hong Kong dollars**", "**HK dollars**" and "**HK$**" are to the lawful currency of Hong Kong; references to "**Renminbi**" and "**RMB**" are to the lawful currency of the People's Republic of China (the "**PRC**"); references to "**Sterling**" and "**£**" are to the lawful currency of the United Kingdom and references to "**EUR**", "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In addition, references to "**Hong Kong**" or "**Hong Kong SAR**" are to the Hong Kong Special Administrative Region of the PRC, references to "**Macau**" are to the Macau Special Administrative Region of the PRC, references to "**Mainland China**" are to the PRC excluding Hong Kong and Macau and references to "**Greater China**" are to the PRC including Hong Kong and Macau.

Unless otherwise specified or the context requires, references to:

- "**CIAM**" refer to CITIC International Assets Management Limited;
- "**CIFH**" refer to CITIC International Financial Holdings Limited;
- "**CITIC aiBank**" refer to CITIC aiBank Corporation Limited;
- "**CITIC Corporation Limited**" refer to CITIC Corporation Limited (formerly known as CITIC Limited prior to renaming in August 2014);
- "**CITIC Financial Holdings**" refer to China CITIC Financial Holdings Co., Ltd.;
- "**CITIC Financial Leasing**" refer to CITIC Financial Leasing Co., Ltd.;
- "**CITIC Group**" refer to CITIC Group Corporation Limited (formerly known as CITIC Group Corporation prior to restructuring in December 2011);
- "**CITIC Limited**" refer to CITIC Limited (formerly known as CITIC Pacific Limited prior to renaming in August 2014);
- "**CITIC Wealth Management**" refer to CITIC Wealth Management Corporation Limited;
- "**CNCB Investment**" refer to CNCB (Hong Kong) Investment Co., Ltd. (formerly known as China Investment and Finance Limited);

- "**CNCBI**" refer to China CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited);
- "**CSRC**" refer to the China Securities Regulatory Commission;
- "**former CBIRC**" refer to former China Banking and Insurance Regulatory Commission or its relevant local counterpart;
- "**former CBRC**" refer to former China Banking Regulatory Commission or its relevant local counterpart;
- "**GDP**" refer to gross domestic product;
- "**IT**" refer to information technology;
- "**MOF**" refer to the Ministry of Finance of the PRC;
- "**MOFCOM**" refer to the Ministry of Commerce of the PRC;
- "**NAO**" refer to the National Audit Office of the PRC;
- "**NFRA**" refer to National Financial Regulatory Administration or its relevant local counterpart;
- "**NPL**" refer to non-performing loans;
- "**PBOC**" refer to the People's Bank of China, the central bank of the PRC;
- "**relevant PRC Banking Regulatory Authority**" refer to former CBRC, former CBIRC or NFRA, as applicable;
- "**SAFE**" refer to the State Administration of Foreign Exchange of the PRC; and
- "**SAMR**" refer to the State Administration for Market Regulation of the PRC.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. Unless otherwise specified, where financial information has been translated into U.S. dollars, it has been so translated for information purposes only, in the case of Renminbi, at the rate of RMB7.2993 equal to U.S.$1.00 on 31 December 2024 as set forth in the H.10 statistical release of the Federal Reserve Board. No representation is made that the Hong Kong dollar, Renminbi, Euro or U.S. dollar amounts referred to herein could have been or could be converted into Hong Kong dollars, Renminbi, Euro or U.S. dollars, as the case may be, at any particular rate or at all.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

The Bank has included statements in this Offering Circular which contain words or phrases such as "will", "would", "aim", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "anticipated", "estimate", "estimating", "intend", "plan", "seeking to", "future", "objective", "should", "can", "could", "may", and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the relevant Issuer's expectations with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate recent or future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to pay dividends, its ability to roll over its short-term funding sources, its exposure to operational, market, credit, interest rate and currency risks and the market acceptance of and demand for internet banking services. These forward-looking statements speak only as of the date of this Offering Circular. The Issuers expressly disclaim any obligation or undertaking to update or revise any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited consolidated financial statements of the Group and the most recently published unaudited but reviewed consolidated interim financial statements of the Group, together with any audit or review reports prepared in connection therewith and the most recently published unaudited and unreviewed consolidated quarterly financial statements of the Group; and

(b) all supplements or amendments to this Offering Circular circulated by any Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Where consolidated quarterly financial information is included or incorporated by reference into this Offering Circular, none of such consolidated quarterly financial information in respect of the three months ended 31 March and nine months ended 30 September of each financial year of the Bank has been audited or reviewed by any auditors and such financial information may not provide the same type or quality of information associated with information that has been audited or reviewed. Potential investors must exercise caution when using such data to evaluate the Bank's financial condition and results of operations, and must not place undue reliance on such financial information.

The relevant Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the relevant Issuer at its office, as set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the office of Citicorp International Limited (the "**Fiscal Agent**") at 40/F Champion Tower, 3 Garden Road, Central, Hong Kong. Pricing Supplements relating to unlisted Notes will only be available for inspection by a holder of such Notes, and such holder must produce evidence satisfactory to the relevant Issuer or the relevant Paying Agent as to its holding of Notes and its identity.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new or supplemental offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuers may from time to time issue Notes denominated in any currency, subject to those matters set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any supplement hereto will only be valid for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$5,000,000,000 or its equivalent in other currencies.

SELECTED FINANCIAL INFORMATION

The following tables set forth the Group's selected consolidated financial information as at and for the periods indicated.

The selected consolidated financial information as at and for the years ended 31 December 2022, 2023 and 2024 as set forth below has been derived from, and should be read in conjunction with, the respective 2022 Annual Financial Statements, 2023 Annual Financial Statements and 2024 Annual Financial Statements. The 2022 Annual Financial Statements were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing and are included elsewhere in this Offering Circular. The 2023 Annual Financial Statements and 2024 Annual Financial Statements were audited by KPMG in accordance with Hong Kong Standards on Auditing and are included elsewhere in this Offering Circular. The 2022 Annual Financial Statements, the 2023 Annual Financial Statements and the 2024 Annual Financial Statements have been prepared by the Bank in accordance with the IFRS Accounting Standards.

CONSOLIDATED ANNUAL STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2022	2023	2024
		(RMB in millions)	
Assets			
Cash and balances with central banks	477,381	416,442	340,915
Deposits with banks and non-bank financial institutions	78,834	81,075	128,193
Precious metals	5,985	11,674	13,580
Placements with and loans to banks and non-bank financial institutions	218,164	237,742	404,801
Derivative financial assets	44,383	44,675	85,929
Financial assets held under resale agreements	13,730	104,773	136,265
Loans and advances to customers	5,038,967	5,383,750	5,601,450
Financial investments			
– At fair value through profit or loss	557,594	613,824	647,398
– At amortised cost	1,135,452	1,085,598	1,118,989
– At fair value through other comprehensive income	804,695	888,677	849,781
– Designated at fair value through other comprehensive income	5,128	4,807	4,702
Investments in associates and joint ventures	6,341	6,945	7,349
Investment properties	516	528	578
Property, plant and equipment	34,430	38,309	46,516
Right-of-use assets	10,824	10,643	11,035
Intangible assets	3,715	4,595	3,419
Goodwill	903	926	959
Deferred tax assets	55,011	52,480	54,130
Other assets	55,490	65,021	76,733
Total assets	**8,547,543**	**9,052,484**	**9,532,722**

	As at 31 December		
	2022	2023	2024
		(RMB in millions)	
Liabilities			
Borrowings from central banks	119,422	273,226	124,151
Deposits from banks and non-bank financial institutions	1,143,776	927,887	968,492
Placements from banks and non-bank financial institutions	70,741	86,327	88,550
Financial liabilities at fair value through profit or loss	1,546	1,588	1,719
Derivative financial liabilities	44,265	41,850	81,162
Financial assets sold under repurchase agreements	256,194	463,018	278,003
Deposits from customers	5,157,864	5,467,657	5,864,311
Accrued staff costs	21,905	22,420	20,318
Taxes payable	8,487	4,536	7,645
Debt securities issued	975,206	965,981	1,224,038
Lease liabilities	10,272	10,245	10,861
Provisions	9,736	10,846	9,990
Deferred tax liabilities	3	1	39
Other liabilities	42,296	46,078	46,078
Total liabilities	**7,861,713**	**8,317,809**	**8,725,357**
Equity			
Share capital	48,935	48,967	54,397
Other equity instruments	118,076	118,060	105,499
Capital reserve	59,216	59,400	89,286
Other comprehensive income	(1,621)	4,057	16,862
Surplus reserve	54,727	60,992	67,629
General reserve	100,580	105,127	111,723
Retained earnings	285,505	320,619	343,868
Total equity attributable to equity holders of the Bank	665,418	717,222	789,264
Non-controlling interests	20,412	17,453	18,101
Total equity	**685,830**	**734,675**	**807,365**
Total liabilities and equity	**8,547,543**	**9,052,484**	**9,532,722**

CONSOLIDATED ANNUAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2022	2023	2024
		(RMB in millions)	
Interest income	313,609	317,692	309,791
Interest expense	(162,962)	(174,153)	(163,112)
Net interest income	**150,647**	**143,539**	**146,679**
Fee and commission income	41,051	36,999	37,414
Fee and commission expense	(3,959)	(4,616)	(6,312)
Net fee and commission income	**37,092**	**32,383**	**31,102**
Net trading gain	4,881	7,138	6,769
Net gain from investment securities	17,771	21,103	27,111
Net hedging gain	–	–	2
Other operating income	718	1,407	1,560
Operating income	**211,109**	**205,570**	**213,223**
Operating expenses	(66,838)	(69,214)	(71,938)
Operating profit before impairment	144,271	136,356	141,285
Credit impairment losses	(71,359)	(61,926)	(61,045)
Impairment losses on other assets	(45)	(278)	(68)
Revaluation losses on investment properties	(74)	(1)	(24)
Share of profit of associates and joint ventures	623	736	715
Profit before tax	**73,416**	**74,887**	**80,863**
Income tax expense	(10,466)	(6,825)	(11,395)
Profit for the year	**62,950**	**68,062**	**69,468**
Net profit attributable to:			
Equity holders of the Bank	62,103	67,016	68,576
Non-controlling interests	847	1,046	892
Profit for the year	62,950	68,062	69,468

	For the year ended 31 December		
	2022	2023	2024
		(RMB in millions)	
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	237	(144)	(82)
– Changes in defined benefit plan liabilities	–	–	(1)
Items that may be reclassified subsequently to profit or loss (net of tax):			
– Other comprehensive income transferable to profit or loss under equity method	(28)	39	15
– Fair value changes on financial assets at fair value through other comprehensive income	(8,191)	4,989	10,737
– Impairment allowance on financial assets at fair value through other comprehensive income	145	(512)	384
– Exchange difference on translation of financial statements	4,132	1,198	1,767
– Others	4	5	94
Other comprehensive income, net of tax	**(3,701)**	**5,575**	**12,914**
Total comprehensive income for the year	**59,249**	**73,637**	**82,382**
Total comprehensive income attribute to:			
Equity holders of the Bank	58,681	72,508	81,381
Non-controlling interests	568	1,129	1,001
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	1.17	1.27	1.22
Diluted earnings per share (RMB)	1.06	1.14	1.20

CONSOLIDATED ANNUAL STATEMENT OF CASH FLOWS

	For the year ended 31 December		
	2022	2023	2024
		(RMB in millions)	
Operating activities			
Profit before tax	73,416	74,887	80,863
Adjustments for:			
– Revaluation gain on investments, derivatives and investment properties	(964)	(521)	(3,803)
– Investment gains	(14,287)	(19,843)	(19,973)
– Net losses/(gains) on disposal of property, plant and equipment, intangible assets and other assets	32	(9)	(154)
– Unrealised foreign exchange (gains)/losses	52	(3,013)	(2,896)
– Credit impairment losses	71,359	61,926	61,045
– Impairment losses on other assets	45	278	68
– Depreciation and amortisation	4,110	4,868	5,072
– Interest expense on debt securities issued	27,082	24,996	27,608
– Dividend income from equity investment	(102)	(169)	(196)
– Depreciation of right-of-use assets and interest expense on lease liabilities	3,731	3,710	3,692
– Income tax paid	(18,043)	(13,523)	(9,841)
Subtotal	146,431	133,587	141,485
Changes in operating assets and liabilities:			
(Increase)/Decrease in balances with central banks	(3,363)	8,361	30,381
Decrease in deposits with banks and non-bank financial institutions	8,921	1,760	7,715
(Increase)/Decrease in placements with and loans to banks and non-bank financial institutions	(85,386)	6,115	(124,278)
Decrease/(Increase) in financial assets held under resale agreements	77,922	(90,988)	(30,168)
Increase in loans and advances to customers	(347,961)	(380,326)	(258,336)
Decrease/(Increase) in financial assets at fair value through the profit or loss	2,550	(79,755)	9,738
(Decrease)/Increase in borrowings from central banks	(69,087)	152,670	(148,593)
(Decrease)/Increase in deposits from banks and non-bank financial institutions	(30,317)	(215,881)	40,871
(Decrease)/Increase in placements from banks and non-bank financial institutions	(8,820)	17,387	(2,211)
(Decrease)/Increase in financial liabilities at fair value through profit or loss	(680)	5	93
Increase/(Decrease) in financial assets sold under repurchase agreements	157,583	206,389	(186,823)
Increase in deposits from customers	340,067	286,207	365,813
Increase in other operating assets	(17,411)	(46,723)	(43,595)
Increase in other operating liabilities	24,617	274	16,876
Subtotal	48,635	(134,505)	(322,517)
Net cash flows from/(used in) operating activities	**195,066**	**(918)**	**(181,032)**

	For the year ended 31 December		
	2022	2023	2024
		(RMB in millions)	
Investing activities			
Proceeds from disposal and redemption of investments	2,580,725	2,768,331	3,848,154
Proceeds from disposal of property, plant and equipment, land use rights, and other assets	127	83	260
Cash received from equity investment income	507	653	1,070
Cash received from disposal of associates	39	70	–
Payments on acquisition of investments	(2,690,472)	(2,753,726)	(3,860,233)
Payments on acquisition of property, plant and equipment, land use rights and other assets	(6,799)	(13,524)	(18,783)
Net cash flows (used in)/from investing activities	**(115,873)**	**1,887**	**(18,783)**
Financing activities			
Cash received from issuing other equity Instruments	3,990	–	30,000
Cash received from debt securities issued	850,086	1,096,139	1,553,890
Cash paid for redemption of other equity instruments	–	(3,516)	(39,993)
Cash paid for redemption of debt securities issued	(836,677)	(1,106,000)	(1,261,613)
Interest paid on debt securities issued	(26,513)	(24,724)	(28,178)
Cash paid for dividends	(20,035)	(21,492)	(29,925)
Cash paid in connection with other financing activities	(3,390)	(3,509)	(3,378)
Net cash flows (used in)/from financing activities	**(32,539)**	**(63,102)**	**220,803**
Increase/(Decrease) in cash and cash equivalents	46,654	(62,133)	10,239
Cash and cash equivalents as at 1 January	252,818	307,871	249,002
Effect of exchange rate changes on cash and cash equivalents	8,399	3,264	3,538
Cash and cash equivalents as at the year end	**307,871**	**249,002**	**262,779**
Cash flows from operating activities include:			
Interest received	320,205	318,778	317,099
Interest paid	(131,295)	(136,150)	(118,514)

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Bank	China CITIC Bank Corporation Limited 中信銀行股份有限公司.
Issuer	The Bank or any branch of the Bank as specified in the relevant Pricing Supplement as being the Issuer of a Series of Notes.
Description	Medium Term Note Programme.
Arranger	China CITIC Bank International Limited.
Dealers	China CITIC Bank International Limited and any other Dealer appointed from time to time either by the Bank generally in respect of the Programme or by the relevant Issuer in relation to a particular Series of Notes.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*" and the relevant Pricing Supplement), including the following restrictions applicable at the date of this Offering Circular. Notes having a maturity of less than one year will, if the proceeds of the issue are received in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "*Subscription and Sale*".
Fiscal Agent	Citicorp International Limited.
Registrar and Transfer Agent	Citibank, N.A., London Branch.
CMU Lodging and Paying Agent	Citicorp International Limited.

Principal Paying Agent	Citibank, N.A., London Branch.
Programme Size	Up to U.S.$5,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") outstanding at any time. The Bank may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Distribution	Notes may be distributed by way of private or public placement and, in each case, on a syndicated or non-syndicated basis. The Notes may be issued in series (each a "**Series**") having one or more issue dates (each tranche within such Series a "**Tranche**") and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a Pricing Supplement.
Interest	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Denominations	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Currencies	Subject to any applicable legal or regulatory restrictions, any other currency agreed between the relevant Issuer and the relevant Dealer.
Maturities	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.

Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the Dealer.
Floating Rate Notes	The rate of interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in accordance with either ISDA Determination or Screen Rate Determination, as specified in the relevant Terms and Conditions of the Notes in respect of the Floating Rate Notes.
Benchmark discontinuation	See Conditions 5(b)(iv) and 5(b)(v).
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index-Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.

Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount, or offered and sold at their nominal amount and be redeemed at a premium, and will not bear interest.
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons, or pursuant to a winding-up of the relevant Issuer following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.
Denomination of Notes	Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. See "*Certain Restrictions*" above.

Taxation	All payments of principal and interest in respect of the Notes, Receipts and Coupons will be made without deduction for or on account of withholding taxes imposed by the PRC and, if the relevant Issuer is a branch of the Bank, the jurisdiction where that branch is located, or in each case any political subdivision or any authority therein or thereof having power to tax to which the relevant Issuer becomes subject in respect of payments made by it in respect of the Notes, Receipts and the Coupons, subject as provided in Condition 8. In the event that any such deduction is made, the relevant Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Events of Default	Events of Default for the Notes are set out in Condition 10.
Cross-Acceleration	The terms of the Notes will contain a cross-acceleration provision as further described in Condition 10(c).
Status of the Notes	The Notes and the Receipts and the Coupons relating to them will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer, ranking *pari passu* and without any preference among themselves. The payment obligations of the relevant Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the relevant Issuer, present and future.
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only on the Hong Kong Stock Exchange during the 12-month period after the date of this Offering Circular. Separate application will be made for the listing of, and permission to deal in, the Notes issued under the Programme on the Hong Kong Stock Exchange. Notes listed on the Hong Kong Stock Exchange will be required to have a denomination of at least HK$500,000 (or its equivalent in other currencies). Unlisted Notes may also be issued.

	The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Ratings	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.
Governing Law	The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.
Jurisdiction	The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons, and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons may be brought in such courts.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, the European Economic Area, Singapore, Japan, Hong Kong and the PRC and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*" and the relevant Pricing Supplement.
United States Selling Restrictions	Regulation S, Category 1 or 2, as specified in the applicable Pricing Supplement. Whether TEFRA C or D rules apply or whether TEFRA is not applicable will be specified in the applicable Pricing Supplement.
Clearing Systems	The CMU, Euroclear, Clearstream and/or any other clearing system as specified in the applicable Pricing Supplement. See "*Form of the Notes*".

Investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Bank and the Group may be adversely affected by any of these risks. The risks described below are not the only ones relevant to the Bank or the Notes. The Bank believe the risks described below represent the principal risks inherent when considering an investment in the Notes. Additional risks and uncertainties not presently known to the Bank, or which the Bank currently deems immaterial, may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur, and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

The Bank does not represent that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE BANK'S BUSINESS

If the Bank is unable to maintain effectively the quality of its loan portfolio, its financial condition and results of operations may be materially and adversely affected.

The Bank's results of operations are negatively impacted by its NPLs, and the sustainability of its growth primarily depends on its ability to manage its credit risk and maintain the quality of its loan portfolio (including related party loans) effectively. The Bank has undertaken various initiatives to improve its credit risk management policies, procedures and systems. As at 31 December 2022, 2023 and 2024, the Group's NPLs were RMB65.21 billion, RMB64.80 billion and RMB66.49 billion, respectively, representing NPL ratios of 1.27 per cent., 1.18 per cent. and 1.16 per cent., respectively. As at 31 December 2024, the Group's NPLs were mainly concentrated in three industry sectors, which are manufacturing, real estate, and rental and business service, with their NPL balances collectively taking up 61.04 per cent. of the total corporate NPLs.

As for the distribution of NPLs, the Group's NPLs were mainly concentrated in the Bohai Rim, Western China and the Pearl River Delta and West Strait, with the combined NPL balance of above regions reaching RMB43.37 billion, accounting for 65.24 per cent. of the total. In terms of incremental NPLs, Western China registered an amount of RMB2.31 billion incremental NPLs and its NPL ratio rose by 0.26 percentage points; Yangtze River Delta ranked second, recording RMB2.04 billion incremental NPLs and a 0.10 percentage points' rise in its NPL ratio from 2023.

There is no assurance that the macro-economic and micro-economic environment would not continue to have impact on the above-mentioned industries and regions, and if the Group's customers in these industries or regions fail to cope with the adverse impact or to maintain their market competitiveness, the quality of the Group's loans will be materially adversely affected, which in turn could materially affect the Group's financial condition and results of operations.

Actual losses on the Bank's loan portfolio may exceed its allowance for impairment losses in the future.

As at 31 December 2024, the Group's allowance for impairment losses on loans and advances to customers was RMB52.70 billion, while the ratio[1] of its allowance for loan impairment losses to total loans was 2.43 per cent. and the allowance coverage ratio[2] was 209.43 per cent. The amount of the allowance is based on the Group's current assessment of various factors affecting the quality of its loan portfolio and its expectation of changes to these factors that may affect the quality of its loan portfolio in the future. These factors include, among other things: (i) the financial condition, repayment ability and repayment intention of the Group's borrowers; (ii) the realisable value of any collateral and the ability of the guarantor to perform its obligations; and (iii) general factors relating to the PRC's economy, such as macroeconomic and monetary policies of the PRC government, interest rates, exchange rates and the legal and regulatory environment. Although the Bank has made provisions based on what it believes to be a prudent assessment of these factors and expectation of changes to those factors, the Bank cannot assure potential investors that its assessment and expectations concerning these factors will not differ from actual developments, or that the quality of its loan portfolio will not deteriorate due to the uncertainty of the future development of these factors and the fact that these factors are partially or entirely beyond its control. The occurrence of any of the foregoing factors will result in the Bank's allowance for impairment losses being inadequate to cover its actual losses and the Bank may need to make additional provisions for impairment losses, which may have a material and adverse effect on the Bank's financial condition and results of operations.

The Bank has a concentration of credit exposure to certain customers, and any deterioration in the loans to such customers may adversely affect its asset quality, financial condition and results of operations.

As at 31 December 2024, percentage of loans to the Group's largest single customer was 1.10 per cent.[3] of its total loans, in compliance with requirements of the regulatory authorities. At the same time, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB83.665 billion, taking up 1.46 per cent. of its total loans and 8.86 per cent.[4] of

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

[2] 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] Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital.

[4] Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital.

its net capital, which is also in compliance with requirements of the regulatory authorities. The Bank is a subsidiary of CITIC Group, and extends related party loans in the ordinary course of its business. Although its credit concentration is in accordance with the criteria set by government authorities, if any of the loans to such single or group borrower (including CITIC Group and its subsidiaries and other related parties) deteriorate, its asset quality will be adversely affected. In addition, the Bank's allowance for impairment losses may not be adequate to cover its actual losses and the Bank then may need to make additional allowance, which may have a material and adverse effect on the Bank's asset quality, financial condition and results of operations.

The Bank has a concentration of credit exposure to certain industry sectors and regions, and any significant or extended downturn in the financial condition of any of these industry sectors or regions may adversely affect its financial condition and results of operations.

As at 31 December 2024, rental and business services and manufacturing were the top two sector borrowers of the Group's corporate loans, recording loan balances of RMB563.95 billion and RMB556.17 billion, respectively. Among them, the loans to manufacturing accounted for 19.12 per cent. of the Group's total corporate loans, up by 0.58 percentage points from 31 December 2023. The balance of loans granted to the real estate industry stood at RMB285.15 billion, accounting for 9.81 per cent. of the Group's total corporate loans, up by 0.19 percentage points from 31 December 2023. As at 31 December 2024, the Group's NPLs were mainly concentrated in three sectors, i.e., manufacturing, real estate, and rental and business service, with their NPL balances collectively taking up 61.04 per cent. of the total corporate NPLs.

Although the Bank has formulated credit policies with respect to extensions of credit to different industry sectors and has been persistently committed to risk management by diversifying its loan portfolio by industry sectors, the Bank still faces concentration risks in certain industry sectors. If any of the industry sectors in which the Bank faces concentration risks experiences a significant downturn, whether as a result of general economic downturn or otherwise, its asset quality, financial condition and results of operations may be materially and adversely affected.

The Bank's loans are mainly extended to borrowers concentrated in developed eastern and southern coastal regions of the PRC, such as the Bohai Rim, the Yangtze River Delta as well as the Pearl River Delta and the West Strait. As at 31 December 2022, 2023 and 2024, the Group's loans extended to borrowers in the above regions represented 68.19 per cent., 68.08 per cent. and 68.43 per cent., respectively, of its total loans. As at 31 December 2024, the balances of loans and advances to customers in the Yangtze River Delta, the Bohai Rim and Pearl River Delta and West Strait ranked top three, recording RMB1,647.24 billion, RMB1,455.15 billion and RMB812.12 billion, and accounting for 28.80 per cent., 25.44 per cent. and 14.20 per cent. of the Group's total loans, respectively. As for the distribution of NPLs, the Group's NPLs were mainly concentrated in the Bohai Rim, Western China as well as the Pearl River Delta and the West Strait, with the combined NPL balance reaching RMB43.37 billion, accounting for 65.24 per cent. of the total.

If any of the above regions in which the Bank faces concentration risks experiences a significant downturn, whether as a result of global economic environment change or otherwise, or in the event that the Bank cannot accurately evaluate or control the credit risks of borrowers located in

any of the above regions, the Bank's asset quality, financial condition and results of operations may be materially and adversely affected.

The Bank's real estate-related loans and loans to government financing platforms are subject to various risks, which may lead to a deterioration in the value of its loan portfolio.

Real estate related loans

The Bank's real estate-related loans consist of corporate loans extended to real estate customers, corporate loans with real estate as collateral and housing mortgage loans, which may be affected by the various risks related to the real estate market. As at 31 December 2024, the balance of the Group's corporate real estate-related financing that bore credit risk, including loans, bank acceptance drafts, letters of guarantee, bond investment and non-standard investments, stood at RMB371.67 billion, an increase of RMB26.43 billion from the balance as at 31 December 2023. Among these, the balance of corporate real estate loans was RMB285.15 billion (accounting for 9.81 per cent. of the Group's total corporate loans), an increase of RMB25.79 billion as compared to the balance as at 31 December 2023. As at 31 December 2024, the balance of personal housing mortgage loans of the Bank reached RMB1,032.58 billion, an increase of RMB61.41 billion from the balance as at 31 December 2023.

Despite the Bank's effort to keep the quality of its real estate-related loans stable, any significant adverse change, whether as a result of changes in macroeconomic environment, fierce volatility in the real estate market, changes in the national laws, regulatory and policy environment or other economic or regulatory changes, may materially and adversely affect the increment and quality of the Bank's real estate-related loans, and, thus, the Bank's asset quality, financial condition and results of operations may be materially and adversely affected.

Loans to government financing platforms

The Bank proactively implemented national policies on financial support for defusing debt risks of financing platforms, resolved risks in an effective and orderly manner, and promoted the steady and healthy development of the economy. As the national funds for debt resolution were gradually in place, the Bank's funds included into the management of local government hidden debts decreased fast. As at 31 December 2024, its balance of local government hidden debts stood at RMB137.90 billion (on-balance sheet loans), down by RMB71.97 billion from the balance as at 31 December 2023.

A substantial portion of the Bank's loans are secured by collateral or guarantees. Any significant decline in the value of the collateral or deterioration of the financial condition of the guarantors or any failure by the Bank to enforce its rights as a creditor may adversely affect its financial condition and results of operations.

As at 31 December 2024, 38.41 per cent. of the Group's loans were secured by collateral. Any significant decline in the value of the collateral securing its loans, whether as a result of macroeconomic policy measures, general economic downturn or otherwise, may, should borrowers default on their loans, result in a decrease in the recovery rate and the Bank may need to make additional allowance for impairment losses. Moreover, under certain circumstances, the

Bank's rights to the collateral securing its loans may have lower priority than other creditors. In addition, the procedures for liquidating or otherwise realising the value of collateral provided by the borrowers in the PRC can be protracted and/or ultimately unsuccessful, as the enforcement process in the PRC may be difficult for legal and practical reasons. Based on the foregoing reasons, the Bank may be unable to realise the expected value on collateral in a timely manner or at all.

A certain portion of the Bank's loans are backed by guarantees provided by related parties of the borrowers or a third party, where there may be no collateral. As at 31 December 2024, 18.30 per cent. of the Group's loans were guaranteed. A significant deterioration in the financial condition of the guarantors may significantly limit the amounts the Bank may recover from them should the loans be in default by the borrowers. Moreover, the Bank is subject to the risk of guarantees being deemed invalid by a court if a guarantor fails to satisfy the requirements of the PRC laws under certain circumstances.

If the borrowers lose their repayment ability and the Bank fails to realise the full value on all or a portion of the collateral securing its loans or guarantees in a timely manner, the Bank's asset quality, financial condition and results of operations may be adversely affected.

The Bank faces risks in relation to its operating licences.

The PRC regulatory authorities currently require the segregation of the operations of banks, securities companies and insurance companies. Consequently, as a commercial bank, the Bank's business scope is under strict restriction and must be conducted in accordance with corresponding operating licences. The Bank's operating licences permit it to operate as a full-range commercial bank. However, if regulatory policies are amended in future, or the permitted business scope of financial institutions is amended or expanded, the Bank may not be able to obtain new operating licences in a timely manner, which may result in loss of business and which may therefore have a material and adverse effect on the Bank's competitiveness. Furthermore, in order to obtain new operating licences, the Bank may need to increase investment in research and development, operation management and infrastructures, which may in turn increase its operating costs.

The Bank's expanding range of products and services exposes it to new risks.

The Bank has experienced rapid expansion in recent years, and intends to continue to expand the range of its products and services. While contributing to its results of operations, expansion of the Bank's business activities also exposes it to a number of risks and challenges, including:

- the Bank may have insufficient experience in certain new business areas and, therefore, the Bank may not compete effectively in these areas;

- the Bank may fail to obtain regulatory approval for its new products or services;

- the Bank cannot assure potential investors that its new business activities will meet its expectations of profitability;

- the Bank may not be able to hire additional qualified personnel; and

- the Bank must continually enhance the capability of its risk management and upgrade its information technology ("**IT**") systems to support a broader range of business activities.

If the Bank is unable to achieve the expected results in new business areas due to any of the above or other factors, the Bank's business, results of operations and financial condition may be materially and adversely affected. In addition, if the Bank fails to promptly identify and expand into new business areas to meet increasing customer demand for certain products and services, the Bank may fail to maintain its market share or lose some of its existing customers.

The Bank has expanded its business to jurisdictions other than the PRC, which has increased the complexity of the risks that it faces.

The Bank has in recent years been implementing its internationalisation strategy and promoting its internationalised operations. The Bank's expansion into multiple jurisdictions exposes it to a new variety of regulatory and business risks, such as interest rate risks, credit risks, regulatory and compliance risks, reputational risks and operational risks unique to those foreign jurisdictions. Regulators of those jurisdictions have the power to bring administrative or judicial proceedings against the Bank or its employees, representatives, agents and third-party service providers, which could, among other things, result in the suspension or revocation of one or more of the Bank's licences or the imposition of cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary actions against the Bank.

Any failure to manage effectively the risks associated with the Bank's internationalised operations may have a material and adverse effect on the Bank's business, financial condition and results of operations.

The Bank is subject to credit risks associated with its off-balance sheet commitments and guarantees.

In the normal course of its business, the Bank makes commitments and guarantees which are not reflected as liabilities on its balance sheet, including the provision of financial guarantees and letters of credit to guarantee the performance of its customers to third parties and the provision of bank acceptances. As at 31 December 2024, the Group's off-balance sheet credit commitments totalled RMB2,319.55 billion. The Bank is subject to credit risks on its commitments and guarantees because certain of its commitments and guarantees may need to be fulfilled as a result of non-performance by its customers. If the Bank is not able to compel its customers to perform their obligations or to obtain repayment from its customers in respect of these commitments and guarantees, the Bank's business, financial condition and results of operations may be materially and adversely affected.

The Bank is subject to risks associated with its derivative transactions.

The Bank enters into swaps, options and other derivative arrangements primarily for hedging purposes and, to a lesser extent, on behalf of its customers. For the year ended 31 December 2024, the nominal amount of the derivatives of the Group totalled RMB9,374.18 billion. The Bank is subject to market and operational risks associated with these arrangements. With respect to derivative transactions on behalf of its customers, the Bank is also exposed to the risk of its customers' failure to consummate transactions with the Bank. At present, the regulation of the PRC's derivative market is still under development and requires further improvement and the PRC courts lack experience in dealing with derivative-related cases, both of which factors increase the risks of the derivative transactions into which the Bank enters. As a result, the Bank enters into reverse transactions with certain counterparties so as to minimise the credit risks associated with its derivative transactions. However, the Bank cannot assure potential investors that the counterparties with high-risk exposure will perform under the contracts and pay the contractual amount upon maturity of the derivative contracts as agreed. Any significant losses the Bank may incur as a result of the derivative transactions the Bank enters into may have a material and adverse effect on the Bank's financial condition and results of operations.

The Bank's provisioning policies and loan classification may be different in certain respects from those applicable to banks in other countries.

The Bank determines the level of allowance for impairment losses, and recognises any related provisions made under IFRS 9, and the relevant loan impairment regulations of accounting standards of the PRC. Its provisioning policies may be different in certain respects from those of banks which do not assess loans under IFRS 9. As a result, its allowance for impairment losses, as determined under IFRS 9, may differ from those that would be reported if other accounting standards or policies were used.

The Bank also classifies its loans as "pass", "special mention", "substandard", "doubtful" and "loss" by using the five-category classification system according to the relevant PRC Banking Regulatory Authority's requirements. The five-category classification system is particular to the banking industry in the PRC, and may be different in certain respects from those used in certain other countries or regions, if any. As a result, the five-category classification system may be incomparable with other classification systems, and may reflect a different degree of risk than what would be reported in other countries.

Consolidated quarterly financial information of the Bank has not been audited or reviewed.

Where consolidated quarterly financial information is incorporated by reference into this Offering Circular, none of such consolidated quarterly financial information in respect of the three months ended 31 March and nine months ended 30 September of each financial year of the Bank has been audited or reviewed by any auditors and such financial information may not provide the same type or quality of information associated with information that has been audited or reviewed. Potential investors must exercise caution when using such data to evaluate the Bank's financial condition and results of operations, and must not place undue reliance on such financial information.

The Bank cannot assure potential investors that its risk management and internal control policies and procedures can adequately control or protect it against credit, market, operational, liquidity and other risks.

The Bank has significantly revamped and enhanced its risk management and internal control policies and procedures in recent years, details of which are set out in the paragraphs headed "*Description of the Bank – Risk Management*" and "*Description of the Bank – Internal Control*". However, the Bank cannot assure potential investors that its risk management and internal control policies and procedures will adequately control or protect it against all credit, market, operational, liquidity and other risks. Moreover, the Bank cannot assure potential investors that its employees will be able to consistently comply with or correctly apply these policies and procedures.

The Bank's risk management capabilities and implementation of internal control policies and procedures are limited by the information, tools and technologies available to the Bank. Furthermore, its ability to control risks is constrained by the applicable PRC laws and regulations that restrict the types of financial instruments and investments it may hold. If the Bank is unable to implement effectively the enhanced risk management and internal control policies and procedures or if the Bank cannot achieve its intended results of such policies and procedures in a timely manner, the Bank's business, financial condition and results of operations may be materially and adversely affected.

The Bank's business is highly dependent on the proper functioning and improvement of its information technology infrastructure.

The Bank depends on its IT infrastructure to deliver services to its customers, manage risks, implement its internal control systems and manage and monitor its business operations. The Bank's business generates and processes a large quantity of personal and transaction data. It is also subject to domestic and international laws relating to the collection, use, retention, security, and transfer of personally identifiable information, with respect to its customers and employees. The Bank faces risks inherent in handling large volumes of data and in protecting the security of such data. In particular, the Bank faces a number of challenges relating to data from transactions and other activities on its platforms, including:

- protecting the data in and hosted on the Bank's system, including against attacks on its system by outside parties or fraudulent behaviour by its employees;

- addressing concerns related to privacy and sharing, safety, security, and other factors; and

- complying with applicable laws, rules, and regulations relating to the collection, use, retention, disclosure, or security of personal information, including any requests from regulatory and government authorities relating to such data.

The Bank has overall planning for digital risk control, continuously improves the research and development capability of digital risk control technology through the application of big data and artificial intelligence technologies. It established disaster backup systems and recovery plans covering all the important activities, in order to minimise any unforeseen interruption. Insurance

cover is arranged to mitigate potential losses associated with certain disruptive events. However, the Bank does not back up all systems on a real-time basis (whether within the same city or between cities) and the effectiveness of its back-up system depends on whether the Bank can successfully implement complex procedures with the support and cooperation of all units with the Bank. As a result, the Bank cannot assure potential investors that its business activities will not be disrupted if there is a partial or complete failure of any of its main IT systems or communication networks. Such failures could be caused by, among other things, software flaws, computer virus attacks, malicious programs or system upgrade problems.

In addition, despite the efforts of the Bank to ensure that all of its employees follow strictly implemented protocols with respect to the protection of customer information and operational data, the misappropriation of data by the Bank's employees or other people, any security breach caused by unauthorised access to its systems, or any destruction or loss or corruption of data, software, hardware or other computer equipment could have a material and adverse effect on the Bank's business, results of operations and financial condition.

The Bank strives to upgrade its IT systems on a timely and cost-effective basis. Any failure to successfully and timely improve or upgrade its IT systems may lead to malfunctioning or slowdown in its systems, which in turn may impact its ability to operate to meet customers' increasing demand for certain products and services, and the Bank's reputation, business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, any systems failure or security breach or lapse that result in the release of user data could harm the Bank's reputation and brand and, consequently, its business, in addition to exposing it to potential legal liability. Any failure, or perceived failure, by the Bank to comply with its privacy policies or with any regulatory requirements or privacy protection-related laws, rules, and regulations could result in proceedings or actions against it by governmental entities or others. These proceedings or actions may subject the Bank to significant penalties and negative publicity, require the Bank to change its business practices, increase its costs, and severely disrupt its business.

The Bank may be involved in legal and other disputes from time to time arising out of its operations, and may face potential liabilities as a result.

The Bank is often involved in legal and other disputes for a variety of reasons, which generally arise because it seeks to recover outstanding amounts from borrowers or because customers or other claimants bring actions against it. The majority of these cases arise in the ordinary course of the Bank's business. Where the Bank assesses that there is a probable risk of loss, it is the Bank's policy to make provisions for the loss. The Bank has made provisions with respect to pending legal proceedings and other disputes against it.

However, there can be no assurance that the judgments in any of the litigation in which the Bank is involved would be favourable to it, or that the Bank's litigation provisions are adequate to cover the losses arising from legal proceedings or other disputes. In addition, if the Bank's assessment of the risk changes, its view on provisions will also change. It is expected that the Bank will continue to be involved in various legal and other disputes in the future, which may subject it to additional risks and losses. These disputes may relate to, among others, the amount of the unpaid obligations of the relevant borrowers, the terms for such borrowers to perform

their obligations and the application of statute of limitations. In addition, the Bank may have to advance legal costs associated with such disputes, including fees relating to appraisal, notarisation, auction, execution and legal counsel's services. These and other disputes may lead to legal, administrative or other proceedings and may result in damage to the reputation of the Bank, additional operational costs and a diversion of resources and management's attention from its core business operations. There can be no assurance that the outcomes of future or current disputes or proceedings will be favourable to the Bank. If the outcomes of disputes or proceedings are unfavourable to the Bank, the Bank's business, financial condition and results of operations may be materially and adversely affected.

The Bank may not detect and prevent fraud or other misconduct committed by its employees or third parties in a timely manner.

As at 31 December 2024, the Bank had 1,470 outlets in 153 large and medium-sized cities in China and seven affiliates at home and abroad. Although the Bank has continuously sought to enhance management and supervision of its branches and sub-branches (including putting in place policies on employee conduct), as the branches and sub-branches have relatively significant autonomy in their operations and management within the scope of authorisation, the Bank cannot assure potential investors that it can always timely detect or prevent operational or management problems within its branches and sub-branches.

Fraud or other misconduct committed by the Bank's current or past employees or third parties could subject it to financial losses and sanctions imposed by government authorities which may, at the same time, cause serious damage to its reputation. Such misconduct may include, among other things, fraud, allegations of corruption, theft, mishandling of customer deposits, misappropriation of customers' funds and misappropriation of bank funds. In addition, penalties or government sanctions may be imposed on the Bank as a result of its current or past employees' misconduct. If such misconduct occurs, the Bank may be required to cooperate with the relevant authorities in its investigations directed against any current or past employees or third parties and the Bank's reputation, results of operations and financial condition may be materially and adversely affected arising from the illegal actions taken or as a result of any negative publicity arising from such illegal actions by its current or past employees or by third parties.

The Bank may not be able to detect money laundering or other illegal or improper activities, which could expose it to additional liability and negatively affect its business.

The Bank is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and other jurisdictions where it has operations, which require it, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions.

The Bank has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities and by terrorists, terrorist-related organisations and individuals. However, due to the fact that such policies and procedures are newly adopted, the Bank may not entirely eliminate instances where the Bank's facilities may be used by other

parties to engage in money laundering and other illegal and improper activities. To the extent the Bank may fail to fully comply with applicable laws and regulations, the relevant government authorities to whom it reports in the various jurisdictions have the power and authority to impose fines and other penalties on it. In addition, money laundering or other illegal or improper activities conducted by the Bank's customers using its facilities may have a material and adverse effect on the Bank's business operations, financial condition and reputation.

The Bank may not be able to satisfy the regulatory requirements on capital adequacy ratios in the future.

As at 31 December 2024, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.72 per cent., 11.26 per cent. and 13.36 per cent., respectively. Although these capital adequacy ratios were in compliance with the applicable PRC requirements, certain developments could affect the Bank's ability to satisfy applicable capital adequacy requirements in the future.

On 7 June 2012, the relevant PRC Banking Regulatory Authority promulgated the Provisional Measures for Capital Management of Commercial Banks (商業銀行資本管理辦法(試行)) (the "**Provisional Capital Management Regulations**"), which came into effect on 1 January 2013, and implemented Basel III in the PRC. The Provisional Capital Management Regulations clarified and refined the categorisations and methods of measurement in respect of the capital instruments of commercial banks. According to the Provisional Capital Management Regulations, the regulatory requirements on the capital adequacy ratio of commercial banks shall cover the requirements on the minimum capital, reserve capital and counter-cyclical capital, supplementary capital for systemically important banks, as well as second pillar-capital, which shall be reached by commercial banks by the end of 2018. In order to smoothly transition to the full adoption of the Provisional Capital Management Regulations, the relevant PRC Banking Regulatory Authority promulgated the Circular on Issues Concerning the Implementation of the Provisional Administrative Measures on Capital Management of Commercial Banks in Transitional Period (中國銀監會關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知) (the "**Transitional Circular**") on 30 November 2012, pursuant to which commercial banks shall reach the minimum capital requirement by 1 January 2013. Within the transitional period for reaching required targets, the Provisional Capital Management Regulations and the Transitional Circular require commercial banks to formulate and implement feasible plans for reaching capital adequacy ratio targets step by step, and submit the same to the relevant PRC Banking Regulatory Authority for approval. On 26 October 2023, the Measures for Capital Management of Commercial Banks (商業銀行資本管理辦法) (the "**Capital Management Regulations**") was promulgated, which came into effect on 1 January 2024 and replaced the Provisional Capital Management Regulations. Also on 26 October 2023, the Circular on Issues Concerning the Implementation of the Measures for Capital Management of Commercial Banks (國家金融監督管理總局關於實施《商業銀行資本管理辦法》相關事項的通知) was promulgated, which aimed to steadily promote the implementation of the Capital Management Regulations and came into effect on the same day.

Given the requirement of capital adequacy ratio under the Capital Management Regulations, the Bank's capital adequacy may be substantially affected. Although the Bank is currently in compliance with the requirement for capital adequacy, new requirements and regulations may

adversely affect the Bank's compliance with capital adequacy ratios, and it is possible that the Bank may face difficulties in meeting the requirement of the regulations regarding capital adequacy.

In addition, certain regulatory developments may affect the Bank's ability to maintain compliance with capital adequacy requirements, including the raising of minimum capital adequacy ratios by the relevant PRC Banking Regulatory Authority and the changes in calculations of capital adequacy ratios by the relevant PRC Banking Regulatory Authority. If any of these circumstances occurs, the Bank may be unable to comply with the regulatory requirements of the relevant PRC Banking Regulatory Authority.

There can be no assurance that the Bank will be able to meet these requirements in the future at all times and any failure to meet these requirements may have a material and adverse effect on the Bank's business, financial condition and results of operations.

In order to support its steady growth and development, the Bank may need to raise more capital to ensure that its capital complies with or exceeds the minimum regulatory requirement. The Bank's capital-raising ability may be restricted by the Bank's future business, financial condition and results of operations, the Bank's credit rating, necessary regulatory approvals and overall market conditions, including the PRC's and global economic, political and other conditions at the time of capital raising.

The Bank is subject to various risks in relation to the PRC and overseas regulatory requirements.

The Bank is subject to periodic inspections and examinations relating to compliance with the relevant laws, regulations and guidelines by PRC regulatory authorities, including the MOF, the PBOC, the relevant PRC Banking Regulatory Authority, SAMR, SAFE and the tax authorities at different levels, as well as by overseas regulatory authorities for its overseas operations. The Bank cannot, however, assure potential investors that future examinations by PRC or other regulatory authorities would not result in fines and penalties that could materially and adversely affect its reputation, business, results of operations and financial condition.

From time to time, the NAO conducts audits on state-controlled enterprises and publishes the audit results. If the Bank is found to have any material misconduct or non-compliance in future NAO audits, it will be subject to fines and other administrative penalties, which could materially and adversely affect its reputation, business and prospects.

The Bank's overseas branches, subsidiaries and representative offices are subject to various overseas regulatory requirements as well as periodic inspections, examinations and inquiries conducted by overseas regulatory authorities in respect of its compliance with such requirements. The Bank cannot assure potential investors that it will be able to meet all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times. The Bank may be subject to sanctions, fines or other penalties in the future as a result of any non-compliance with laws and regulations. If any such sanction, fine or other penalty is imposed on the Bank for failing to comply with applicable regulatory requirements or

guidelines, the Bank's business, financial condition, results of operations and reputation may be materially and adversely affected.

In addition, the PRC, United States, European Union, United Kingdom, Hong Kong, United Nations Security Council and other applicable jurisdictions currently impose various economic sanctions on certain countries, regions, territories, entities and specific sectors in certain countries, regions or territories. These sanctions are intended to address a variety of policy concerns, among other things, denying certain countries, and certain individuals and entities, the ability to support international terrorism and to pursue weapons of mass destruction and missile programmes. For example, the United States currently impose various economic sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") which apply only to U.S. persons and, in certain cases, to foreign subsidiaries of U.S. persons or to transactions involving certain items subject to U.S. jurisdiction. OFAC prohibits such persons from directly or indirectly investing or otherwise doing business in or with certain countries (such as the Crimea region, Cuba, Iran, North Korea, Syria, Donetsk and Luhansk) and with certain persons or businesses that have been specially designated by OFAC or other U.S. government agencies. Other governments and international or regional organisations also administer similar economic sanctions. Further, sanctions laws are subject to change, sometimes with little advance notice. If the Group is in the future determined to have engaged in any prohibited transactions or otherwise violated applicable sanctions regulations, the Group could be subject to penalties and sanctions and its reputation and ability to conduct future business in the relevant jurisdictions may be materially and adversely affected.

The uncertainties in the global economy, the global financial markets and, in particular, in the PRC could materially and adversely affect the financial condition and results of operations of the Bank and the Group.

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 had a negative and lasting impact on the world economy, which in turn affected the PRC real estate industry and many other industries. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. Following a referendum vote on 23 June 2016 and a formal notice given by the UK to the European Union on 29 March 2017 under Article 50 of the Treaty on European Union, the United Kingdom left the European Union on 31 January 2020 at 11 p.m. local time ("**Brexit**"). With Brexit taking full effect after 31 December 2020, economic relations between the United Kingdom and the remaining members of the European Union will continue to evolve, and it is unclear how Brexit would ultimately affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and the rest of the world.

It is expected that the world economy and financial markets will continue face uncertainty due to various conflicts, sanctions, market disruptions, sovereign debt issues, inflation, political unrest and trade wars. The Russo-Ukrainian conflict and the conflict in Israel and Gaza have caused volatility in the global markets and may have a negative impact on the region and the global economies, especially on the sectors of oil, natural gas, and food. Several European countries struggle with sovereign debt problems and the risk of default or restructuring, which may affect the stability of the eurozone and the European Union. Major economies around the

world have experienced high inflation levels as a result of liberal monetary policies, which may erode the purchasing power of consumers and businesses and affect the growth prospects. Political unrest in various countries in the Middle East, Eastern Europe, and Africa has resulted in economic instability and uncertainty, which may affect the security and the development of the regions. China's economic growth has moderated due to weakened exports and the trade war with the United States, which has imposed significant tariffs on Chinese goods and *vice versa*. Although a partial trade deal was signed in January 2020, which included some tariff rollbacks, the tensions continued to escalate. In 2025, the U.S. imposed additional tariffs on Chinese imports, reaching 125 per cent. in April, while China retaliated with an 84 per cent. tariff on U.S. goods. These actions have strained economic relations between the two countries, impacting both the Chinese and global economies. Those tariffs were paused after negotiations in Geneva and London but the future of these trade tensions remains uncertain.

The uncertainties in the global and the PRC's economies may adversely affect the Bank's financial condition and results of operations in many ways, including, among other things:

- during a period of economic slowdown, there is a greater likelihood that more of the Bank's customers or counterparties could become delinquent in respect of their loan repayments or other obligations to the Bank, which, in turn, could result in a higher level of NPLs, allowance for impairment losses and write-offs, all of which would adversely affect its results of operations and financial condition;

- the increased regulation and supervision of the financial services industry in response to the financial crisis in certain jurisdictions where the Bank operates may restrict its business flexibility and increase compliance costs, which may adversely affect its business operations;

- the value of the Bank's investments in the debt securities issued by overseas governments and financial institutions may significantly decline, which may adversely affect its financial condition;

- the Bank's ability to raise additional capital on favourable terms, or at all, could be adversely affected; and

- trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect the Bank's business prospects.

There can be no assurance that the PRC's economy or the global economy will maintain sustainable growth. If further economic downturn occurs or continues, the business, results of operations and financial condition of the Bank could be materially and adversely affected.

The PRC's economic, political and social conditions, as well as government policies, could affect the Bank's business, financial condition and results of operations.

A substantial majority of the Bank's businesses, assets and operations are located in the PRC. Accordingly, the Bank's financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in the PRC.

The PRC government exercises significant control over the PRC's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. The Bank may not benefit from certain such measures. The PRC government also has the power to implement macroeconomic control measures affecting the PRC's economy. These measures are aimed at benefitting the overall economy of the PRC, but some of them may have negative effects on certain industries, including the commercial banking industry. For example, the Group's operating results may be adversely affected by government control over capital investments or changes in the interpretation of and application of applicable tax regulations. In addition, in recent years, the PBOC has instituted broad reform of the PRC's monetary policy. If the Group is unable to adjust its operations in accordance with these reforms, its business, financial condition, and results of operations could be materially and adversely affected.

The PRC has been one of the world's fastest growing economies, as measured by GDP growth, in recent years. However, the PRC may not be able to sustain such a growth rate. If the PRC's economy experiences a decrease in growth rate or a significant downturn, the unfavourable business environment and economic condition for the Bank's customers could negatively impact their ability or willingness to repay the Bank's loans and reduce their demand for the Bank's banking services. The Bank's financial condition, results of operations and business prospects may be materially and adversely affected.

The Bank is subject to the PRC government controls on currency conversion and risks relating to fluctuations in exchange rates.

The Bank receives a substantial majority of its revenue in Renminbi. A portion of this revenue must be converted into other currencies in order to meet the Bank's foreign currency obligations. For example, the Bank needs to obtain foreign currency to make payments of declared dividends, if any, on its H shares. Under the PRC's existing foreign exchange regulations, by complying with certain procedural requirements, the Bank will be able to undertake current account foreign exchange transactions, including payment of dividends, without prior approval from the SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC government's fiscal and currency policies. Although the Bank seeks to reduce its exchange rate risk through currency derivatives or otherwise, it cannot assure investors that it will be able to reduce its foreign currency risk exposure relating to its foreign currency-dominated assets. In addition, there are limited instruments available for the Bank to

reduce its foreign currency risk exposure at reasonable cost. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of certain of the Bank's customers, particularly those deriving substantial income from exporting products or engaging in related businesses, and in turn affect their ability to service their obligations to the Bank. Furthermore, the Bank is also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect the Bank's financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in the PRC and globally, may have a material and adverse effect on the Bank's business operations, financial condition and results of operations.

Any future force majeure events, such as the occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, or swine flu caused by H1N1 virus, or H1N1 Flu or variants thereof, or COVID-19 pandemic, may materially and adversely affect the Bank's business, financial condition and results of operations. Possible force majeure events may give rise to additional costs to be borne by the Bank and have adverse effects on the quality of its assets, business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Bank's business. There is no assurance that such outbreak will not lead to decreased demand for services the Bank provides; nor is there assurance that the outbreak's adverse impact on the PRC economy and the Bank's customers will not adversely affect the level of non-performing loans.

Moreover, the PRC has experienced natural disasters like earthquakes, floods and drought in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and, in turn, the Bank's business. There can be no guarantee that any future occurrence of natural disasters or outbreaks of avian influenza, SARS, H1N1 Flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreaks of avian influenza, SARS, H1N1 Flu, COVID-19 or other epidemics, will not seriously interrupt the Bank's operations or those of its customers, which may have a material and adverse effect on its business, financial condition and results of operations.

The Bank may not be able to hire, train or retain a sufficient number of qualified employees.

Most aspects of the Bank's business are dependent on the quality of its professional employees. The Bank devotes considerable resources to recruitment and staff-training. However, the Bank faces increased competition in recruiting and retaining these individuals, as other banks are competing for the same pool of potential employees. The loss of members of the Bank's senior management team or professional staff may materially and adversely affect its business, customer base and results of operations.

RISKS RELATING TO THE BANKING INDUSTRY

The Bank's business and operations are highly regulated, and its business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.

The Bank's business and operations are directly affected by changes in the PRC's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which it can engage in specific businesses, as well as changes in other governmental policies. Since its establishment as the primary banking industry regulator assuming the majority of the bank regulatory functions from the PBOC in 2003, the relevant PRC Banking Regulatory Authority has promulgated a series of banking regulations and guidelines. The banking regulatory regime in the PRC is currently undergoing significant changes, most of which are applicable to the Bank and may result in additional costs or restrictions on its activities. For instance, in March 2011, the relevant PRC Banking Regulatory Authority, the PBOC and the NDRC jointly issued a notice stipulating the cancellation of 34 service fees classified under 11 categories of domestic commercial banks effective from 1 July 2011. On 14 February 2014, the NDRC and the relevant PRC Banking Regulatory Authority jointly issued Measures for the Administration of the Service Prices of Commercial Banks (the "**Measure**"), which came into effect on 1 August 2014. According to the Measure, the prices of basic banking services that are widely used by clients and have significant influence on the PRC's economic development shall be subject to the guidance or determination of the government. The NDRC and the relevant PRC Banking Regulatory Authority also jointly issued a circular on Printing and Distributing the Catalogue of Government-guided and Government-determined Prices for Services Provided by Commercial Banks (the "**Catalogue**").

According to the Catalogue, the prices of basic financial services provided by commercial banks for bank clients shall be subject to government guided-prices and government pricing. Such basic financial services include part of commercial banks' service items, such as wire transfer, remittance by cash, encashment and bills, and specific charge items and charging standards shall be subject to the Catalogue. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations, nor can the Bank assure investors that it will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations. Failure to comply with the applicable policies, laws and regulations may result in fines and restrictions on the Bank's activities, which could also have a significant impact on its business, financial condition and results of operations.

The Bank's business and operations are directly affected by changes in the PRC's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which it can engage in specific businesses, as well as changes in other governmental policies. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations, nor can there be any assurance that the Bank will be able to adapt to all such changes on a timely basis. In addition, there may be

uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Bank's activities, which may have a material and adverse effect on the Bank's financial condition and results of operations.

The Bank is subject to changes in interest rates and other market risks, and the Bank's ability to hedge market risks is limited.

As with most commercial banks, the Bank's results of operations depend to a great extent on its net interest income. For the years ended 31 December 2022, 2023 and 2024, the Group's net interest income represented 71.36 per cent., 69.82 per cent. and 68.79 per cent. of its operating income, respectively. Interest rates in the PRC historically were highly regulated but have been gradually liberalised in recent years. Under former PBOC regulations, commercial banks in the PRC cannot set interest rates above 150 per cent. of the relevant PBOC benchmark rate for RMB-denominated deposits. There also used to be a restriction with respect to the lower limit of the interest rates for RMB-denominated deposits. However, the PBOC promulgated the Notice on Further Promoting the Market-oriented Reform of Interest Rates on 19 July 2013, eliminating such restriction on RMB-denominated loans, except for residential mortgage loans. As at 20 August 2020, the ceiling on private lending interest rate has been significantly lowered to four times one-year LPR (13.8 per cent., announced by National Interbank Funding Center on 20 May 2024) from the previous ceiling, which was set between 24 per cent. and 36 per cent. There is no assurance that the ceiling on private lending interest rates will not be further lowered in the future, nor is there assurance that such adjustments in interest rate caps will not have a material adverse impact on the Bank's business, financial condition and results of operations.

The PBOC may further liberalise the existing interest rate restrictions on RMB-denominated loans and deposits. If the existing regulations were substantially liberalised or eliminated, competition in the PRC's banking industry would likely intensify as the PRC's commercial banks seek to offer more attractive rates to customers. Further liberalisation by the PBOC would result in the narrowing of the spread in the average interest rates between RMB-denominated loans and RMB-denominated deposits, thereby materially and adversely affecting the Bank's results of operations. Furthermore, the Bank cannot assure investors that it will be able to adjust the composition of its asset and liability portfolios and its pricing mechanism to enable it to effectively respond to further liberalisation of interest rates.

In recent years, the PBOC has adjusted the benchmark rates several times. Any adjustments by the PBOC in the benchmark interest rates on loans or deposits or changes in market interest rates may adversely affect the Bank's financial condition and results of operations in different ways. For example, changes in the PBOC benchmark interest rates could affect the average yield on the Bank's interest-earning assets differently from the average cost on its interest-bearing liabilities, and therefore may narrow its net interest margin and reduce its net interest income, which may materially and adversely affect its results of operations and financial condition. In addition, an increase in interest rates may result in increases in the finance costs of the Bank's customers and thus reduce overall demand for loans, and, accordingly, adversely affect the growth of the Bank's loan portfolio, as well as increase the risk of customer default. As a result, changes in interest rates may adversely affect the Bank's net interest income, financial condition and results of operations.

The Bank also undertakes trading and investment activities involving certain financial instruments both in the PRC and abroad. The Bank's income from these activities is subject to volatilities caused by, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates generally have an adverse effect on the value of the Bank's fixed rate securities portfolio, which may materially and adversely affect its results of operations and financial condition. Furthermore, as the derivatives market has yet to mature in the PRC, there are limited risk management tools available to enable the Bank to reduce market risks.

The growth rate of the PRC's banking industry may not be sustainable.

The Bank expects the banking industry in the PRC to continue to grow as a result of anticipated growth in the PRC economy, increases in household income, further social welfare reforms, demographic changes and the opening of the PRC's banking industry to foreign participants. However, it is not clear how certain trends and events, such as the pace of the PRC's economic growth, the PRC's implementation of its commitment to WTO accession, the development of its domestic capital and insurance markets and the ongoing reform of its social welfare system will affect the PRC's banking industry. In addition, there can be no assurance that the banking industry in the PRC is free from systemic risks. Consequently, there can be no assurance that the growth and development of the PRC's banking industry will be sustainable.

The effectiveness of the Bank's credit risk management is affected by the quality and scope of information available in the PRC.

The information infrastructure in the PRC is relatively undeveloped. PRC national individual and corporate credit information databases developed by the PBOC commenced operation in 2006.

However, due to their short operational history, they can only provide limited information. Therefore, the Bank's assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. Until these nationwide credit information databases become more fully developed, the Bank has to rely on other publicly available resources and its internal resources, which are not as extensive or as effective as a unified nationwide credit information system. As a result, the Bank's ability to manage effectively its credit risk and, in turn, its asset quality, is limited, and its financial condition and results of operations may be materially and adversely affected.

The Bank faces intense competition in the PRC's banking industry as well as competition from alternative corporate financing and investment channels.

The Bank faces competition from other commercial banks and financial institutions in all of its principal areas of business. It competes primarily with other large commercial banks, nationwide joint stock commercial banks, city commercial banks and foreign banks in the PRC.

Additionally, following the removal of regulatory restrictions on its geographical presence, customer base and operating licence in the PRC in December 2006 as part of the PRC's World Trade Organisation accession commitments, the Bank has experienced increased competition

from foreign invested commercial banks. Furthermore, the Mainland and Hong Kong Closer Economic Partnership Arrangement, the Mainland and Macau Closer Economic Partnership Arrangement and the Cross-Straits Economic Co-operation Framework Agreement, which permit Hong Kong, Macau and Taiwan banks to operate in the PRC, have also increased competition in the PRC's banking industry.

Moreover, the PRC government has, in recent years, implemented a series of measures designed to further liberalise the banking industry, including, among others, with respect to interest rates and non-interest-based products and services, which are changing the basis on which the Bank competes with other banks for customers.

The Bank competes with many of its competitors for substantially the same loan, deposit and fee-based business customers. Such competition may adversely affect the Bank's business and future prospects by, for example:

- reducing its market share in its principal products and services;
- slowing down the growth of its loan or deposit portfolios and other products and services;
- decreasing its interest income or increasing its interest expenses, thereby reducing its net interest income;
- reducing its fee and commission income;
- increasing its non-interest expenses, such as marketing expenses;
- adversely affecting its asset quality; and
- increasing competition for senior management and qualified professional personnel.

The Bank may also face competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of its customers choose alternative financing to fund their capital needs, the Bank's business, financial condition and results of operations may be adversely affected.

Moreover, the Bank may face competition from other forms of investment alternatives as the PRC capital markets continue to develop. As the PRC equity and bond markets continue to develop and become more viable and attractive investment alternatives, the Bank's deposit customers may elect to transfer their funds into equity and bond investments, which may reduce its deposit base and adversely affect its business, financial condition and results of operations.

The PRC regulators have implemented measures relating to lending to small and medium-sized enterprises ("SMEs"), and the Bank may be subject to future regulatory changes.

The relevant PRC Banking Regulatory Authority has promulgated a series of measures, including the Guidance on Issues Relevant to Establishing Special Agencies for Small Business Lending by Banks (《關於銀行建立小企業金融服務專營機構的指導意見》) and the Notice on Further Supporting Commercial Banks' Improvement of Financial Services to Small Enterprises (《關於支持商業銀行進一步改進小企業金融服務的通知》), to encourage banking institutions to implement the PRC government's macroeconomic policies, and, in particular, to proactively support continued healthy economic growth by increasing lending activities to SMEs while effectively controlling risk.

SMEs are more vulnerable to fluctuations in the macroeconomy compared with large enterprises, due to relatively limited capital, management or other resources required to cope with the adverse impact of major economic or regulatory changes. In addition, SMEs may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may be significantly increased if its SME clients are affected by economic or regulatory changes, which could materially and adversely affect the Group's business, results of operations and financial condition.

There can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular, those relating to lending to SMEs, will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations.

Certain PRC regulations limit the Bank's ability to diversify its investments, and, as a result, a decrease in the value of a particular type of investment may have a material adverse effect on its financial condition and results of operations.

As a result of the current PRC regulatory restrictions, substantially all of the Bank's RMB-denominated investment assets are concentrated in a limited number of investments permitted for PRC commercial banks, such as PRC governmental bonds, bonds issued by PRC policy banks and bonds issued on the inter-bank market. These restrictions to a certain extent limit the Bank's ability to diversify its investment portfolio and to seek returns on its investments when compared with those of banks in other countries or to manage the Bank's liquidity in the same manner as banks in other countries. In addition, the Bank is exposed to a certain level of risk as a result of the concentration of its RMB-denominated investment securities. For instance, any deterioration of the financial condition of commercial banks in the PRC would increase the risks associated with holding their bonds and subordinated notes. A decrease in the value of any of these types of investments could have a material adverse effect on the Bank's financial condition and results of operations.

The Group may be affected by Basel III Reforms and related reforms and the Financial Institutions (Resolution) Ordinance.

The Basel Committee has proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks which are designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before taxpayers are exposed to loss (the "**Basel III Reforms**"), the principal elements of which are set out in its papers dated 16 December 2010 (as revised in June 2011) and its press release dated 13 January 2011. The implementation of the Basel III Reforms in the PRC is currently under way. In addition to Basel III Reforms, many jurisdictions have started to propose various reforms related or similar to the Basel III Reforms. As the Group operates its business globally, it may the subject of recent international regulatory guidance and proposals for reform.

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may in the future include members of the Group (a "**FIRO Group Entity**"). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority may have the ability to resolve other entities within the Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the relevant entity. The implementation of FIRO remains untested and certain details relating to FIRO has been or will be set out through secondary legislation and supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries or other Group entities, the Bank's operations and/or its financial position.

RISKS RELATING TO THE NOTES

Potential investors should not place undue reliance on the financial information incorporated by reference that is not audited.

This Offering Circular incorporates the most recently published unaudited but reviewed interim consolidated financial statements of the Bank published from time to time after the date of this Offering Circular in each case together with any review reports prepared in connection therewith, as well as the most recently published unaudited and unreviewed quarterly financial information, published subsequent to the most recently published consolidated financial statements of the Bank. The Bank publishes its consolidated quarterly interim reports in respect of the three months ended 31 March and 30 September of each financial year. A copy of the quarterly interim reports can be found on the website of the Hong Kong Stock Exchange.

The quarterly interim financial information has not been and will not be audited or reviewed by the Bank's independent auditors. The quarterly interim financial information should not be relied

upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operations. The half-yearly or quarterly interim financial information should not be taken as an indication of the expected financial condition or results of operations of the Group for the relevant full financial year.

Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement to this Offering Circular or any Pricing Supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Certain Series of Notes may be complex financial instruments. Sophisticated investors generally do not purchase complex financial instruments as standalone investments, but rather purchase such complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in such Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how such Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Financial Institutions (Resolution) Ordinance may adversely affect the Notes where the Issuer is the Hong Kong Branch.

On 7 July 2017, the FIRO came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which

may include the Bank to the extent the Bank conducts licensed activities in Hong Kong. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result if the Issuer is the Hong Kong Branch. In the event that the Issuer is the Hong Kong Branch, holders of Notes may become subject to and bound by the FIRO.

The implementation of FIRO remains untested and certain details relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, it is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of the Bank's consolidated subsidiaries, the Bank's operations and/or financial position.

The Notes are subordinated to all secured debt of each of the Issuer and the Bank.

Each Tranche of Notes will be unsecured and will rank at least equally with all other unsecured and unsubordinated indebtedness (except for creditors whose claims are preferred by law and which rank ahead of the holders of the Notes) that each of the Issuer and the Bank has issued or may issue. Payments under the Notes are effectively subordinated to all secured debt of each of the Issuer and the Bank to the extent of the value of the assets securing such debt.

As a result of such security interests given to the relevant Issuer's and the Bank's secured lenders, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving the relevant Issuer and the Bank, the affected assets of the relevant Issuer and the Bank may not be used to pay the Noteholders until after:

- all secured claims against the affected entity have been fully paid; and

- if the affected entity is a subsidiary of the Bank, all other claims against such subsidiary, including trade payables, have been fully paid.

In the event that an Issuer (where such Issuer is an offshore branch of the Bank) failed to fully perform its obligations under the Notes, performance by the Bank of such obligations may be subject to registration with or verification by the PRC government authorities.

According to the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and the circular issued by the PBOC dated 7 August 1995, named "Reply on the Issues Regarding the Civil Liabilities of the Branches of Commercial Banks" (關於對商業銀行分支機構民事責任問題的覆函), in the event that a branch of a commercial bank fails to fully perform its obligations to the extent of the assets of the branch, such commercial bank shall fulfil such obligations to the extent that the branch has failed to perform them.

Therefore, in the event a Branch Issuer is unable to or does not perform its obligations under the Notes, the Bank will assume all civil obligations of such Branch Issuer under the Notes. The remittance of funds outside the PRC by the Bank in order to perform such obligations may be subject to registration or verification of the SAFE.

An active trading market for the Notes may not develop. Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued).

The Dealers are not obliged to make a market in any Tranche of Notes and any such market-making, if commenced, may be discontinued at any time at the sole discretion of the Dealers. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, even if a market develops for the Notes, it may not be liquid and the holders of the Notes may encounter difficulties in selling those Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales regardless of the performance of the Bank. In addition, to the extent that the Bank is not able to obtain or maintain a listing and quotation of any Tranche of Notes that are listed on the Hong Kong Stock Exchange or any other stock exchange, the sustainability and liquidity of such Notes may be adversely affected. The market for investment grade has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. If a Tranche of Notes is issued to a single investor or a limited number of investors, this may result in an even more illiquid or volatile market in such Notes. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

There could be conflicts of interest arising out of the different roles played by the Bank and its subsidiaries, and the Bank's other activities may affect the value of the Notes.

The Bank's subsidiary is appointed as an Arranger and Dealer for the Programme. The Bank or its subsidiaries may also issue other competing financial products which may affect the value of the Notes. Investors should also note that potential and actual conflicts of interest may arise from the different roles played by the Bank and its subsidiaries in connection with the Notes, and the economic interests in each role may be adverse to the investors' interests in the Notes. Although the Bank has internal control policies and procedures to minimise any potential conflict of interest, the Bank owes no duty to investors to avoid such conflicts.

Investors shall be aware of the effect of change of law.

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law, or the laws as specified in the Pricing Supplement, or administrative practices after the date of this Offering Circular.

Credit Ratings may not reflect all risks, and any credit rating of the Notes may be downgraded or withdrawn.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. As at the date of this Offering Circular, the Bank has been assigned a rating of Baa2 by Moody's, A- by S&P and BBB+ by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Each Tranche of Notes may be rated or unrated, as specified in the applicable Pricing Supplement. The rating represents the opinion of the relevant rating agency and its assessment of the ability of the relevant Issuer to perform its obligations under the Notes, and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. The relevant Issuer is not obligated to inform holders of the Notes if a rating is lowered or withdrawn. A reduction or withdrawal of a rating may adversely affect the market price of the Notes.

Investors shall pay attention to any modifications and waivers.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series. The Terms and Conditions of the Notes also provide that the parties to the amended and restated fiscal agency agreement dated 18 June 2024 entered into in relation to the Notes between the Bank (on behalf of itself and on behalf of its branches), Citicorp International Limited as Fiscal Agent, CMU Lodging and Paying Agent and the other Agents named therein (the "**Fiscal Agency Agreement**") may agree to modify any provision thereof, but the Bank shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or to comply with mandatory provisions of the law.

The Notes may be represented by Global Notes, and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing

Systems. While the Notes are represented by one or more Global Notes, the relevant Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream or, as the case may be, to the relevant paying agent, in the case of the CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note and the relevant Clearing System(s) so permit, the Notes will be tradeable in nominal amounts (i) equal to, or integral multiples of, the minimum denomination, and (ii) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. In relation to any issue of Notes in registered form, definitive Certificates will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce(s) an intention to permanently cease business. The Pricing Supplement may provide that, if definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination, and such Notes will be cancelled and holders will have no rights against the relevant Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

The Notes are redeemable in the event of certain withholding taxes being applicable.

There can be no assurance as to whether or not payments on the Notes may be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction. Where such withholding or deduction is made by the relevant Issuer by or within the PRC up to and including the rate applicable on the Issue Date (the "**Applicable Rate**"), such Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders and Couponholders equals the amounts which would otherwise have been received by them had no such withholding or deduction been required. In the event the relevant Issuer is required to make a deduction or withholding in respect of (i) PRC tax in excess of the Applicable Rate and/or (ii) any tax in a Relevant Jurisdiction other than the PRC, such Issuer is required pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, but can also choose to redeem the Notes at their Early Redemption Amount (as defined in the Terms and Conditions of

the Notes) (together with interest accrued to the date fixed for redemption) if the conditions described in the Terms and Conditions of the Notes are satisfied. If the relevant Issuer redeems the Notes prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Notes to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, such Issuer's ability to redeem the Notes may reduce the market price of the Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Gains on the transfer of the Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law which took effect on 1 January 2008 and was later amended on 24 February 2017 and 29 December 2018, and its implementation rules which took effect on 1 January 2008 and were later amended on 23 April 2019 and 6 December 2024, any gain realised on the transfer of the Notes by non-resident enterprise holders may be subject to enterprise income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realised from the transfer of the Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules. According to the arrangement between the PRC and Hong Kong for the avoidance of double taxation, residents of Hong Kong, including enterprise holders and individual holders, will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Notes.

Therefore, if non-resident enterprise holders are required to pay PRC income tax on gains on the transfer of the Notes (such enterprise income tax is currently levied at the rate of 10 per cent. Of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise holders of the Notes reside that reduces or exempts the relevant tax), the value of their investment in the Notes may be materially and adversely affected.

The interpretation of the NDRC Order 56 may affect the enforceability and/or effective performance of the Notes. Any failure to complete the relevant filings and/registration under the NDRC Order 56 within the prescribed time frames may have adverse consequences for the relevant Issuer and/or the investors of the Notes.

The NDRC issued the NDRC Order 56 on 5 January 2023, which came into effect on 10 February 2023. According to the NDRC Order 56, domestic enterprises and their overseas

controlled entities shall procure the registration of any debt securities with a term not less than one year issued outside the PRC with the NDRC prior to the issue of the securities, and notify the particulars of the relevant issues within the timeframe prescribed by the NDRC after the completion of the relevant issue. Under the NDRC Order 56, the Bank shall, (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the Certificate with respect to the relevant Notes in accordance with the NDRC Order 56, (ii) file or cause to be filed with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) file or cause to be filed the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations.

Failure to comply with the NDRC post-issue and continuing filing obligations (such as post-issue filing, pre-issuance approval expiration filing, periodical filing and major event filing, etc.) under articles 24 and 26 of the NDRC Order 56 may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the "Credit China" website and the national enterprise credit information publicity system, among others.

The Bank undertakes to provide or cause to be provided to the NDRC a notification of the requisite information and documents within the relevant prescribed timeframes after the relevant Issue Date in respect of the relevant Notes in accordance with the NDRC Order 56 and any implementation rules or policies as issued by the NDRC from time to time.

However, the NDRC Order 56 is new and the administration and enforcement of the NDRC Order 56 may be subject to executive and policy discretion of the NDRC. While the NDRC Order 56 has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Order 56, the NDRC Order 56 is silent on whether any such non-compliance would affect the validity and enforceability of the Notes. There is no assurance that the failure to comply with the NDRC Order 56 would not result in adverse consequences on the relevant Issuer's or the Bank's ability to perform in accordance with the Terms and Conditions of the Notes or the enforceability of the Notes.

The Bank may be subject to the filing requirements in relation to issue of Notes from respective authorities within the PRC.

On 12 January 2017, the PBOC issued the Circular of the People's Bank of China on the Macro-prudence Management of Cross-border Financing in Full Aperture (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**2017 PBOC Circular**"), which applies to cross-border financing activities by companies and financial institutions (including banks) incorporated in the mainland. According to the 2017 PBOC Circular, 27 mainland banks (including the Bank) are required to make filings with the PBOC in respect of their offshore bond offerings.

In connection with the establishment of the Programme or any issuance by an offshore branch, the Bank has not made and does not intend to make any filing with the PBOC under the 2017 PBOC Circular. To the extent and if the Bank or any of its branches which are located within the PRC issues Notes under the Programme or any overseas bank intends to remit any proceeds from any Note issue under the Programme to the mainland, the Bank will make the requisite filing with the PBOC in compliance with the 2017 PBOC Circular.

The PBOC has yet to publish any detailed implementation rules and guidance on the 2017 PBOC Circular. The aforementioned views are based on the Bank's PRC legal advisors' understanding and interpretation of the 2017 PBOC Circular. There is no assurance that PBOC would take the same view or the 2017 PBOC Circular would not be interpreted in a different way. If the PBOC takes a different view or any change will be made to such regulations, the Bank will comply with the requirements of such and any other regulatory authorities.

Additional procedures may be required to be taken to hear English law governed matters in the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Notes and the Deed of Covenant are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken.

Additional procedures may be required to effect service of process upon, or to enforce against, the Bank or its directors, supervisors or members its senior management who reside in the PRC in connection with judgements obtained in non-PRC courts.

On 18 January 2019, the Supreme People's Court and the Department of Justice of the Hong Kong Special Administrative Region jointly promulgated the Arrangement for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"), which became effective on 29 January 2024. The 2019 Arrangement facilitates the mutual recognition and enforcement of court judgments between the mainland and Hong Kong and covers matters which are considered to be of a "civil and commercial" nature under both Hong Kong and mainland law. Non-judicial proceedings and judicial proceedings relating to administrative or regulatory matters are excluded. Subject to the provisions in the 2019 Arrangement, judgments in civil and commercial matters of the courts of the mainland and Hong Kong are expected to be mutually recognisable and enforceable. The recognition and enforcement of a Hong Kong court judgment could be refused if the relevant PRC court considers that the recognition and enforcement of such judgment is contrary to the basic principles of law of the PRC or the social and public interests of the PRC.

While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. The holders of the Notes will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate a claim outside of Hong Kong will be uncertain.

Investment in the Notes is subject to risks related to the market generally.

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The secondary market generally.

An active secondary market in respect of the Notes may never be established or may be illiquid, and this would adversely affect the value at which an investor could sell their Notes.

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies are being issued to a single investor or a limited number of investors or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

Exchange rate risks and exchange controls.

The relevant Issuer will pay principal and interest (where applicable) on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes, and/or (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest and/or principal than expected, or no interest or principal.

Interest rate risks.

Investment in the Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

There are risks related to the structure of a particular issue of Notes.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the relevant Issuer.

An optional redemption feature is likely to limit the market value of the Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes will generally not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed, and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes.

The relevant Issuer may issue Notes with principal or interest payable in respect of the Notes being determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a "**Relevant Factor**"). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) the effect of any multiplier of leverage factor that is applied to the Relevant Factor is that the impact of any changes in the Relevant Factor on the amount of principal or interest payable will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly Paid Notes.

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable Rate Notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of those Notes.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a

floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then-prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then-prevailing rates on its Notes.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be or used as "benchmarks" are the subject of recent national, international regulatory and other regulatory guidance and proposals for reform. Some of these reforms are already effective, whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the United Kingdom Financial Conduct Authority ("**FCA**") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international, national or other proposals for reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates. Such factors may have

(without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event (as defined in the Terms and Conditions of the Notes) occurs, including if an interbank offered rate (such as EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate), and/or any page on which such benchmark may be published (or any successor service) becomes unavailable, or if any Paying Agent, Calculation Agent, the relevant Issuer or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Benchmark Rate (both as defined in the Terms and Conditions of the Notes), with the application of an Adjustment Spread (which could be positive, negative or zero) and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the new benchmark, all as determined by the relevant Issuer (acting in good faith and in consultation with an Independent Adviser) and as more fully described at Condition 5(b)(iv) and Condition 5(b)(v). It is possible that the adoption of a Successor Rate or Alternative Benchmark Rate, including any Adjustment Spread, may result in any Notes linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the original Reference Rate were to continue to apply in its current form. There is also a risk that the relevant fallback provisions may not operate as expected or intended at the relevant time.

Furthermore, in certain circumstances, the ultimate fallback for the purposes of calculation of Rate of Interest for a particular Interest Accrual Period may result in the Rate of Interest for the last preceding Interest Accrual Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable or any other international or national reforms, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

*The use of Secured Overnight Financing Rate ("**SOFR**") as a reference rate is subject to important limitations.*

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 5(b)(iii)(C) of the Terms and Conditions of the Notes).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to U.S. dollar London Interbank Offered Rate (the "**LIBOR**"). However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in the SOFR as an indicator of future changes in the SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of the SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources. The Bank has no control over its determination, calculation or publication. There can be no guarantee that the SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which the SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event (as defined under Condition 5(b)(v)) in respect of SOFR occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current

form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to SOFR and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Notes. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR do not prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

Notes issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared with conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index-Linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

If the relevant Issuer does not satisfy its obligations under the Notes, Noteholders' remedies will be limited.

Payment of principal of the Notes may be accelerated only in the event of certain events involving the relevant Issuer's bankruptcy, winding-up or dissolution or similar events or otherwise if certain conditions have been satisfied. See "*Terms and Conditions of the Notes – Events of Default*".

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in RMB (the "**RMB Notes**") may be issued under the Programme. A description of risks which may be relevant to an investor in RMB Notes is set out below.

There are restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of RMB Notes.

The PRC government regulates conversion between Renminbi and foreign currencies, including the Hong Kong dollar. However, there has been a significant reduction in control by the PRC government in recent years, particularly over trade transactions involving the import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC government.

Although the PBOC has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittances of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite the Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi

outside the PRC and the ability of the relevant Issuer to source Renminbi to finance its obligations under RMB Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the relevant Issuer's ability to source Renminbi outside the PRC to service such RMB Notes.

As a result of the restrictions imposed by the PRC government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (each, a "**RMB Clearing Bank**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border InterBank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore interbank market for the purchase and sale of Renminbi. The RMB Clearing Banks only have limited access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting the availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the RMB Notes. To the extent the relevant Issuer is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that the relevant Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Remittance of proceeds in Renminbi into or out of the PRC.

In the event that the relevant Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border Renminbi remittances in the future, that the PRC government will not impose any interim or long-term restrictions on capital inflow or outflow which may restrict cross-border Renminbi remittances, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the relevant Issuer does remit some or all of the proceeds into the PRC in Renminbi and such Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the RMB Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

Investment in RMB Notes is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The PBOC has in recent years implemented changes to the way it calculates the Renminbi's daily mid-point price against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point price. This change, and other changes such as widening the trading band that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to RMB Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the RMB Notes in that foreign currency will decline. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the RMB Notes.

Gains on the transfer of the RMB Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of RMB Notes by non-PRC resident enterprises or individual Noteholders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. Of the PRC-sourced gains derived by such non-PRC resident enterprises from the transfer of RMB Notes, but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. Of the PRC-sourced gains derived by such non-PRC resident individual Noteholders from the transfer of RMB Notes.

However, uncertainty remains as to whether the gain realised from the transfer of RMB Notes by non-PRC resident enterprises or individual Noteholders would be treated as income derived from sources within the PRC and thus become subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong for avoidance of double taxation, Noteholders who are

residents of Hong Kong, including enterprise Noteholders and individual Noteholders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if enterprise or individual resident Noteholders which are non-PRC residents are required to pay PRC income tax on gains derived from the transfer of RMB Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual Noteholders of RMB Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in RMB Notes may be materially and adversely affected.

Investment in the RMB Notes is subject to interest rate risks.

The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As RMB Notes may carry a fixed interest rate, the trading price of the RMB Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the RMB Notes propose to sell their RMB Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments with respect to the RMB Notes may only be made in the manner designated in the RMB Notes.

All payments to investors in respect of the RMB Notes will be made solely (i) for so long as the RMB Notes are represented by Global Certificates held with the common depositary for Clearstream Banking S.A. and Euroclear Bank SA/NV or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which an RMB Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, (ii) for so long as the RMB Notes are represented by Global Certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which an RMB Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The relevant Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

USE OF PROCEEDS

Unless otherwise specified in the Pricing Supplement, the net proceeds of each issue of the Notes will be applied by the Issuer for working capital and general corporate purposes.

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

BEARER NOTES

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a Temporary Bearer Global Note or, if so specified in the applicable Pricing Supplement, a Permanent Bearer Global Note which, in either case, will be delivered (a) prior to the original issue date of the Tranche to either (i) a common depositary (the "**Common Depositary**") for, Euroclear and Clearstream or (ii) a sub-custodian for the CMU or (b) at such other time, on such other date, to such other person and in such other place in accordance with the Fiscal Agency Agreement.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes, subject as provided by such Temporary Bearer Global Note, will be made upon presentation and (when no further payment is due in respect of such Temporary Bearer Global Note) surrender of such Temporary Bearer Global Note. On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge to the holder) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) if so specified in the applicable Pricing Supplement, for definitive Bearer Notes of the same Series **provided that** if the applicable Pricing Supplement specifies that TEFRA D rules apply, there shall have been certification (in a form to be provided) with respect to such nominal amount submitted for such exchange dated no earlier than the Exchange Date to the effect that the beneficial owners of interests in such Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations. The CMU may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made upon presentation and (when no further payment is due in respect of such Permanent Bearer Global Note) surrender of such Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in

the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

A Permanent Bearer Global Note will be exchangeable (free of charge to the holder), on or after the Exchange Date, in whole but not, except as provided by such Permanent Bearer Global Note, in part, for definitive Bearer Notes (a) if such Permanent Bearer Global Note is held on behalf of Euroclear, Clearstream, the CMU or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (b) if principal in respect of such Permanent Bearer Global Note is not paid when due, by the holder giving notice to the Paying Agent or CMU Lodging and Paying Agent (as applicable) of its election for such exchange. For these purposes, "**Exchange Date**" means a day falling not less than 60 days or in the case of exchange following failure to pay principal in respect of such Permanent Bearer Global Note when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Paying Agent or CMU Lodging and Paying Agent (as applicable) is located and, except in the case of exchange pursuant to (a) above, in the cities in which Euroclear and Clearstream and the CMU (as applicable) or, if relevant, the Alternative Clearing System, are located.

The following legend will appear on all Bearer Notes and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream or the CMU, as the case may be.

REGISTERED NOTES

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States, will initially be represented by a global note in registered form (a "**Registered Global Note**", together with any Bearer Global Note, the "**Global Notes**").

Registered Global Notes will be deposited with a Common Depositary for and registered in the name of a common nominee of, Euroclear, Clearstream and/or deposited with a sub-custodian for the CMU (if applicable) or such other person in such other place in accordance with the Fiscal Agency Agreement.

Payments of principal, interest or any other amount in respect of the Registered Notes in global form will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 1) as the registered holder of the Registered Global Notes. None of the Issuer, the Bank, the Fiscal Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(b)(ii) of the Terms and Conditions of the Notes) immediately preceding the due date for payment in the manner provided in that Condition.

TRANSFER OF INTERESTS

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear, Clearstream and the CMU, in each case to the extent applicable.

GENERAL

For so long as a Global Note or a Global Certificate is lodged with the CMU, (i) the CMU Lodging and Paying Agent shall pay any amounts of principal and interest due on a Global Note or a Global Certificate to the person(s) notified by the CMU to the CMU Lodging and Paying Agent as being the person(s) for whose account(s) interest(s) in that Global Note or Global certificate is credited and the CMU Lodging and Paying Agent shall not endorse that Global Note or Global Certificate and (ii) the records of the CMU (in the absence of manifest error) shall be conclusive evidence of the identity of the persons to whose accounts interests in that Global Note or Global Certificate are credited and the principal amount(s) of the interest(s) and of the Tranche of Notes represented by that Global Note or evidenced by that Global Certificate. Save in the case of manifest error, the CMU Lodging and Paying Agent shall be entitled to rely on any CMU Issue Position Report or any other statement by the CMU of the identities and interests of persons credited with interests in that Global Note or Global Certificate. If, and for so long as, a Global Note or Global Certificate is not lodged with the CMU, the Paying Agent and the other Agents shall make all payments in respect of that Global Note or Global Certificate against presentation (and, in the case of its redemption in full, surrender) of that Global Note or Global Certificate and (unless that Global Note or Global Certificate is surrendered) shall on behalf of the relevant Issuer endorse, or procure the endorsement of, a memorandum of each such payment in the relevant schedule to that Global Note or Global Certificate and return it, or cause it to be returned, to its bearer or holder.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. If principal in respect of any Notes represented by a Global Note is not paid when due (but subject as provided below), the holder thereof may from time to time elect that Direct Rights

under the provisions of (and as defined in) the amended and restated deed of covenant (as further supplemented and/or amended, the "**Deed of Covenant**") executed by the Bank as of 18 June 2024 shall come into effect in respect of a nominal amount of Notes up to the aggregate nominal amount in respect of which such failure to pay principal has occurred. Such election shall be made by notice to and presentation of the Global Note to, the Paying Agent or the CMU Lodging and Paying Agent (as applicable) for reduction of the nominal amount of Notes represented by such Global Note by such amount as may be stated in such notice. Upon each such notice being given, such Global Note shall become void to the extent of the nominal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect, for whatever reason.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")]/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market

assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 (2020 revised edition) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) [and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]][5]

Pricing Supplement dated [●]

[***ISSUER***]

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

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*] due [●] (the "**Notes**")
under the U.S.$5,000,000,000 Medium Term Note Programme (the "**Programme**")

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 18 June 2024 [and the supplement to it dated [●]] ([together,] the "**Offering Circular**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. [Copies of the Offering Circular may be obtained from [*address*]].

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[5] For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular.

[*The following language applies where the relevant Series of Notes will be listed on the Hong Kong Stock Exchange:*

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only.

The Stock Exchange of Hong Kong Limited ("HKSE") has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, the Bank or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on HKSE on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This document, together with the Offering Circular, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Bank and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

1.	Issuer:		[*Name of the Issuer*]
2.	(i)	[Series Number:]	[●]
	(ii)	[Tranche Number (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible):]	[●]
3.	Specified Currency or Currencies:		[●]

4.	Aggregate Nominal Amount:	[●]
	(i) [Series:]	[●]
	(ii) [Tranche:]	[●]
5.	(i) [Issue Price:]	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
	(ii) [Net Proceeds:	[●] (*Required only for listed issues*)]
	(iii) [Use of proceeds:	[●] (*Required if different from the Offering Circular*)]
6.	(i) Specified Denominations:	[●][(1)]
	(ii) Calculation Amount[(4)]:	[●] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.*)
7.	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue date/Not Applicable]
8.	Maturity Date:	[*Specify date (for Fixed Rate Notes) or (for Floating Rate Notes)* Interest Payment Date falling in or nearest to the relevant month and year][(2)]
9.	Interest Basis:	[[●] per cent. Fixed Rate] [*Specify reference rate*] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*Specify*)] (further particulars specified below)

10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*Specify*)]
11.	Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12.	Put/Call Options:	[Put] [Call] [(further particulars specified below)]
13.	Status of the Notes:	Senior Notes
14.	Listing:	[The Stock Exchange of Hong Kong Limited/Other (*specify*)/None (*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*)]
15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year[(3)] [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[(4)]

	(iv) Broken Amount:	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate*]
	(v) Day Count Fraction (Condition 5(j)):	[30/360 /Actual/Actual (ICMA/ISDA) /Actual/365 (Fixed)[(10)] /*Other*] (*Day count fraction should be Actual/Actual- ICMA for all fixed rate issues other than those Denominated in U.S. dollars, Renminbi or Hong Kong dollars, unless the client requests otherwise*)
	(vi) Determination Date(s) (Condition 5(j)):	[●] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*][(5)]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
17.	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Period Date(s):	[Not Applicable/ *specify dates*] (*Not applicable unless different from Interest Payment Date*)
	(iv) Business Day Convention:	[Floating Rate Note Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / other (*give details*)]
	(v) Business Centre(s) (Condition 5(j)):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]

(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s): [●]

(viii) Screen Rate Determination (Condition 5(b)(iii)(B)): [●]

- Reference Rate: [●]
- Interest Determination Date(s): [[●] [T2] Business Days in [*specify city*] for [*specify currency*] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
- Relevant Screen Page: [●]

(ix) Screen Rate Determination (SOFR) (Condition 5(b)(iii)(C)):

- SOFR Benchmark: [Simple SOFR Average/Compounded Daily SOFR/ Compounded SOFR Index]
- Compounded Daily SOFR Method: [Not Applicable/SOFR Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout]

  (*Only applicable in the case of Compounded Daily SOFR*)
- Interest Determination Date(s): [The [●] U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period – *only applicable in the case of Simple SOFR Average/SOFR Lag/SOFR Observation Shift/SOFR Lockout/Compounded SOFR Index*]

  [The Interest Period Date at the end of each Interest Period, **provided that** the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date – *only applicable in the case of SOFR Payment Delay*]

- Lookback Days: [Not Applicable/[●] U.S. Government Securities Business Day(s)]

  (*Only applicable in the case of SOFR Lag*)

- SOFR Observation Shift Days: [Not Applicable/[●] U.S. Government Securities Business Days]

  (Only applicable in the case of SOFR Observation Shift or Compounded SOFR Index)

- Interest Payment Delay Days: [Not Applicable/[●] U.S. Government Securities Business Day(s)]

  (*Only applicable in the case of SOFR Payment Delay*)

- SOFR Rate Cut-Off Date: [Not Applicable/The day that is the [●] U.S. Government Securities Business Day(s) prior to the end of each Interest Accrual Period]

  (*Only applicable in the case of Simple SOFR Average, Compounded Daily SOFR: SOFR Payment Delay or Compounded Daily SOFR: SOFR Lockout*)

- SOFR $\text{Index}_{\text{Start}}$ [Not Applicable/[●] U.S. Government Securities Business Day(s)]

  (*Only applicable in the case of Compounded SOFR Index*)

- SOFR $\text{Index}_{\text{End}}$ [Not Applicable/[●] U.S. Government Securities Business Day(s)]

  (*Only applicable in the case of Compounded SOFR Index*)

	(x) ISDA Determination (Condition 5(b)(iii)(A)):	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• ISDA Definitions:	2006 (*if different to those set out in the Conditions, please specify*)
	(xi) Margin(s):	[+/-] [●] per cent. per annum
	(xii) Minimum Rate of Interest:	[●] per cent. per annum
	(xiii) Maximum Rate of Interest:	[●] per cent. per annum
	(xiv) Day Count Fraction (Condition 5(j)):	[●]
	(xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Discontinuation (General) (Condition 5(b)(iv))/Benchmark Discontinuation (SOFR) (Condition 5(b)(v))/*specify other if different from those set out in the Conditions*]
18.	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
	(ii) Day Count Fraction (Condition 5(j)):	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
	Index Linked Interest Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
19.	(i) Index/Formula:	[*Give or annex details*]
	(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]

	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
	(iv) Interest Period(s):	[●]
	(v) Specified Interest Payment Dates:	[●]
	(vi) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vii) Business Centre(s) (Condition 5(j)):	[●]
	(viii) Minimum Rate of Interest:	[●] per cent. per annum
	(ix) Maximum Rate of Interest:	[●] per cent. per annum
	(x) Day Count Fraction (Condition 5(j)):	[●]
20.	Dual Currency Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[*Give details*]
	(ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]
	(v) Day Count Fraction (Condition 5(j)):	[●]

PROVISIONS RELATING TO REDEMPTION

21.	Call Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●]
22.	Put Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
23.	Final Redemption Amount of each Note	[●] per Calculation Amount
24.	Early Redemption Amount	
	(i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or an Event of Default (Condition 10 and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Bearer Notes/Registered Notes] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time] [Permanent Global Certificate exchangeable for Definitive Certificates in the limited circumstances specified in the Permanent Global Certificate] [Permanent Global Certificate exchangeable for Definitive Certificates on [●] days' notice/at any time][(6)(7)]
26.	Financial Centre(s) (Condition 7)) or other special provisions relating to payment dates:	[Not Applicable/*Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vii) relate*]
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]

29.	Details relating to Instalment Notes:	[Not Applicable/*give details*]
	(i) Instalment Amount(s):	[●]
	(ii) Instalment Date(s):	[●]
	(iii) Minimum Instalment Amount:	[●]
	(iv) Maximum Instalment Amount:	[●]
30.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
31.	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
32.	Other terms or special conditions:	[Not Applicable/*give details*][(7)]

DISTRIBUTION

33.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager (if any):	[Not Applicable/*give name*]
34.	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
35.	U.S. Selling Restrictions	[*Specify the applicable category of U.S. Selling Restrictions*/Not Applicable]
36.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, or the Notes do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared in the EEA, "Applicable" should be specified.*)
37.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable]

(*If the Notes clearly do not constitute "packaged" products, or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared in the UK, "Applicable" should be specified.*)

38.	Singapore Sales to Institutional Investors and Accredited Investors only	[Applicable/Not Applicable]
39.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

40.	ISIN Code:	[●]
41.	Common Code:	[●]
42.	CMU Instrument Number:	[●]
43.	Legal Entity Identifier of the [Bank/Issuer]:	[300300C1030211000384]/[●]
44.	Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
45.	Delivery:	Delivery [against/free of] payment
46.	Additional Paying Agents (if any):	[●]

GENERAL

47.	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[●]]
48.	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	[Not Applicable/Luxembourg]

49.	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	[Not Applicable/Hong Kong]
50.	(i) Date of corporate approval(s) for the issuance of the Notes	[●]
	(ii) Date of any regulatory approval for the issuance of the Notes	[●]
51.	[Ratings:	The Notes to be issued are expected to be rated [●] by [●]]
52.	Hong Kong SFC Code of Conduct	
	(i) Rebates	[A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]
	(ii) Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide*]/[Not Applicable]
	(iii) Marketing and Investor Targeting Strategy	[*If different from the programme OC*]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$5,000,000,000 Medium Term Note Programme of China CITIC Bank Corporation Limited 中信銀行股份有限公司.]

[STABILISATION

In connection with this issue, one or more of the Managers named as Stabilisation Manager (or person(s) acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or overallotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

[NO MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There][(8)] has been no significant change in the financial or trading position of the Issuer or of the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer or of the Group since [*insert date of last published annual accounts*].]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. Signed on behalf of the Issuer:

By: _____

Duly authorised

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(1) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000".

(2) Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

(3) Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "**provided that** if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

(4) For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.05 in the case of Renminbi denominated Fixed Rate Notes or to the nearest HK$0.01, HK$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

(5) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.

(6) If the Global Note/Certificate is exchangeable for Definitive Notes/Certificates at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

(7) Only applicable if permitted by the rules of the relevant clearing system. The limited circumstances in which exchange is permitted are set out under the section "*Summary of Provisions Relating to Notes while Represented by Global Notes or Global Certificates – Exchange*" in the Offering Circular.

(8) If full terms and conditions are to be used, please add the following here: "The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary". The first set of bracketed words is to be deleted where there is a Permanent Global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

(9) If any change is disclosed in the Pricing Supplement, it may require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

(10) Applicable to Renminbi and Hong Kong dollar denominated Fixed Rate Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, save for the words in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are part of a Series (as defined below) of Notes issued by China CITIC Bank Corporation Limited 中信銀行股份有限公司 (the "**Bank**") or the relevant branch of the Bank as specified hereon (the "**Issuer**") and are issued pursuant to an amended and restated fiscal agency agreement (as further amended, restated or supplemented as at the Issue Date, the "**Fiscal Agency Agreement**") dated 18 June 2024 which has been entered into in relation to the Notes between the Bank (on behalf of itself and on behalf of its branches), Citicorp International Limited as fiscal agent, CMU lodging and paying agent and the other agents named in it and with the benefit of an amended and restated Deed of Covenant (as further amended, restated or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 18 June 2024 executed by the Bank (on behalf of itself and on behalf of its branches) in relation to the Notes. The fiscal agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**" (such Fiscal Agent, CMU Lodging and Paying Agent, Paying Agents, Registrar and Transfer Agent(s) being together referred to as the "**Agents**"). For the purposes of these terms and conditions (the "**Conditions**"), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be references to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during usual business hours at the specified offices of the Paying Agents.

The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of and are deemed to have notice of all of the provisions of the Fiscal Agency Agreement applicable to them.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note (together with an Index Linked Interest Note, an "**Index Linked Note**"), an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest Basis and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** Subject to Condition 2(f), one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and, to the extent reasonably expected to be prejudicial to the interests of the Noteholders, the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to a Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within five business days of receipt of a duly completed form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant other Transfer Agent (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the relevant other Transfer Agent may require) in respect of taxes or charges.

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days ending on (and including) any date on which Notes may be redeemed by the Issuer at its option pursuant to Condition 6, (iii) after any such Note has been put by the relevant Noteholder or (iv) during the period of seven days ending on (and including) any Record Date.

3. STATUS

The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. COVENANTS

(a) **Regulatory Undertakings:** Each of the Bank and the Issuer undertakes to:

(i) to the extent applicable, provide or cause to be provided to the NDRC a notification of the requisite information and documents within the time frame prescribed after the relevant Issue Date of the Notes in accordance with Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and effective as of 10 February 2023 and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time;

(ii) to the extent applicable, submit or cause to be submitted to the PBOC the requisite information and documents within the time frame prescribed in accordance with the Circular of the People's Bank of China on the Macro-prudence Management of Cross-border Financing in Full Aperture (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by the PBOC and which came into effect on 12 January 2017 and any implementation rules as issued by the PBOC from time to time;

(iii) to the extent that it is required by the NFRA (formerly known as China Banking and Insurance Regulatory Commission), PBOC and/or SAFE, submit or cause to be submitted to the NFRA, PBOC and/or SAFE the requisite information and documents within the time frame prescribed; and

(iv) comply with all applicable PRC laws and regulations in connection with the Notes.

In these Conditions:

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**NDRC**" means the National Development and Reform Commission of the People's Republic of China;

"**NFRA**" means National Financial Regulatory Administration or its relevant local counterpart;

"**PBOC**" means the People's Bank of China;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state or other entity, whether or not having separate legal personality;

"**PRC**" means the People's Republic of China, which for the purpose of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan);

"**Rating Agency**" means any one of (a) Standard & Poor's Rating Services, and its successors ("**S&P**"), (b) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"), (c) Fitch Ratings and its successors ("**Fitch**"), and (d) if one or more of S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, any or other internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be, rating agency; and

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its local counterparts.

5. INTEREST AND OTHER CALCULATIONS

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) ***Interest Payment Dates:*** Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) ***Business Day Convention:*** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) ***Rate of Interest for Floating Rate Notes:*** The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin, if any. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(1) the Floating Rate Option is as specified hereon;

(2) the Designated Maturity is a period specified hereon; and

(3) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) ***Screen Rate Determination for Floating Rate Notes (other than Notes where the Reference Rate is specified as SOFR Benchmark)***

(1) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is not SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or, in the case of CNH HIBOR, 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (Hong Kong time), on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

(2) If the Relevant Screen Page is not available or if sub-paragraph (B)(1)(I) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (B)(1)(II) above applies and fewer

than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate and, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(3) If paragraph (B)(2) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the

case may be, **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) ***Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark***

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any) in accordance with Condition 5(g), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded Daily SOFR or Compounded SOFR Index, as follows (subject in each case to Condition 5(b)(v) as further specified hereon):

(x) If Simple SOFR Average ("**Simple SOFR Average**") is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each day during the period, as calculated by the Calculation Agent, and where, if applicable and as specified hereon, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date.

(y) If Compounded Daily SOFR ("**Compounded Daily SOFR**") is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable hereon to determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified as applicable hereon to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable hereon:

(1) SOFR Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-xUSBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**SOFRi–xUSBD**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day(i);

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(2) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_o**" means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to do, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(3) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**Interest Payment Date**" shall be the number of Interest Payment Delay Days following each Interest Period Date; **provided that** the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or, if the Issuer elects to redeem the Notes prior to the Maturity Date, the relevant Optional Redemption Date;

"**Interest Payment Delay Days**" means the number of Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded Daily SOFR with respect to the final Interest Accrual Period where SOFR Payment Delay is specified hereon, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off

Date to (but excluding) the Maturity Date or the relevant Optional Redemption Date, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(4) SOFR Lockout:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i), except that the SOFR for any U.S. Government Securities Business Day(i) in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C)(x) and Condition 5(b)(iii)(C)(y):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "**SOFRRATE**" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "**USDSOFR=**" or any successor page or service;

"**SOFR**" means, in respect of a U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(v) shall apply as specified hereon;

"**SOFR Rate Cut-Off Date**" means the date that is a number of U.S. Government Securities Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified hereon; and

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following the relevant U.S. Government Securities Business Day.

(z) If Compounded SOFR Index ("**Compounded SOFR Index**") is specified as applicable hereon, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Inded_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being

rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**SOFR Index**" means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, ***provided that***:

(a) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded Daily SOFR formula described above in Condition 5(b)(iii)(C)(y)(2) "**SOFR Observation Shift**", and the term "**SOFR Observation Shift Days**" shall mean two U.S. Government Securities Business Days; or

(b) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(v) shall apply as specified hereon;

"**SOFR Index$_{End}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified hereon prior to the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Index$_{Start}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified hereon prior to the first day of such Interest Accrual Period;

"**SOFR Index Determination Time**" means, in respect of a U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon; and

"**d_c**" means the number of calendar days in the applicable SOFR Observation Period.

If the Notes become due and payable in accordance with Condition 10, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Pricing Supplement, be deemed to be the date on which the Notes became due and payable and the Rate of Interest on the Notes shall, for so long as the Notes remain outstanding, be that determined on such date.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source;

"**SOFR Benchmark Replacement Date**" means the date of occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) ***Benchmark Discontinuation (General)***

Where this Condition 5(b)(iv) is specified as applicable hereon, if the Issuer determines that a Benchmark Event has occurred (or will occur on or prior to the Interest Determination Date relating to the next succeeding Interest Accrual Period), when the Rate of Interest (or any relevant component part thereof) remains to be determined by reference to the Reference Rate, then the following provisions shall apply:

(A) The Issuer shall use its reasonable endeavours to appoint an Independent Adviser for the determination (with the Issuer's agreement) of a Successor Rate or, alternatively, if the Independent Adviser and the Issuer agree that there is no Successor Rate, an alternative rate (the "**Alternative Benchmark Rate**") and, in either case, an alternative screen page or source (the "**Alternative Relevant Screen Page**") and the applicable Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(b)(iv)(F)) all by no later than three (3) Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Accrual Period (the "**Interest Determination Cut-off Date**") for purposes of

determining the Rate of Interest applicable to the Notes for all future Interest Accrual Periods (subject to the subsequent operation of this Condition 5(b)(iv)).

In the absence of bad faith or fraud, neither the Issuer nor any Independent Adviser shall have any liability whatsoever to the Fiscal Agent, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it pursuant to this Condition 5(b)(iv);

(B) The Alternative Benchmark Rate shall be such alternative benchmark or screen rate as the Independent Adviser and the Issuer acting in good faith agree has replaced the Reference Rate in customary market usage for the purposes of determining floating rates of interest in respect of eurobonds denominated in the Specified Currency, or, if the Independent Adviser and the Issuer agree that there is no such rate, such other rate as the Independent Adviser and the Issuer acting in good faith agree is most comparable to the Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate;

(C) If the Issuer is unable to appoint an Independent Adviser, or if the Independent Adviser and the Issuer cannot agree upon, or cannot select a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page on or prior to the Interest Determination Cut-off Date in accordance with sub-paragraph (A) and (C) above, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine which (if any) alternative benchmark or screen rate has replaced the Reference Rate in customary market usage for purposes of determining floating rates of interest in respect of eurobonds denominated in the Specified Currency, or, if it determines on or prior to the Interest Determination Cut-off Date that there is no such alternative benchmark or screen rate, which rate (if any) is most comparable to the Reference Rate, and the Alternative Benchmark Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Benchmark Rate; **provided, however, that** if this sub-paragraph (C) applies and the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page prior to the Interest Determination Cut-off Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be determined using the Reference Rate applicable to the first Interest Accrual Period. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest

Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iv);

(D) If a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page are determined in accordance with the preceding provisions, such Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page (in each case as adjusted by the applicable Adjustment Spread determined as provided in sub-paragraph (E) below) shall subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the subsequent operation of this Condition 5(b)(iv));

(E) If a Successor Rate or an Alternative Benchmark Rate and an Alternative Relevant Screen Page are determined in accordance with the preceding provisions, the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith, shall determine (i) the Adjustment Spread to be applied to the Successor Rate or Alternative Benchmark Rate (as applicable) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, and such Adjustment Spread shall be applied to the Successor Rate or Alternative Benchmark Rate for each subsequent determination of the Rate of Interest and Interest Amount(s) (or a component part thereof) by reference to such Successor Rate or Alternative Benchmark Rate;

(F) If a Successor Rate or an Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread are determined in accordance with the above provisions, the Independent Adviser (with the Issuer's agreement) or, failing which, the Issuer, may also specify changes to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, as are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of the Successor Rate, the Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**"), which changes shall (subject to the subsequent operation of this Condition 5(b)(iv)) apply to the Notes for all future Interest Accrual Periods, without any requirement for the consent or approval of Noteholders, and vary these Conditions and/or the Fiscal Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 5(b)(iv)(F), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading;

(G) The Issuer shall promptly following the determination of any Successor Rate or Alternative Benchmark Rate and Alternative Relevant Screen Page and Adjustment Spread give notice thereof and of any Benchmark Amendments pursuant to sub-paragraph (F) above to the Calculation Agent, the Fiscal Agent and the Noteholders in accordance with Condition 14 (*Notices*); and

(H) No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by an authorised signatory of the Issuer:

(i) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Benchmark Rate and, (z) the relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(b)(iv); and

(ii) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of such relevant Successor Rate, Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread.

The Fiscal Agent shall display such certificate at its offices, for inspection by the Noteholders at all reasonable times during normal business hours.

The Successor Rate or Alternative Benchmark Rate and (in either case) the applicable Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination thereof) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the other Paying Agents, the Noteholders, the Receiptholders and the Couponholders.

(v) ***Benchmark Discontinuation (SOFR)***

This Condition 5(b)(v) shall only apply to U.S. dollar-denominated Notes where so specified hereon.

The following provisions shall apply if Benchmark Discontinuation (SOFR) is specified as applicable hereon:

(i) Benchmark Replacement

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Fiscal Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(v). Noteholders' or Couponholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(b)(v), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (A) will be conclusive and binding absent manifest error, (B) will be made in the sole discretion of the Issuer or its designee, as applicable, and (C) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(iv) The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(v):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified hereon; **provided that** if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the sum of:

(x) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(y) the Benchmark Replacement Adjustment;

(B) the sum of:

(x) the ISDA Fallback Rate; and

(y) the Benchmark Replacement Adjustment; or

(C) the sum of:

(x) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry- accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(y) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) in the case of sub-paragraph (A) or (B) of the definition of "**Benchmark Event**", the later of:

(x) the date of the public statement or publication of information referenced therein; and

(y) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(B) in the case of sub-paragraph (C) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time, including the 2021 ISDA Interest Rate Derivatives Definitions (as amended or supplemented from time to time);

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (A) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded Daily SOFR is specified as applicable hereon) or SOFR Index Determination Time (where Compounded SOFR Index is specified as applicable hereon), or (B) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(vi) ***Rate of Interest for Index Linked Interest Notes:*** The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and interest will accrue by reference to an index or formula as specified hereon.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined by the Calculation Agent in the manner specified hereon.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest, Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (**provided that** if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

In the case of Notes represented by a Global Note or Global Certificate, interest shall be calculated in respect of any period by applying the Rate of Interest to the total aggregate outstanding nominal amount of the Notes represented by such Global Note or Global Certificate.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(iii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so

calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders.

(j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Adjustment Spread**" means either a spread (which may be positive, negative or zero) or a formula or methodology for calculating a spread, which in each case is to be applied to the relevant Successor Rate or the relevant Alternative Benchmark Rate (as applicable), and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made, or option provided, or in the case of an Alternative Benchmark Rate, is the spread, formula or methodology which the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith, determines to be appropriate as a result of the replacement of the Reference Rate with the Successor Rate or Alternative Benchmark Rate (as the case may be).

"**Benchmark Event**" means:

(i) the Reference Rate has ceased to be published for a period of at least five Business Days; or

(ii) the making of a public statement by the administrator of the Reference Rate that it has ceased, or will cease, publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate); or

(iii) the making of a public statement by the supervisor of the administrator of the Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) the making of a public statement by the supervisor of the administrator of the Reference Rate that means that such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in circumstances where the same shall be applicable to the Notes; or

(v) the making of a public statement by the supervisor of the administrator of the Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of its underlying market, in circumstances where the same shall be applicable to the Notes; or

(vi) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Reference Rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable),

provided that in the case of paragraphs (ii) to (v) above, the Benchmark Event shall occur on:

(vii) in the case of (ii) above, the date of the cessation of the publication of the Reference Rate;

(viii) in the case of (iii) above, the discontinuation of the Reference Rate;

(ix) in the case of (iv) above, the date on which the Reference Rate is prohibited from use or becomes subject to restrictions or adverse consequences (as applicable); or

(x) in the case of (v) above, the date on which the Reference Rate is deemed no longer to be representative,

and not (in any such case) the date of the relevant public statement (unless the date of the relevant public statement coincides with the relevant date in (vii), (viii), (ix) or (x) above, as applicable).

"**Business Day**" means:

(i) in the case of Notes denominated in a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Notes denominated in euro, a day on which T2 is operating (a "**T2 Business Day**"); and/or

(iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of Notes denominated in a currency and/or one or more Business Centres specified hereon, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Calculation Amount**" means the amount by reference to which the Interest Amount, Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount are calculated as specified hereon.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(viii) if "**Actual/Actual – ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(1) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods normally ending in any year; and

(2) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing with relevant experience in the international capital markets, in each case appointed by the Issuer at its own expense.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, euro, Hong Kong dollars, Renminbi or (iii) the day falling two T2 Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR **provided that** in this definition, "**Business Day**" shall mean a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London or Hong Kong (as the case may be).

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Benchmarks Supplement**" means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified hereon)) published by the International Swaps and Derivatives Association, Inc.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon and, if specified as such hereon, as supplemented by the ISDA Benchmarks Supplement.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the

administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**Successor Rate**" means the reference rate that the Independent Advisor or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

"**T2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer System or any successor or replacement for that system.

(k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Note is outstanding (as defined in the Fiscal Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or, if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption by Instalments and Final Redemption:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i), its final Instalment Amount.

(b) Early Redemption:

(i) ***Zero Coupon Notes:***

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) (as applicable) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and

payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) ***Other Notes:*** The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or Condition 6(d) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if

(i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdictions (as defined below), or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent:

(A) a certificate signed by a director or an authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any other Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Fiscal Agency Agreement) without the prior consent of the Issuer.

(f) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a), (c), (d) and (e) above.

(g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.

(h) **Purchases:** The Issuer, the Bank and its Subsidiaries may at any time purchase Notes (**provided that** all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Such Notes may, at the option of the Issuer, be held, reissued, resold or surrendered to the Fiscal Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, the Bank or any Subsidiary of the Bank, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 11.

(i) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Bank or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. PAYMENTS AND TALONS

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and **provided that** the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) in the case of Notes denominated in a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank; and

(ii) in the case of Notes denominated in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7, "**bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the T2 or, in the case of Renminbi, in Hong Kong.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(iii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Notes denominated in Renminbi) and fifteenth (in the case of Notes denominated in a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**") and in the manner provided in Condition 7(b)(iii) below.

(iii) Payments of principal or interest, as the case may be, on each Registered Note shall be made:

(x) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank; and

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(iii), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

*So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

Payment of interest or principal by the CMU Lodging and Paying Agent to the person for whose account a relevant interest in the Global Certificate is credited as being held by the CMU at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Instrument Position Report (as defined in the relevant CMU rules) or any other relevant notification by the CMU shall discharge the obligations of the Issuer in respect of that payment.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in Hong Kong or any other place of payment, but without prejudice to the provisions of Condition 8 and any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar and the Transfer Agents appointed under the Fiscal Agency Agreement and any Calculation Agent(s) appointed in respect of any Notes act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, in each case in accordance with the Fiscal Agency Agreement, **provided that** the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes outside the United Kingdom, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, (vi) a Paying Agent in Singapore, where the Notes may be presented or

surrendered for payment or redemption, in the event that the Notes are issued in definitive form, for so long as the Notes are listed on the Singapore Exchange Securities Trading Limited or any successor thereto (the "**SGX-ST**") and the rules of the SGX-ST so require and (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is

presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Hong Kong and the relevant place of presentation (if presentation and/or surrender of such Note, Receipt or Coupon is required) in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro or Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in Renminbi) on which commercial banks and foreign exchange markets in Hong Kong are open for business and settlement of Renminbi payments; or

(iii) (in the case of a payment in euro) which is a T2 Business Day.

8. TAXATION

Subject as provided below, all payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction, unless such withholding or deduction is required by law of any Relevant Jurisdiction.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the rate applicable on the Issue Date (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders and Couponholders equals the amounts which would otherwise have been received by them had no such withholding or deduction been required.

In the event the Issuer is required to make a deduction or withholding in respect of (i) PRC tax in excess of the Applicable Rate and/or (ii) any tax in a Relevant Jurisdiction other than the PRC, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of such holder having some connection with the Relevant Jurisdiction other than the mere holding of the Note, Receipt or Coupon; or

(b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority; or

(c) **Presentation more than 30 days after the Relevant Date:** where the relevant Note or Coupon or Receipt is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

In these Conditions:

"**Relevant Date**" in respect of any Note, Receipt or Coupon means whichever is the later of (a) the date on which payment in question first becomes due and (b) if the full amount payable has not been paid on or prior to such due date, the date on which the full amount has been paid and notice to that effect has been given to the Noteholders; and

"**Relevant Jurisdiction**" means the PRC, and if the Issuer is a branch of the Bank, the jurisdiction where that branch is located, or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8.

For the avoidance of doubt, the Issuer's obligation to pay additional amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on the Notes, the Receipts or the Coupons; **provided that** the Issuer shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by the Relevant Jurisdiction, with respect to the Fiscal Agency Agreement or as a consequence of the issuance of the Notes, the Receipts or the Coupons.

9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs and is continuing, any Noteholder may give notice to the Issuer at the specified office of the Fiscal Agent that any Note held by it is and shall immediately become, due and payable at the Early Redemption Amount of such Note together with accrued interest (if any) to the date of payment without further formality:

(a) **Non-Payment:** the Issuer fails to pay the principal of or any premium (if any) or interest on any of the Notes when due and, in the case of principal, where such failure continues for a period of 7 days, or, in the case of any premium (if any) or interest, where such failure continues for a period of 30 days; or

(b) **Breach of Other Obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Covenant and such default is incapable of remedy or, if capable of remedy, remains unremedied for 45 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the specified office of the Fiscal Agent; or

(c) **Cross-Default:**

(i) any Public External Indebtedness of the Bank or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Public External Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Bank or the relevant Subsidiary (as the case may be) or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such Public External Indebtedness; or

(iii) the Bank or any of its Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any guarantee or indemnity of any Public External Indebtedness,

provided that the amount of Public External Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee or indemnity referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$25,000,000 (or its equivalent in any other currency or currencies); or

(d) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Bank or any of its Material Subsidiaries; or

(e) **Insolvency:** (i) the Bank or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Bank or any of its Material Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of the Bank or any of its Material Subsidiaries, (iii) the Bank or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee or indemnity of any indebtedness given by it or (iv) the Bank or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business, except (x) on terms approved by an Extraordinary Resolution of the Noteholders or (y) in the case of any Material Subsidiary, for the purpose of and followed by (A) a solvent winding-up or dissolution, (B) a Reorganisation whereby the business, undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Bank and/or another

Subsidiary or (C) a disposal of or by a Material Subsidiary on an arm's length basis where the assets (whether in cash or otherwise) from such disposal shall be transferred to or otherwise vested in the Bank and/or another Subsidiary; or

(f) **Winding-up:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Bank or any of its Material Subsidiaries, except in the case of any Material Subsidiary, for the purpose of and followed by (i) a solvent winding-up or dissolution, (ii) a Reorganisation whereby the business, undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Bank and/or another Subsidiary, or (iii) a disposal of or by a Material Subsidiary on an arm's length basis where the assets (whether in cash or otherwise) from such disposal shall be transferred to or otherwise vested in the Bank and/or another Subsidiary; or

(g) **Analogous Events:** any event occurs which that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) (*Security enforced*) to (f) (*Winding-up*) above; or

(h) **Illegality:** it is or will become unlawful for the Issuer or the Bank to perform or comply with any one or more of its obligations under or in respect of any of the Notes, the Coupons or the Deed of Covenant.

In these Conditions:

"**Material Subsidiary**" means any Subsidiary of the Bank:

(A) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose net profit (consolidated in the case of Subsidiary which itself has consolidated Subsidiaries) represent not less than 5 per cent. of the consolidated gross revenue, the consolidated gross assets, or, as the case may be, the consolidated net profit of the Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the Bank, **provided that**:

(1) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the Bank relate for the purpose of applying each of the foregoing tests, the reference to the Bank's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Bank;

(2) if at any relevant time in relation to the Bank or any Subsidiary no financial statements are prepared and audited, its gross revenue, gross assets and net profit (consolidated, if applicable) shall be determined on the basis of *pro forma* consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

(3) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (1) above) are not consolidated with those of the Bank, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a *pro forma* consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Bank; or

(B) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, **provided that** on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (A) above.

A certificate signed by an authorised signatory of the Issuer that in his/her opinion (making such adjustments (if any) as he/she shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer and the Noteholders.

"**Public External Indebtedness**" means any indebtedness of the Bank (or, for the purposes of Condition 10, any Subsidiary), or any guarantee or indemnity by the Bank of indebtedness, for money borrowed which (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placement) and (ii) has an original maturity in excess of 365 days.

"**Reorganisation**" means any reconstruction, amalgamation, reorganisation, merger or consolidation.

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

11. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Noteholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders (including by way of conference call or by use of a videoconference platform) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one-quarter of the nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the Noteholders of not less than 75 per cent. in nominal amount of the Notes outstanding or passed by Electronic Consent (as defined in the Fiscal Agency Agreement) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification:** Notwithstanding Condition 11(a) above, the Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Bank shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or to comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders and such modification shall be notified to the Noteholders by the Bank as soon as practicable thereafter in accordance with Condition 14.

12. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes (except for the first payment of interest and if applicable, the timing for notification to the NDRC, PBOC, NFRA and/or SAFE and save that for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

14. NOTICES

Notices to the Noteholders will be (i) (in the case of holders of Registered Notes) sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register, and be deemed to have been given on the fourth day after the date of mailing, or (ii) (in the case of holders of Bearer Notes) published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Journal. If at any time publication in such newspapers is not practicable, notices

will be valid if published in an English and/or Chinese language newspaper, as the case may be, with general circulation in Hong Kong. Any such notice will be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

16. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 16, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

17. GOVERNING LAW AND JURISDICTION

(a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, claims, differences or controversy that may arise out of, in relation to or in connection with any Notes (and the Conditions), Receipts, Coupons or Talons, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a "**Dispute**") and accordingly any legal action or proceedings arising out of or in connection with any Notes (and the Conditions), Receipts, Coupons or Talons and any non-contractual obligations arising out of or in connection with them (the "**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to the Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum to settle any Dispute.

(c) **Service of Process:** The Issuer irrevocably agrees to receive service of process at the place of business of the Bank in Hong Kong registered in accordance with the Companies Ordinance (Cap. 622) of Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such address (whether or not actually received by the Bank). If due to any reason the Bank shall cease to have a place of business in Hong Kong, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify the Noteholders of such appointment. Nothing shall affect the right to serve process in any manner permitted by law.

(d) **Waiver of Immunity:** Each of the Issuer and the Bank further has irrevocably agrees that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer or the Bank, and each of the Issuer and the Bank irrevocably consents generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the capitalisation and indebtedness of the Group as at 31 December 2024. The following table should be read in conjunction with "*Summary Financial Information*" and the Group's consolidated financial statements and related notes included elsewhere in this Offering Circular.

	As at 31 December 2024	
	(RMB in millions)	*(U.S.$ in millions)*[1]
Debt securities issued		
Long-term debt securities issued	207,454	28,421
Subordinated bonds issued	73,620	10,086
Certificates of deposit issued	1,460	200
Certificates of interbank deposit issued	930,954	127,540
Convertible corporate bonds	7,034	964
Accrued interest	3,516	482
Total debt securities issued	**1,224,038**	**167,693**
Equity		
Share capital	54,397	7,452
Other equity instruments	105,499	14,453
Capital reserve	89,286	12,232
Other comprehensive income	16,862	2,310
Surplus reserve	67,629	9,265
General reserve	111,723	15,306
Retained earnings	343,868	47,110
Total equity attributable to equity holders of the Bank	**789,264**	**108,128**
Non-controlling interests	18,101	2,480
Total Equity	**807,365**	**110,608**
Total Capitalisation[2]	**2,031,403**	**278,301**

Notes:

1 U.S. dollar translations are provided for indicative purposes only and are unaudited. These translations were calculated based on exchange rate of RMB7.2993 to U.S.$1.00 on 31 December 2024 as set forth in the H.10 statistical release of the Federal Reserve Board.

2 Total capitalisation comprises total debt securities issued and total equity of the Group.

Save as disclosed in this Offering Circular, there has been no material adverse change in the capitalisation of the Group since 31 December 2024.

OVERVIEW

The Bank's legal name is 中信銀行股份有限公司 and the Bank's commercial name is China CITIC Bank 中信銀行. The Bank is a joint stock company incorporated in the PRC with limited liability and its unified social credit identifier is 91110000101690725E. The Bank was incorporated in 1987 and operates under the Company Law of the PRC and other applicable laws. The Bank's registered office is at 6–30/F and 32–42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing 100020, PRC and the telephone number of its registered office is +86-10-66638188. The business address of the members of the board of directors of the Bank is 6–30/F and 32–42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing 100020, PRC.

The Bank is one of the earliest emerging commercial banks established during China's reform and opening-up and also China's first commercial bank participating in financing at both domestic and international financial markets. In April 2007, the Bank simultaneously listed its A and H shares at the Shanghai Stock Exchange and Hong Kong Stock Exchange. In 2024, Brand Finance of the United Kingdom rated the Bank the 19th on its list of the "Top 500 Banking Brands", and The Banker magazine of the United Kingdom rated the Bank the 18th on its list of the "Top 1,000 World Banks" in terms of tier-one capital.

The Bank offers full-range services to corporate, institutional, inter-bank market and individual customers. For corporate customers, institutional customers and inter-bank market customers, the Bank offers integrated financial solutions in corporate banking business, international business, financial market business, institutional banking business, investment banking business, transaction banking business and custody business. For individual customers, the Bank provides diversified financial products and services related to wealth management, private banking, personal credit, credit cards, pension finance and going abroad finance.

Geographically, the Bank is incorporated in the PRC where substantially all of its operations are located. As at 31 December 2024, the Bank had 1,470 outlets in 153 large and medium-sized cities in China and seven affiliates, namely CIFH, CNCB Investment, CITIC Financial Leasing, CITIC Wealth Management, CITIC aiBank, JSC Altyn Bank and Lin'an CITIC Rural Bank, where:

- CNCBI, a subsidiary of CIFH, recorded 31 outlets and two business wealth management centres in Hong Kong, Macau, New York, Los Angeles, Singapore and the Chinese mainland;

- CNCB Investment had three subsidiaries in Hong Kong and the Chinese mainland;

- CITIC Wealth Management is the wholly-owned wealth management subsidiary of the Bank;

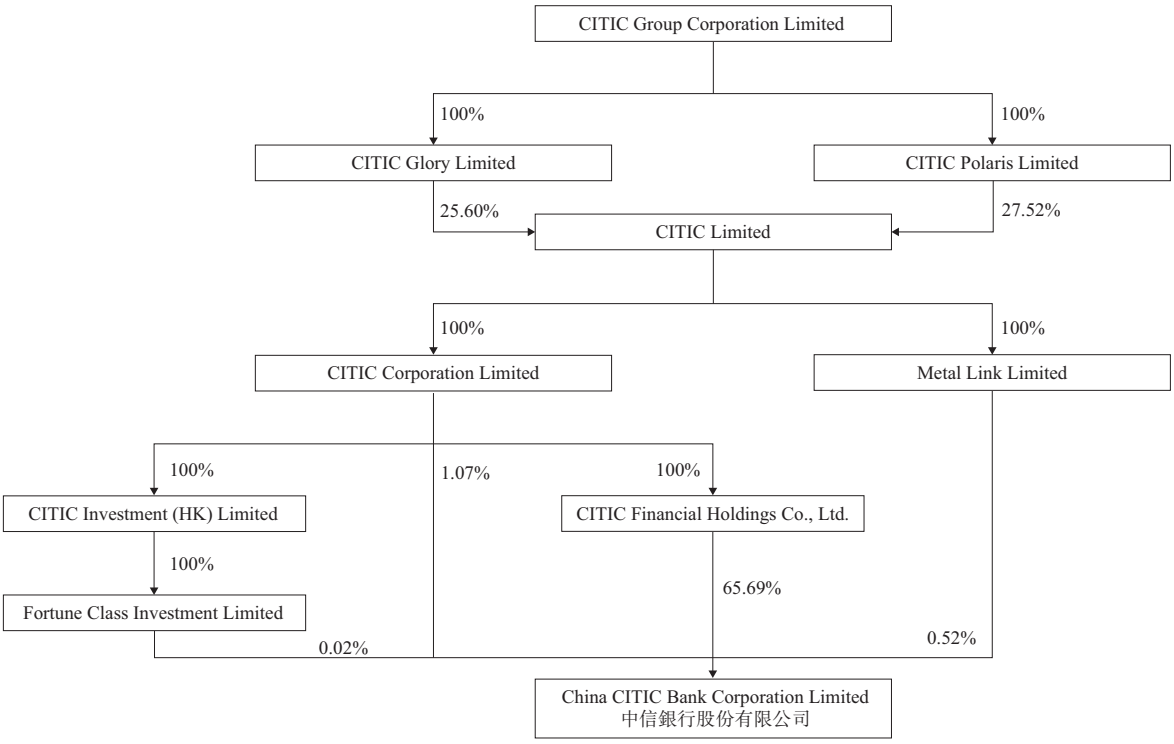
- CITIC aiBank, a joint venture cosponsored by the Bank and Baidu, is the first independent legal entity practicing direct banking in China; and

- JSC Altyn Bank had seven outlets and one private banking centre in Kazakhstan.

As at 31 December 2024, the Group had RMB9,532.72 billion of total assets, RMB5,601.45 billion of loans and advances to customers, RMB5,864.31 billion of deposits from customers, and RMB789.26 billion of total equity attributable to equity holders of the Bank.

CORPORATE STRUCTURE

The following diagram sets out the ownership structure between the Bank, its controlling shareholder and its de facto controller as at 31 December 2024.



THE BANK'S COMPETITIVE STRENGTHS

Relying on the comprehensive resources of CITIC Group in terms of "Finance + Real Economy", the Bank has a vision to become a bank with "Four Features", namely a responsible, unique and valuable provider of the best comprehensive financial services with a human touch and one of the world's first-class banks.

Important player in the PRC banking system with strong brand influence.

Established in 1987, the Bank is one of the earliest PRC commercial banks to participate in the overseas financial markets, contributing to the economic development of the PRC. The Bank's scale of business and unique status consolidated its significance and importance in the PRC banking system, positioning the Bank to play an integral and strategic role in the PRC banking

system. As at 31 December 2024, the Group had total assets of approximately RMB9,532.72 billion and employed approximately 65,466 employees across its network.

With the provision of a full range of financial products and high-quality customer service, the Bank enjoyed high reputation and extensive influence in both domestic and overseas markets. In 2024, the Bank was ranked 19th among the "Top 500 Banking Brands" by *The Banker* magazine, demonstrating the Bank's leading position among commercial banks in the PRC and ranked 18th on its list of the "Top 1,000 World Banks" in terms of tier-one capital.

Synergies within the Group and with CITIC Group.

Giving into full play the Group's advantages of "all financial licenses and wide coverage of industries" and following the development principle of "One CITIC, One Customer", the Bank delved into the six major areas of coordination, namely, finance coordination, industry and finance coordination, think tank coordination, cross-section coordination, parent company and subsidiary coordination, cross-branch cooperation, built eight major service scenarios of coordinated services, i.e., technology finance, green finance, inclusive finance, pension finance, digital finance, government finance, capital markets and risk resolution, and hence providing customers with one-stop, customised, multi-scenario and full-lifecycle professional services, safeguarding the steady development of the real economy.

CITIC Group, the Bank's controlling shareholder, is a leading state-owned multi-national conglomerate in the PRC engaged in a wide range of financial services, including investment banking, trust, fund management, insurance and futures. The Bank, as part of CITIC Group, frequently co-operates with other entities within CITIC Group through client resources sharing, joint marketing efforts and cross-selling of services, giving full play to CITIC Group's unique advantages in "Finance + the Real Economy".

In terms of synergy with other subsidiaries of CITIC Group, the Bank cooperates with financial subsidiaries within CITIC Group such as CITIC Securities, China Securities, CITIC Trust, CITIC Prudential Life and CITIC AMC in sectors including bond underwriting, wealth management, annuity business and asset revitalisation. It also propelled industry and financing synergistic collaboration and strengthened collaboration with non-financial subsidiaries within CITIC Group such as CITIC Pacific Properties, CITIC Press Corporation and CITIC Agriculture Limited in areas including advancing the development of new urbanisation, developing a great country in terms of culture, and ensuring national food security with expanded synergistic service scenarios. It empowered the development of business operation in multiple dimensions, launched the Comprehensive Plan on CITIC Synergistic Service for Local Economy together with China International Economic Consultants. Furthermore, it cooperated with subsidiaries within CITIC Group to organise a series of events themed on synergistic empowerment, and implemented a batch of quality synergy projects, thus achieving new results in providing synergistic services for the real economy.

Extensive nationwide branch outlet network complemented by a multi-channel digital banking system.

The Bank has a nationwide branch network in the PRC. As at 31 December 2024, the Bank had 1,470 outlets in 153 large and medium-sized cities in the PRC, including 37 tier-one branches which are directly managed by its head office (the "**Head Office**"), 125 tier-two branches, and 1,308 sub-branches, including 30 community, small and micro sub-branches. It maintains a strong presence and extensive network in economically developed areas. Such extensive network enables the Bank to diversify risks and minimise potential adverse influence of regional economic risk on the overall business of the Bank.

In terms of offshore outlets, in addition to the Bank's London Branch and Hong Kong Branch, as at 31 December 2024, CIFH, an affiliate of the Bank, had 31 outlets and 2 business wealth management centres in Hong Kong SAR, Macau, New York City, Los Angeles, Singapore and the PRC. As at 31 December 2024, JSC Altyn Bank, a subsidiary of the Bank, had seven outlets and one private banking centre in Kazakhstan.

To complement and extend its nationwide branch network, the Bank operates a multi-channel electronic banking transaction system. As at 31 December 2024, the Bank had 1,509 self-service banks, 4,456 self-service terminals, and 9,593 smart teller machines.

In recent years, the Bank sped up digital transformation, and continued to activate new digital banking systems:

- retail business digitalisation: in 2023 the Bank's retail M+ platform launched supporting tools such as stratified customer management, concentrated personal loan management, stratified customer asset allocation and investment consulting services, and settled over RMB1 trillion product transaction via orders, thus strongly underpinning comprehensive customer management. The Bank built an advanced enterprise-level marketing centre among peers, forming a multilateral and open marketing ecosystem with internal and external collaboration, supporting over 160,000 activities and reaching over 2 billion person-times. In 2024, the Bank built a customer-centric digital customer insight system for retail business, set up the retail expense management platform and "one horizontal" platform for unified operation strategies. The average monthly customer contact volume exceeded 300 million person times;

- corporate business digitalisation: in 2024, the Bank promoted the first self-developed "Tianyuan treasury system" in the industry, iterated and upgraded the standard version and rolled out the ecosystem version offering customers diversified treasury management solutions that are professional and customised, and built a one-stop and intelligent global treasury management system for central enterprises and large state-owned enterprises. It comprehensively improved whole-process online experience of auto finance with a replacement rate of automatic loan granting reaching 85 per cent., reducing risk prewarning manual handling of frontline employees by 60 per cent. The Bank also took solid steps to propel digital transformation of inclusive finance, established "credit factory" and enhanced the quality and efficiency of product R&D by 8 times. Online products such as "Credit Guarantee" significantly reduced the period of issuing guarantee from 4 days to 10 minutes

by using automatic credit verification, thus dramatically improving product efficiency and customer experience. In 2024, relying on digital and intelligent technologies, the Bank's corporate business developed the "Smart Online Banking 5.0" platform, launched the industry-leading, independently developed "Tianyuan Treasury" system (Standard Version 2.0) and the new version of the popular product "Easy Salary", and built the product service ecosystem featuring "trading + settlement", "financing +intelligence", to provide corporate customers with comprehensive solutions which are "beyond finance"; and

- financial market business digitalisation: the Bank adheres to integrated business management for interbank customers. The new generation of "Interbank+" platform was equipped with three function pillars, namely "prime shop", "market-making trading cloud hall" and "intelligent and digital communication platform". The platform covered all types of interbank customers. The Bank became the first in the industry to realise APP transactions and established a cross-market intelligent transaction platform and was the first among peers in realising the automation of centralised transaction, thus significantly enhancing the automation and intelligence of quotation trading.

Leading position in the corporate banking business among commercial banks in the PRC.

The Bank has a leading position in the corporate banking business among commercial banks in the PRC. For the years ended 31 December 2022, 2023 and 2024, the Group's operating income from its corporate banking business was RMB94.44 billion, RMB91.56 billion and RMB95.25 billion, respectively, accounting for 44.73 per cent., 44.54 per cent. and 44.67 per cent. of its total operating income, respectively. The Bank has achieved a steady growth in corporate deposit balances in recent years. For the years ended 31 December 2022, 2023 and 2024, the average balance of the Group's corporate deposit was, RMB3,924.77 billion, RMB4,051.31 billion and RMB3,971.29 billion, respectively. As at 31 December 2024, the Bank had approximately 1,266,600 corporate customers. Corporate loans have historically been the largest component of the Bank's loan portfolio; as at 31 December 2024, the Group recorded a total corporate loan balance of RMB2,908.11 billion, an increase of 7.8 per cent. compared to the balance as at 31 December 2023. The Bank's well-established customer base reinforces its leading position in corporate banking business among national joint stock commercial banks in the PRC.

All-rounded and balanced growth, including rapid growth and innovative development in retail banking business.

The interplay between retail banking and corporate banking plays a remarkable role in customer acquisition for the Bank. Retail banking is one of the principal business activities of the Bank in the PRC. For the years ended 31 December 2022, 2023 and 2024, the Group's operating income from its retail banking business was RMB84.68 billion, RMB86.43 billion and RMB85.69 billion, respectively, accounting for 40.11 per cent., 42.04 per cent. and 40.19 per cent. of its total operating income, respectively.

Upholding the "people-centric" philosophy, the Bank adheres to the customer-orientated and value-orientated approach, continuously builds "new retail" with wealth management at its core, comprehensively deepens customer relationship to become customers' first choice of wealth management bank as an expert at "settlement, investment, financing, activities and services"

("**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 "digitalisation and ecologicalisation" as the capability support. The scales of wealth management, asset management and comprehensive financing realised rapid growth in recent three years. In 2024, the retail assets under management (AUM) (including assets measured at fair value)[6] stood at RMB4.69 trillion and the monthly average daily balance of the private banking AUM stood at RMB1.17 trillion level.

The Bank also persists in the innovation of retail banking products and models. For mass customers, it provided "accompanying" service through the collaboration of "remote + APP + AI". For wealthy and VIP customers, it established operation system and fully put in place stratified operation. For private banking customers, it refined lifecycle service system and continued to improve professional service capability. In addition, it further improved differentiated services for key customer groups, explored Generation Z young customer management, and comprehensively upgraded "Happiness+" aging financial service system. In terms of products, it fostered intelligent consulting service capability driven by investment and research as well as leading retail trading settlement capability, launched lifecycle wealth management services based on "three phases and four steps" (where three phases refer to Generation Z, Middle Age and Sliver Age, and four steps refer to balancing the books, preventing risks, planning pension and long-term investment). It refined all-category product system, elevated its overall product allocation capabilities, and took innovative ways to utilise balance sheet tools. It enriched and refined its product ecosystem featuring all strategies and all categories for private banking and met high-net-worth customers' demands for all-category product allocation. For personal loan customers, the Bank improved main product functions including mortgage of property and unsecured loan and debuted standardised loan products on online platforms. In terms of channels, the Bank improved all-channel collaborated marketing capability and service efficiency and fostered digital management capability for all customers. Focusing on customer experience, the Bank gained insight into customer demands through digital approach and provided them with suitable products and services. It launched Mobile Banking 10.0 and Mobile Card Space 10.0, releasing the capacity of online operation and remote channel at a faster pace, and upgraded offline outlet service system simultaneously.

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 breaking 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 and boosted innovation in products and services and gained unique competitive advantages in businesses such as investment banking, cross-border business, transaction banking, auto finance, wealth management, going abroad finance, pension finance, credit card, and forex market making.

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[6] including the retail customers' assets under management of the Bank's subsidiaries

In particular, the Bank adhered to reform and innovation and accelerated the improvement of core business capabilities such as wealth management, asset management and comprehensive financing, so as to build strong business capabilities adaptable to the new development pattern. The scales of wealth management, asset management and comprehensive financing realised rapid growth in recent three years. In 2024, the retail assets under management (AUM) stood at RMB4.69 trillion, the monthly average daily balance of the private banking AUM stood at RMB1.17 trillion level, and the contribution of retail banking to net operating income reached 40.94 per cent. The Bank's all-round asset management business system was incentivised, the scale of wealth management sales stayed in the forefront of the industry, and the Bank is well recognised in the market for its value creation capability. The Bank's bond underwriting business maintains a top position in the industry, and the scale of full-year investment in the capital market managed to grow despite the market downturn. The Bank launched the "Tianyuan treasury system", the first self-developed treasury management system in the market and has gained a reputation as the first choice to develop a treasury system. The Bank also achieved an industry-leading position by establishing a cross-market market making centre, and the RMB forex market making volume exceeded U.S.$3.35 trillion.

The Bank persists in development through science and technology. In the face of digitalisation, the Bank proactively implemented the forward-looking strategy of building the Bank's strength in science and technology and invested unprecedentedly into technological development. As at 31 December 2024, the Bank's technology personnel grew to 5,832. The Bank took the lead in building independent and manageable core business systems in an all-round way, and all application servers and database servers of core business systems were replaced with China chips, realising a shift from technology-support to technology-driven mode. The Bank followed the trend of the times to build a digital ecosystem, comprehensively promoted the development of "Digital CITIC", and established the data infrastructure featuring "one data lake and one database". Compared with three years ago, the Bank's data storage and computing capacity increased by six folds, and it became the only joint stock bank that has won the First Prize of FinTech granted by the PBOC twice in three years.

Increasing non-interest income in recent years.

The Bank generates non-interest income through fee and commission income, trading gains, gains from investment securities and hedging gains. A steady flow of non-interest income allows the Bank to diversify its risk and enable it to maintain a relatively stable revenue stream in times of fluctuating interest rates. In recent years, the Bank steadily increased its net non-interest income through the diversification of its business. For the years ended 31 December 2022, 2023 and 2024, the Group's net non-interest income was, RMB60.46 billion, RMB62.03 billion and RMB66.54 billion, respectively.

Scientific and effective risk management and improved asset quality.

In recent years, the Bank has comprehensively advanced risk management reform, and continuously builds a risk management system featuring "effective risk control and vigorous development promotion". The Bank promoted the bank-wide risk management to be more specialised, intelligent and refined by restructuring the unified credit system, establishing a close-loop transmission system of risk appetite, advancing the integration of risk management

into the reform, and other measures. The Bank intensified efforts to control new risks and resolve old ones, strenuously promoted risk resolution in key areas, and strengthened management of problematic assets. The Bank adheres to targeted governance and made solid progress in the establishment of "five systems", i.e., compliance management system, rectification system, internal control evaluation system, extensive supervision system, and money laundering and sanctions risk control system, so as to provide a protective shield for high-quality development. It strengthened efforts in the building of the smart risk control system, propelled the multi-level application of digital risk control tools, and made risk prevention and control more forward-looking and targeted. For more details, please refer to "*Risk Management*".

The asset quality of the Bank has remained overall stable in recent years. As at 31 December 2022, 2023 and 2024, the NPL ratio of the Bank was 1.27 per cent., 1.18 per cent. and 1.16 per cent., respectively and the special mention loan ratio of the Bank was 1.63 per cent., 1.57 per cent. and 1.64 per cent., respectively. As at 31 December 2022, 2023 and 2024, the liquidity coverage ratio of the Bank was 168.03 per cent., 167.48 per cent. and 218.13 per cent., respectively, exceeding the minimum regulatory standard of 100 per cent. for commercial banks required by relevant PRC Banking Regulatory Authority. As at 31 December 2022, 2023 and 2024, the net stable funding ratio of the Bank was 107.64 per cent., 108.59 per cent. and 106.90 per cent., respectively. For more details, please refer to "*Risk Management – On-going Credit Monitoring* and *Loan Classification*".

An experienced management team with a proven track record, employing scientific corporate governance and business operations.

The senior management team of the Bank has extensive professional experience in the PRC banking industry. All members of the Bank's management team have in-depth knowledge of banking operations and management, the PRC macroeconomic environment, and the PRC banking industry. The Bank's experienced management team has demonstrated a track record of successfully implementing a series of transformation initiatives, including the improvement of the Bank's corporate governance and risk management. The Bank has improved its operations and financial results under the leadership of its management team.

The chairperson and executive director of the Bank, Mr. Fang Heying, has more than 30 years of experience in the Chinese banking industry. Mr. Fang has served as deputy general manager of CITIC Group, deputy general manager and member of the executive committee of CITIC Limited, deputy general manager of CITIC Corporation Limited since December 2020, and as a Party Committee member of CITIC Group since November 2020. Mr. Fang is concurrently a director of CIFH and CNCBI. 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.

The president and executive director of the Bank, Mr. Lu Wei, has 25 years of experience in the Chinese banking industry. From October 2022 to February 2025, Mr. Lu successively served as secretary of the Party Committee, general manager, vice chairman and chairman of CITIC Trust Co., Ltd. From January 2017 to October 2022, he successively served as Board secretary, Board

secretary (business director level), business director, a member of Party Committee and vice president of the Bank, and he concurrently held the positions of deputy head of the preparatory team for the establishment of Hong Kong Branch, general manager of the Asset and Liability Department of Head Office, deputy head of preparatory team for the establishment of the JSC Altyn Bank and a director of JSC Altyn Bank, and secretary of the Party Committee and president of Shenzhen Branch of the Bank.

The Bank's corporate governance and business operation are scientific, efficient and effective. The Bank adheres to market-oriented operation and constantly improves its corporate governance and business operation systems and mechanisms. The result is the formation of an organisational structure characterised by efficient management and professional division of duties. 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 BANK'S STRATEGIES

Supporting businesses in the real economy with targeted measures

The Bank seeks to uphold its original aspiration of supporting the real economy. Focusing on the five priorities of technology finance, green finance, inclusive finance, pension finance and digital finance, the Bank was dedicated to playing its role as a propeller for economic development. The Bank shouldered its responsibilities for serving the real economy and providing loans to key areas including green credit, strategic emerging industries, medium and long-term manufacturing, rural revitalisation and inclusive finance, which all maintained a rapid growth, outpacing the average growth rate of the Bank's total loans.

Full integration with national development strategies

The Bank is fully supportive of, and intends to fully align its own business strategies with, national development strategies. Based on local geographic and business features, the Bank sets different business goals, support and management authority to local branches in an effort to support national initiatives. The total loans to national strategic key regions such as the Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, and Chengdu-Chongqing region accounted for nearly 70 per cent. of the Bank's corporate loans. The Bank proactively disposed local government debt risks, helped forestall and defuse risks in key areas, supporting the real economy.

In addition, the Bank conscientiously considers and plans its work in accordance with the national plan of establishing a new development pattern and puts emphasis on five major sectors, namely technological finance, green finance, inclusive finance, pension finance and digital finance. For example, the Bank spared no effort to serve the strategy of building China's strength in science and technology, and proactively worked out plans for new business patterns of enterprises with specialised, sophisticated techniques and unique, novel products. As at 31 December 2024, the Bank's balance of loans to tech enterprises stood at RMB564.372 billion.

Going forward, the Bank aims to continue to deepen reform and innovation, strengthen high-quality financial services, strive to realise the organic integration of development quality, structure, scale, speed, efficiency and safety, and unswervingly follow the path of financial development with Chinese characteristics.

Five-pronged leading bank strategy

For the purpose of creating a featured and differentiated financial service mode, the Group puts forward a "five-pronged leading" bank strategy, namely, the leading wealth management bank, the leading comprehensive financing bank, the leading trading settlement bank, the leading foreign exchange service bank and the leading digital bank:

- leading wealth management bank: through upgrading business systems for all customers, products and channels, the Bank strives to build three brands of asset management, private banking and consumer finance, so as to better help customers achieve cross-term asset allocation and smooth returns curve, and realise intergenerational wealth transfer;

- leading comprehensive financing bank: leveraging CITIC Group's advantages in industry-finance collaboration and finance-finance cooperation, the Bank plans to establish a new comprehensive financial service ecosystem to meet customers' various financing needs in a faster and professional way;

- leading transaction settlement bank: the Bank intends to base itself on transaction settlement, the fundamental function of commercial banks, and customers' core needs, and aspire to develop into the first-inquired bank, first contact point, fundamental channel and service centre for customers' transaction settlement;

- leading foreign exchange service bank: earnestly following the national strategy of high-level opening up, the Bank strives to establish a comprehensive cross-border financial service system covering "China and overseas, local and foreign currencies, offshore and onshore, investment banking and commercial banking", and re-establish the strength of global financial services of the Bank; and

- leading digital bank: the Bank intends to further bring into play its accumulated scientific and technological strengths, and gain more precise customer and industry insights, and provide smarter matching products and services, and higher-quality services and experience.

The Bank believes that these five strategies will create strategic propellers for it to forge overall competitive advantages, and will be vivid practices of our adherence to the customer-centred philosophy.

THE BANK'S KEY MILESTONES AND CORPORATE HISTORY

In 1984, Mr. Rong Yiren, the chairman of CITIC Group at the time, requested approval from the PRC government to set up a bank within CITIC Group. In April 1985, the banking department of CITIC Group was formed with the approval from the State Council and the PBOC.

On 20 April 1987, the Bank was formally established as a separate legal entity under the name "CITIC Industrial Bank" through restructuring of the banking department of CITIC Group with approval from the State Council and the PBOC to conduct licensed RMB and foreign-currency banking businesses as well as other relevant financial operations.

On 11 February 1998, CNCB (Hong Kong) Capital Limited was established under the name "AIM Asset Management Limited". Its name changed to Rocks Asia Capital Group Limited on 2 March 2011, and to its current name on 22 September 2015.

On 2 August 2005, the Bank changed its name from "CITIC Industrial Bank" to "China CITIC Bank", which reflected its commitment to transform into a bank that focuses on both personal banking and corporate banking businesses. The Bank was established as a joint stock limited company on 31 December 2006 under the name "China CITIC Bank Corporation Limited". The Bank was simultaneously listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange on 27 April 2007.

In May 2012, the Bank established Lin'an CITIC Rural Bank with private backbone enterprises. In November 2014, the Bank established its London representative office.

In March 2015, the Bank established CITIC Financial Leasing with a registered capital of RMB4 billion.

In December 2016, the Bank co-operated with Baidu Inc. and established CITIC aiBank (originally named CITIC Baixin Bank Corporation Limited), a joint stock limited company, the first approved direct bank in the form of an independent legal person in the PRC.

In November 2016, the Bank established its Sydney representative office.

In November 2017, the Bank and Fujian Baidu Borui Network Technology Co., Ltd. jointly established CITIC aiBank, a new type of internet bank and the first direct bank with independent legal person status. The Bank held 65.70 per cent. of the shares in CITIC aiBank.

In April 2018, the Bank acquired a majority stake in JSC Altyn Bank and became the first Chinese bank to acquire bank equity in the countries along the "Belt and Road".

In June 2019, the Bank opened the London Branch, the first overseas branch directly managed by the Head Office.

In July 2020, CITIC Wealth Management was officially established with a registered capital of RMB5 billion and opened for business. It mainly engages in wealth management-related business such as issuance of public and private wealth management products, and wealth management consultation and advisory.

In June 2023, the Bank's Hong Kong Branch was officially granted the license for operation, marking a major step towards the Bank's internationalisation.

On 27 March 2024, as approved by the Hong Kong Monetary Authority, the Hong Kong Branch of the Bank has been officially established.

HONOURS AND AWARDS

The Bank has achieved numerous awards and recognitions in recent years, including:

	Awards and recognitions	Awarding organisation
2024		
December	"Ingenuity Brand"	people.cn
	"Outstanding Bank with Practice in Five Priorities in Finance"	The Economic Observer
	"Bank for Forex Services of the Year"	Jiemian News
	"Award of Global Influential Brand" and the "Outstanding Case for Five Priorities in Finance"	China Investment Network
	The "enhancing quality and efficiency in serving the real economy" case of the Bank's corporate business included in the "Innovative Practice Case Repository for Building a Financial Powerhouse"	people.cn
	"Letters from the Polar Regions" integrated brand activity recognised as a "Demonstration Case for Public Relations"	China Public Relations Association
November	"Second Prize in the Financial Technology Development Award"	PBOC for the "Data Integration Project Based on Privacy Computing", "Trust Technology Platform", and "Integrated Platform (Ben Teng) Project for Wealth Management Product Comprehensive Sales and Collaborative Operation"
	"Responsible Brand" by China Newsweek, and "Demonstration Case of Auto Financial Services in the Research of 'Gold Engine' Auto Industry Competitiveness"	21st Century Business Herald

	Awards and recognitions	Awarding organisation
October	"China's Top 30 ESG Pioneer Listed Companies in Financial Industry (2024)" list and "China's Top 50 ESG Pioneer Listed Companies in Beijing-Tianjin-Hebei Region (2024)" list	CCTV Finance
	Top 20 ESG Comprehensive Performance for Banks	China Financial Media
	ESG Financial Annual Prize of Clear Waters and Green Mountains Award	CLS.cn
	"Top 20 A-share Listed Companies in Financial Industry of ESG Information Disclosure 2024" list and "Top 100 A-share Listed Companies of ESG Information Disclosure 2024" list	SinoSecurities Index
	"Outstanding Wealth Management Institution" and "Outstanding Wealth Management Sales Bank" in the selection of the "Excellence Demonstration Cases of Wealth Management for China's Banking Industry"	China Fund
	"Happiness+" pension finance service system named the "Outstanding Pension Finance Brand of Financial Institutions"	Xinhuanet
	"CITIC Forex+" cross-border financial service system recognised as the "Best Global Service Practice Demonstration Case"	China International Fair for Trade in Services (CIFTIS) Financial Services Thematic Event

	Awards and recognitions	Awarding organisation
September	Rated "Tier 1" in the financial service regulatory assessment on small and micro-sized enterprise	NFRA
	first place in the "Artificial Intelligence Technology Empowering Cybersecurity Application Test"	National Computer Network Emergency Response Technical Team/Coordination Center of China (CNCERT/CC)
	Obtained "Ecosystem Brand Certification"	National Brand Project of Xinhua News Agency, Xinhua Publishing House, Kantar Group and Caijing magazine
	Digital wealth advisor Xiaoxin honored as "China Service Practice Case" among service demonstration cases and included in the "Leading Outstanding Cases of Internal Audit Digital Transformation"	Organizing Committee of the China International Fair for Trade in Services (CIFTIS) China Academy of Information and Communications Technology (CAICT)
August	Ranked as "Excellent" in the rural revitalisation assessment	PBOC and NFRA
	"Excellent Wealth Management Bank" in the selection of the "Golden-Shell Award for Competitive Wealth Management Cases"	21st Century Business Herald
July	Ranked 18th on the list of "Top 1,000 World Banks" in terms of tier one capital	The Banker magazine of the United Kingdom
	Excellent Northbound Market Maker	Bond Connect Company Limited

	Awards and recognitions	Awarding organisation
	The "Sentry' Intelligent Anti-Fraud System" and the "DNA Service Management Engineering Project" recognised as "China's Best AntiFraud and Risk Management Project" and "China's Best Customer Service Technology Implementation", respectively	The Asian Banker
	ESG New Benchmark Enterprise Award	stockstar.com
June	Best Advertiser of the Year	IAI International Advertising Awards
	Top Ten Innovative Models of Financial Support for Agriculture includes the Bank's agricultural business model	Ministry of Agriculture and Rural Affairs
May	Best Practice Case of Investor Relations Management of Chinese Listed Companies	China Association for Public Companies
	Outstanding Mobile Payment Cooperation Award	China UnionPay
April	Excellent RMB Foreign Exchange ESP Market Maker of Interbank RMB Foreign Exchange Market, Excellent Service Enterprise Exchange Rate Risk Management Member, Excellent Foreign Currency Pair Market Maker, Excellent Data and Information Service Support Institution	China Foreign Exchange Trade System
	Market Outlook Award – Second Place of Overall Award	London Stock Exchange Group
March	Ranked 19th among the "Top 500 Banking Brands"	Brand Finance of the United Kingdom

	Awards and recognitions	Awarding organisation
February	Best Institution in the Interbank Inquiry Market, Best Market Makers in the Interbank Inquiry Market, Best Business Innovation Members of the Year, Member with Special Achievement in International Institution	Shanghai Gold Exchange
	Outstanding Clearing Member, Excellence in Proprietary Foreign Currency Pair Clearing, Progress Award in Proprietary Interest Rate Swap Clearing, Outstanding Settlement Member, Outstanding Issuer of Capital Supplement Bonds, Outstanding Institution for Over-the-Counter Debt Business, Outstanding Institution for Advancing Innovative Business Initiatives	Shanghai Clearing House
January	Market Influence Institution, Market Innovation Business Institution	National Interbank Funding Center
	Excellent Comprehensive Business Institution, Excellent Acceptance Institution, Excellent Discounting Institution, Excellent Transaction Institution, Excellent Settlement Institution, Excellent Institution for Promoting New Generation System Business, Excellent Institution of Corporate Promotion of New Generation System, Excellent Service Institution of Commercial Paper Information Disclosure	Shanghai Commercial Paper Exchange Corporation Ltd.

	Awards and recognitions	Awarding organisation
	Bond Market Leading Institution, Excellent Financial Bond Issuer, Excellent Bond Underwriting Institution, Top 100 Proprietary Settlement, Outstanding Contributor to Collateral Business, Outstanding Settlement Agency of Global Connect Business, Outstanding Institution of Valuation Services, Outstanding Underwriting Institution of ChinaBond Green Bond Index	China Central Depository & Clearing Co., Ltd.
2023		
December	First Prize for FinTech Development, for the Bank's Inclusive Finance Digital Innovation Ecosystem	PBOC
	Second Prize of FinTech Development for Bank's Tianyuan treasury system	PBOC
	Top 10 Participants of the Year	Payment and Clearing System User Committee of the PBOC
	National Advanced Organisation of Internal Audit	China Institute of Internal Audit
	Best Strategic Management Bank of the Year	Financial Times
	Outstanding High-quality Development Listed Company	Organising Committee of China Securities Golden Bauhinia Award
	ESG Pioneer	Securities Daily
	Best Listed Company in Investor Relations Management	Securities Market Weekly
	Top 100 Enterprises in China	China Top 100 Listed Companies Forum

	Awards and recognitions	Awarding organisation
	Excellent Enterprise of Sustainable Development	SINA Finance
	Excellent Enterprise of Corporate Governance Responsibility	SINA Finance
	ESG Investment Practice Award	CLS.cn
	Excellent Case of Financial Support for Key Counties to Receive Assistance in Pursuing Rural Revitalization	China Banking and Insurance News
	Ingenuity Brand	people.cn
	Reputation Brand Enterprise of the Year	China Times
	Top 10 Bank List	2023 List of China New Financial Competitiveness by South Weekly Newspaper
November	Most Progressive Bank	stockstar.com
	Most Socially Responsible Bank	stockstar.com
	National Excellent Case in Rural Revitalization	xinhuanet.com and China Poverty Alleviation Publicity and Education Center
	Responsible Enterprise of the Year	China Newsweek of China News Service
	Most Socially Responsible Listed Company	National Business Daily
	ESG Excellent Practice Case of Listed Company	China Association for Public Companies
	Bank for Auto Financial Services of the Year	21st Century Business Herald
	TOP 10 Aging Financial Service Provider of the Year	YICAI

	Awards and recognitions	Awarding organisation
October	Benchmark Case Award for Digital Operation	Digital Economy Committee of China Information Industry Association
September	The Bank's Happiness+ pension finance service system was selected as the practice case of China Service	China International Fair for Trade in Services
	Cross-border Financial Services Platform of the Year	jiemian.com
August	"Excellent" ranking in the rural revitalization assessment	PBOC and NFRA
	Excellent Wealth Management Bank	21st Century Business Herald
	Bank for Common Prosperity Contribution	Tsinghua Financial Review
	2023 Ecosystem Brand Certification	National Brand Project of Xinhua News Agency, Kantar Group and Caijing magazine
July	Ranked 19th on the list of "Top 1,000 World Banks" in terms of tier-one capital	The Banker magazine
	"Market Outlook Award – Fourth Place of Overall Award" and "Market Outlook Award – First Prize of Fund Foundation"	London Stock Exchange Group
	Excellent Northbound Market Maker	Bond Connect Company Limited
	Excellent Case of Financial Innovation for Rural Revitalization	JRJ.com
June	Top 100 Model Unit for Excellent Services in Banking Industry" for the Bank's outlet service	China Banking Association

	Awards and recognitions	Awarding organisation
	Award for Glory for the Bank's retail intelligent decision-making platform, Digital and Intelligent Platform – Gold Award of Digital Empowerment" for the Bank's open banking and "Gold Award of Digital Marketing" for the Bank's all-channel integrated platform	cebnet.com.cn (Digital China Innovation Contest ACIC 2023)
May	Best Interactive with Minority Investors, Outstanding IR Enterprise and "Best New Media Operation Award"	p5w.net
April	Model Unit in Green Bank Ratings	China Banking Association
March	Best RMB Foreign Exchange Spot Market Maker, Best RMB Foreign Exchange ESP Market Maker, Excellent Service Enterprise Exchange Rate Risk Management Member, Best Foreign Currency Pair Market Maker and Best Technical Service Support Institution	China Foreign Exchange Trade System
	Best Business Innovation Contributor, Best Inquiry Market Maker and Best Inquiry Institution	Shanghai Gold Exchange
February	Ranked 20th among the "Top 500 Banking Brands"	The Banker magazine of the United Kingdom

	Awards and recognitions	Awarding organisation
	Excellent Comprehensive Business Institution, Excellent Institution of Acceptance Business, Excellent Institution of Discounting Business, Excellent Institution of Settlement Business, Excellent Service Institution of Commercial Paper Information Disclosure and Excellent Institution of Launching New Generation of Bill Trading System	Shanghai Commercial Paper Exchange Corporation Ltd.
January	Award for Market Influence – Core Dealer, Award for Market Influence – Bond Market Dealer, Award for Market Influence – Derivatives Market Dealer, Award for Market Influence – Opening-up Participant, Award for Market Innovation – X-Bargain, Award for Market Innovation – X-Swap, Award for Market Innovation – Derivatives Innovation, Award for Market Innovation – Bond Strategy Trading and Award for Market Innovation – Cross-border Investment Innovation	National Interbank Funding Center
	Excellent Financial Bond Issuer, CCDC Member Business Development Quality Evaluation – Outstanding Contributor to Collateral Business and CCDC Member Business Development Quality Evaluation – Top 100 Proprietary Settlement	China Central Depository & Clearing Co., Ltd.
	Excellence Award for Proprietary Clearing of Standard Bond Forward	Shanghai Clearing House

	Awards and recognitions	Awarding organisation
2022		
December	Excellent Participant in the Digital Supply-Chain Financial Service Platform	China National Clearing Center
	Outstanding Brand Bank of the Year	The Economic Observer
	Most Influential Wealth Management Bank	Caijing
	Best Bank for Auto Financial Services	21st Century Business Herald
	Cross-border Financial Service Platform of the Year	Jiemian.com
	Award for the Best Transaction Banking Brand	Organising Committee of the Annual Conference of China Transaction Banking
	Best Bank for Cross-border Financial Services	Organising Committee of the Annual Conference of China Transaction Banking
	Innovative Case in Rural Revitalization	Financial Research Institute of People's Daily
November	Excellent Cases of Corporate ESG Inclusive Finance	www.xinhuanet.com and China Enterprise Reform and Development Society
	Award for Best Wealth Management of the Year	www.stockstar.com
	Commercial Bank of the Year for Empowering High-quality Development with Innovation	www.investor.org.cn
	Retail Bank of the Year	China Times
October	Golden Bull Award for Bank Wealth Management Sales	China Securities Journal

	Awards and recognitions	Awarding organisation
	Most Progressive Bank of the Year and Most Socially Responsible Bank of the Year	www.stockstar.com
September	Model Unit in Green Bank Ratings	China Banking and Insurance Regulatory Commission and the China Banking Association
	Excellent Settlement Member, Excellent Underwriter, Excellent Clearing Member and Excellence Award for Proprietary Clearing of Standard Bond Forward	Shanghai Clearing House
	Best Private Placement Sales Bank	www.chnfund.com
	Annual Wealth Management Award	National Business Daily
	Aging Financial Service Provider of the Year	Securities Times
	Ecosystem Brand Evaluation and its CITIC carbon account and supply chain finance were selected among the benchmark cases of ecosystem brands	Caijing's the 2022 First Ecosystem Brand Summit
August	National Outstanding Institution for Annual Credit System Data Quality in the Banking Sector	Credit Reference Center, the People' Bank of China
	Excellent Monetary Transaction Institution under the Belt and Road Initiative and Best Foreign Currency Lending Member	China Foreign Exchange Trade System
July	Ranked 19th on the "Top 1,000 World Banks" in terms of tier-one capital	The Banker magazine of the United Kingdom
	Second among joint stock banks in regulatory ratings of financial services for micro and small enterprises	China Banking and Insurance Regulatory Commission
	Excellent Case of Digital Internal Audit	First National Digital Auditing Conference

	Awards and recognitions	Awarding organisation
	Award for the Best Regulatory Technology Implementation in Asia-Pacific and Best API and Open Banking Product, Application or Project in China	The Asian Banker
June	The Bank's Open Banking 2.0 project was selected as the Best API and Open Banking Product, Application or Project in China	The Asian Banker
May	Award for Interactive Relations with Minority Investors	p5w.net
	The Bank's audit technology platform was selected as the Excellent Case of Annual Digital Risk Control in Digital Transformation	China Banking and Insurance News
March	Excellent Market Institution, Excellent Accepting House, Excellent Custody and Settlement Institution, Excellent Provider of Bill Payment Services, Excellent Provider of Commercial Paper Information Disclosure Services and Excellent Institution for Bill Business Promotion	Shanghai Commercial Paper Exchange Corporation Ltd.
	The Bank's mobile banking was also selected as the Innovative Mobile Banking of the Year	Sina Institute for Financial Studies
February	Ranked 21st among the "Top 500 Banking Brands"	The Banker magazine

	Awards and recognitions	Awarding organisation
	Annual Comprehensive Award for Centralized Clearing Business – Outstanding Clearing Member, Annual Comprehensive Award for Issuance, Registration, Custody and Settlement Business – Outstanding Settlement Member, Excellence Award for Proprietary Clearing of Annual Standard Bond Forward	Interbank Market Clearing House Co., Ltd.
January	Award for Market Innovation X-Repo, Award for Market Innovation X-Bargain, Award for Market Innovation X-Swap, Award for Market Influence – Core Dealer, Award for Market Influence – Currency Market Dealer, Award for Market Influence – Issuer of Interbank Certificates of Deposit, Award for Market Influence – Bond Market Dealer, Award for Market Influence – Derivatives Market Dealer, Award for Market Influence – Opening-up Participant	National Interbank Funding Center
	Excellent Northbound Market Maker	Bond Connect Company Limited
	Participants in Financial Market Innovation of the Cross-border Interbank Payment System	CIPS CO., Ltd.

THE BANK'S PRINCIPAL BUSINESS ACTIVITIES

The Bank's principal business activities in the PRC include corporate banking, retail banking, and financial markets. It also carries out other businesses, including integrated financial services and internet finance.

The following table sets forth the operating income of the Group by business segment for the period indicated.

	For the year ended 31 December					
	2022		2023		2024	
	Amount	% of total	Amount	% of total	Amount	% of total
	Unit: RMB million					
Corporate banking	94,436	44.7	91,557	44.5	95,245	44.7
Retail banking	84,677	40.1	86,425	42.1	85,690	40.2
Financial markets	30,312	14.4	25,988	12.6	31,973	15.6
Others and unallocated	1,684	0.8	1,600	0.8	315	0.1
Total operating income	**211,109**	**100.0**	**205,570**	**100.0**	**213,223**	**100.0**

Corporate Banking

The Bank's corporate banking business strives to implement 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.

As at 31 December 2023 and 2024, the Group had a total corporate loan of RMB2,697.15 billion (representing an increase from RMB2,524.02 billion as at 31 December 2022) and RMB2,908.1 billion (representing an increase from RMB2,697.15 billion as at 31 December 2023), respectively. For the years ended 31 December 2023 and 2024, the Bank's corporate banking business registered a net operating income of RMB85.66 billion (representing a decrease from RMB89.25 billion in 2022) and RMB89.98 billion (representing an increase from RMB85.66 billion in 2023), respectively, accounting for 44.91 per cent. and 45.02 per cent. of the Bank's net operating income, respectively. For the years ended 31 December 2023 and 2024, the net non-interest income from corporate banking totalled RMB12.83 billion (representing a decrease from RMB13.46 billion in 2022) and RMB14.08 billion (representing an increase from RMB12.83 billion in 2023), respectively, accounting for and 23.07 per cent. and 22.80 per cent. of the Bank's net non-interest income, respectively.

Customers

In recently years, the Bank remained true to its mission of serving the real economy, maintained the customer-centric approach, and promoted stratified and classified customer management. It fully leverages major customers, further strengthens cooperation with governments at various levels, vigorously advances the building of small and medium-sized customer groups, and improved both the quantity and quality of corporate customer groups. The Bank increased the

number of corporate customer accounts, especially base corporate customers[7] and valid customers[8]. As at 31 December 2024, the Bank had approximately 1.27 million corporate customers (representing an increase of approximately 109,000 from the number of corporate customers as at 31 December 2023), while the Group had a balance of corporate deposits of RMB4,116.59 billion (representing an increase of RMB184.22 billion from the balance as at 31 December 2023).

Major Customers

The Bank's Major Customers consist mainly of leading industrial enterprises that serve as pillars of the economy, manufacturing champions, and high-market-value listed companies. The Bank set up the Major Customer Department to advance the in-depth management of major customers, leveraging the synergistic advantages of CITIC Group and providing customised financial solutions. It implemented major project management, innovated new supply chain financial products, promoted scale expanding and customer acquisition of supply chains and laddered development of equity chains centring on major customers, streamlined business process, expanded business authorisation and allocated differentiated resources for each strategic customer. The Bank also established strategic cooperation with a batch of customers in key fields and industries and achieved breakthroughs in cooperation with 39 quality groups in 2024. It deepened cooperation with leading customers in key fields and industries such as medicine, energy, equipment manufacturing and automobile on comprehensive financing, wealth management and trading settlement, and provided high-quality and efficient financial services for small and medium-sized enterprises on the industrial chains of Major Customers.

As at 31 December 2024, the Bank's balance of loans to major customers stood at approximately RMB1,089.47 billion, representing an increase of 8.01 per cent. over the balance as at 31 December 2023. For the year ended 31 December 2024, the Bank's daily average deposits from Major Customers stood at approximately RMB1,625.60 billion, a decrease of 4.76 per cent. year on year.

Government and Institutional Customers

The Bank is committed to providing government and institutional customers of different levels and types with quality financial services, expanding cooperation with major customer groups in key areas, and continuously improving the brand values of government financial services of the Bank.

In recent years, the Bank comprehensively deepened cooperation with governments at all levels, built a customer service network that covered government departments and public institutions at all levels. In 2024, it obtained over 1,000 qualifications for fiscal agency, and had been rated "excellence" in the centralised payment and collection services for central treasury by the Ministry of Finance for three consecutive years. The Bank played a positive role in practicing national strategies and advancing high-quality development, and helped address the concerns of governments with full-process services for local government bonds that covered key areas like

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

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

industrial parks, social undertakings, infrastructure, renovation of old urban residential communities, government-subsidized housing projects and transport. Leveraging its strengths in custody service and the synergy across CITIC Group, the Bank took an active part in the management of government investment funds. It actively engaged in the digital transformation of governments, supported the reform demands of governments at various levels for "getting one thing done efficiently" and "enabling seamless online services", and established the government cooperation model integrating "finance, technology and government affairs", achieving extensive coverage across fiscal, social security, housing and urban-rural development, universities, hospitals, and other government service scenarios, as well as rapid product promotion.

As at 31 December 2024, the Bank recorded approximately 92,200 accounts of government and institutional customers, an increase of 7.21 per cent. from the number of accounts as at 31 December 2023. For the year ended 31 December 2024, the Bank had an average daily deposits of approximately RMB1,337.26 billion from government and institutional customers.

Small and Medium-Sized Customers

Upholding the operation logic of "10, 100, 1,000 and 10,000 Customers"[9], the Bank is committed to the strategic focus of "sparing no effort to grow the small and medium-sized customer base", the long-termism principle that "customer bases are the foundation of development", the development path that "puts equal emphasis on quality and quantity", and the system of powering development in four dimensions of "policies, services, products and collaboration", and worked persistently to strengthen the building of small and medium-sized customer bases.

In 2024, the Bank established high-quality channels, intensified connections with government departments and industrial clusters, deepened "head-to-head" collaboration and collaboration with regional channels, and carried out influential marketing campaigns such as "Visit 10,000 Enterprise Partners". It served high-growth customers, improved organisational structures, advanced the move to "transform customer service departments into product-focused units, and product departments into customer-focused units", and vigorously expanded ten major quality customer groups with high growth potential, including state-level enterprises with specialized, sophisticated techniques and unique, novel products and manufacturing champions in single segments. The Bank intensified high-level operation, refined the credit execution system and performance-based stimulus policies, upgraded "Smart Online Banking", "Easy Loan" and "CITIC Benefit +" wealth management and other products and services, and tailored differentiated service solutions. It deepened high-efficiency collaboration between the corporate banking line and the retail banking line, consolidated the system for the collaboration between corporate banking and retail banking based on refined scenarios, strategy-guided services, professional teams and regular support, and built a distinct service ecosystem.

As at 31 December 2024, the Bank recorded approximately 306,700 accounts of small and medium-sized customers, an increase of approximately 30,900 from the number of accounts as at

[9] Targeting 10 most valuable customers unanimously recognized by local banks, 100 core customers with major contribution to profits, 1,000 basic customers that maintain sound cooperation with the Bank, and 10,000 settlement customers that maintain regular exchanges with the Bank.

31 December 2023. Among them, the number of enterprises with specialised, sophisticated techniques and unique, novel products[10] totalled 8,246, an increase of 1,640 from the number as at 31 December 2022. For the year ended 31 December 2024, the Bank had an average daily balance of deposits of RMB884.83 billion, from small and medium-sized customers.

Businesses and Products

Corporate Deposit Business

The Bank offers two principal deposit products to its corporate banking customers, demand deposits and time and call deposits. As at 31 December 2022, 2023 and 2024, the Group's balance of corporate deposits was, RMB3,807.53 billion, RMB3,932.37 billion and RMB4,116.59 billion, respectively. In 2024, corporate deposits across the market experienced large fluctuation, with some deposit funds shifted towards fixed-term deposits, wealth management products and interbank deposits. The Bank actively responded to the changes and challenges in market environment, and maintained the balanced development between the quantity and pricing of corporate deposits by optimising product allocation and improving integrated customer services, among other means.

Loans and Advances to Corporate Customers

Corporate loans have historically been the largest component of the Bank's loan portfolio. As at 31 December 2022, 2023 and 2024, the Group's corporate loans balance totalled, RMB2,524.02 billion, RMB2,697.15 billion and RMB2,908.12 billion, respectively. The Bank's corporate loans can be classified into short-term loans and medium and long-term loans.

The Bank provides discounted bills to its customers as a source of short-term financing. The interest rate the Bank charges for discounted bills varies according to the creditworthiness of each customer. As at 31 December 2022, 2023 and 2024, the Group had RMB511.85 billion, RMB517.35 billion and RMB449.90 billion, respectively, of discounted bills outstanding.

Investment Banking Business

The Bank established its investment banking centre in 2007. With investment banking business as an important pillar underpinning the practice of the strategy of best comprehensive financial services, the Bank implemented national strategies, further ramped up comprehensive financial support for key areas and weak links of real economy, including sci-tech innovation finance, green finance, strategic emerging industries and manufacturing, and served the transformation and development of its corporate business. Upholding the philosophy of "professionalism in empowerment and innovation for efficiency", the Bank vigorously promoted business transformation and innovation, and continued to consolidate the market position of its competitive business.

[10] The statistical scope is determined according to the latest lists of enterprises with specialized, sophisticated techniques and unique, novel products at the national and provincial levels, and made corresponding regressive calculation of the beginning base figures.

In 2024, the Bank's investment banking business recorded a financing scale of RMB2,111.97 billion, up by 39.80 per cent. year on year. It underwrote 2,223 debt financing instruments, with a total amount of RMB960.006 billion, up by 34.98 per cent. year on year, ranking first in the market by both the number and scale of underwritten bonds[11] and renewing the market record of the annual scale of underwritten corporate credit bonds. It served 927 customers, ranking first in the market. It raised approximately RMB82.10 billion in the capital market[12]. Seizing the great opportunity arising from the special loans for stock repurchase and shareholding increase, it became one of the first six lending banks in the market, and announced 23 signed contracts worth RMB4.2 billion in total, ranking first among joint-stock banks. It successfully built several market benchmark projects in on-balance sheet financing areas such as cross-border syndicated loans, privatization of Hong Kong-listed stocks, merger and acquisition (M&A) loans to free trade zone, and activation of specific assets, with the financing scale hitting a record high.

International Business

The Bank's international business consists primarily of services relating to various trade and non-trade transaction of import and export industries such as international letters of credit, international remittance, export and import collection and settlement, letters of guarantee, packaged loans and forfeiting services. Centring on the strategic orientation of opening up the financial industry at a higher level, the Bank proactively acted upon the policies about the Belt and Road Initiative and the development of free trade zone (port) and served the real economy with financial resources in its international business. The Bank advanced the building of the cross-border treasury service system and formed the innovative service matrix consisting of global cash management and cross-border fund pools and steadily drove forward business development.

In 2024, the Bank's international business demonstrated high-quality and sustainable growth in both the number of customers and international settlement volume. The number of international business customers reached 47,700, an increase of 12.95 per cent. compared to the number as at 31 December 2023. The annual international settlement volume achieved approximately U.S.$923.25 billion, reflecting a year-on-year growth of 12.47 per cent.

During the same period of time, the Bank provided medium- to long-term project financing support for large-scale infrastructure construction projects undertaken by Chinese enterprises in Belt and Road partner countries such as Indonesia, Laos, Angola, and Egypt. As at 31 December 2024, the financing balance reached RMB12.76 billion, representing a 15.05 per cent. increase compared to the balance as at 31 December 2023. Concurrently, the Bank launched the "Cross-border Safe Deposit Box" service solution for foreign-related guarantees, issuing approximately RMB47.43 billion in new foreign-related guarantees throughout 2024, marking a year-on-year increase of 56.46 per cent.

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11 According to data of Wind Info.

12 According to data of Wind Info.

In addition, to fully support the stabilisation of foreign trade, in 2024, the Bank focused on enhancing credit support for small and medium-sized foreign trade enterprises through three key initiatives: upgrading the loyalty card model for export-oriented businesses, optimising and expanding the whitelist credit solutions in collaboration with China Export & Credit Insurance Corporation to include non-resident clients, and independently developing the first big data financing product, "Cross-border Quick Loan." These measures cumulatively facilitated the expansion of over 1,200 small and medium-sized foreign trade credit clients. The Bank deepened its collaboration with China Export & Credit Insurance Corporation, achieving a leading position among joint-stock banks in short-term credit insurance financing scale. Through the State Administration of Foreign Exchange's Cross-border Financial Service Platform, the Bank's credit insurance financing scale surpassed RMB6 billion, positioning it at the forefront of the industry.

The Bank strengthens its foreign exchange compliance capabilities continuously, earning the highest A-level rating from the SAFE in 2024. Additionally, the Hong Kong Branch officially commenced operations, establishing a new strategic foothold for the Bank in providing global financial services.

Transaction Banking Business

The Bank was the first in the PRC to launch its exclusive brand, "Transaction+", for transaction banking. Taking transaction banking business as an important pillar for transforming its corporate banking services, the Bank strenuously developed transaction banking business, and provides enterprises with comprehensive digital and intelligent financial services by combining financing and settlement.

In terms of trading settlement, the Bank strove to deliver outstanding customer experience and minimalist user experience. The "Tianyuan Treasury 2.0" unveiled a featured business centre to set an example for the industry; multi-bank capability kept enhancing, with the banks having direct fund links numbering more than 100; frequently used features were upgraded fast, and a special treasury for state-owned assets was launched, gathering nearly 2,700 customers within the Group, serving nearly 20,000 member enterprises, and handling transactions worth nearly RMB500.0 billion. The "Easy Salary" platform facilitated customer expansion, introducing features for nine scenarios, and enabling "three-step registration" for new customers and "seamless migration" for existing customers. In 2024, the new version of "Easy Salary" recorded 22 thousand newly registered corporate customers. The "regulatory payment" product covered fund regulation across five major scenarios, with the scale of funds under regulation exceeding RMB600.0 billion in 2024.

In terms of transaction financing, the Bank worked to build distinct supply chain finance business. As for the bank acceptance bill business, the Bank intensified online service and scenario applications, registering 26 thousand financing customers with more than RMB1.8 trillion funded cumulatively. As for the guaranteed commercial bill discounting business, the Bank expanded business channels, and supported online processing of supply chain bills, financing over 2,400 customers with nearly RMB80.0 billion of funds. The domestic factoring business further showed its unique advantages, recording RMB427 million of income from fee-based business, up by 56.53 per cent. year on year. As for domestic L/G business, the Bank

vigorously promoted the "Credit Guarantee – Speedy Issuance", an automatic review and approval product, quickly meeting customers' demands for guarantee in bidding & tendering and contract performance, among other areas, and serving more than 4,000 customers. In 2024, the Bank provided professional solutions for over 2,500 supply chains in key industries, establishing leading edges known as a complete product system, deep insights into industries, high service efficiency and strong support for the real economy in the market.

Asset Custody Business

The Bank has placed great importance to the innovation and development of its asset custody business. Upholding the philosophy of "value-added custody", the Bank constantly deepens business collaboration within the Group, intensified the move of bringing assets generated from internal resources under custody, spared no efforts in the development of the asset management business, and deepened customer management. Meanwhile, the Bank promotes asset management businesses such as mutual fund, pension and cross-border fund custody. As at 31 December 2024, the mutual funds under the Bank's custody amounted to RMB2.52 trillion, an increase of RMB351.65 billion from the amount as at 31 December 2023, which included money funds, bond funds, equity funds, index funds and publicly offered REITs. The pension business and the cross-border custody business maintained stable growth. As at 31 December 2024, the annuities under the Bank's custody reached RMB496.23 billion and the QDII funds under custody amounted to RMB302.16 billion, up by RMB82.68 billion and RMB123.82 billion from the amount as at 31 December 2023, respectively.

In 2024, the Bank enhanced its digital custody services. It attached great importance to the development of the custody business system and it applied innovative AI technologies to further optimise the business process, which significantly improved business efficiency. The Bank continuously enriched the services of customer channels and created more digital service products that improve customer experience and meet customer demand. It sped up the digital development of business procedures, enhanced risk identification and process control capabilities, and identified and removed risks and hidden dangers in a timely manner through digital monitoring of the process, ensuring secure and orderly business operations.

As at 31 December 2024, the Group's custodian assets surpassed RMB16 trillion and reached RMB16.42 trillion, an increase of RMB1.74 trillion from the assets as at 31 December 2023. In 2024, the Bank recorded RMB3.720 billion in income from custody business, up by RMB203 million year on year; the market share of custody business and its income continued to grow. The Bank was named the "Best Custodian Bank in Asia" for its asset custody business by *The Asian Banker* in 2024.

Wealth Management for Corporate Customers

The Bank assists corporate customers in optimising their asset allocation strategies, taking into account factors such as liquidity requirements, risk tolerance, and market conditions. Based on prudent currencies and currency+ with low fluctuations and pure bond corporate wealth management products with low fluctuations, the Bank vigorously explores featured products such as fixed income + preferred shares and fixed income + broad-based index options. In 2024, the Bank kept strengthening the cooperation with leading external institutions, and further

enriched the ecosystem of corporate wealth management products. As at 31 December 2024, the Bank had 29 external partners, up by three from the beginning of the year, and acted as a sales agent for 556 corporate wealth management products, up by 149 from the beginning of the year. Meanwhile, the Bank combined the fulfilment of its corporate social responsibility with the advancement of corporate wealth management business, implemented the national requirements for promoting the Five Priorities in finance, and stepped up the launch and sales of green wealth management products, products for enterprises with specialised, sophisticated techniques and unique, novel products, and charitable products. In 2024, approximately RMB23.51 billion of the said products were sold in total, effectively promoting the green transition of society and contributing to diverse social values.

As at 31 December 2024, the size of corporate wealth management was approximately RMB209.92 billion, up by 15.59 per cent. over the end of previous year, in which collaborated agency sales registered RMB42.09 billion. The Bank had approximately 31,700 corporate wealth customers, up by 18.96 per cent. over the number as at 31 December 2023, with the customer base further consolidated.

Inclusive Finance Business

The Bank upholds the political consciousness and people-centeredness of finance work, remained committed to the purpose of "providing timely help and serving the people's livelihood", observed the principles of "market-oriented and law-based operation", established and improved the distinct "five-pronged model" (scenario-based services, online process optimisation, batch customer acquisition, intelligent risk control and data assetisation), and mobilized bank-wide efforts to develop inclusive finance. All this produced positive results, and earned the Bank the "Level I" rating (the highest level) in the regulatory assessment of financial services for micro and small enterprises by the NFRA. In relation to inclusive finance, the Bank has taken the following initiatives:

- establishment and improvement of the specialised organisational system characterised by "six unifications at the Head Office and four concentrations at branches"[13]: the Bank continuously optimises the organizational structure and risk control mechanism, fully leverages the benefits of the coordination mechanism of the Inclusive Finance Leading Group and Working Group, formulated the *Special Action Plan of China CIITC Bank for Promoting Inclusive Finance*, and established and implemented the "Five Specials and Five Strengthens"[14] model of the coordinated financing mechanism for micro and small enterprises. It kept inclusive finance indicators as part of the performance assessment of heads of branches and maintained a weight of over 10 per cent. in the comprehensive performance assessment of branches, provided subsidies, remuneration and funds for expenses, and continuously improved the mechanism of developing the confidence, willingness, capability, and expertise in inclusive finance;

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[13] Unification of policies, processes, products, systems, risks and brands at the Head Office, and concentration of review, approval, loan extension and post-lending control at branches.

[14] Setting up special task forces, formulating special plans, optimising special products, launching special campaigns, and providing special policies at the Head Office; and strengthening coordination, communication & connection, active push, implementation, and continuous services at branches.

- establishment and improvement of the online product system characterised by "complete service categories and excellent customer experience": the Bank constantly improves the test field mechanism for product innovation and the credit factory product for R&D, launched "Operation E Loan", restructured the "Housing Mortgage E Loan", and continuously enriches the "CITIC Easy Loan" product system by further refining product features and user experience to make financing support with high credit lines and low interest rates accessible to customers in just minutes;

- establishment and improvement of the precision marketing system characterized by "digital empowerment and list-based customer acquisition": the Bank upgraded "Smart Online Banking", refined the features of electronic channels, and put into operation "*Xinzhihui*", a mini program, enabling fast and convenient online application for customers, and effectively improving customer experience. It vigorously forged AI marketing channels, created the "Benefit Marketing" platform for business opportunities, and promoted digital marketing tools such as "Inclusive AI Business Manager", reducing manual operation and boosting service efficiency;

- establishment and improvement of the intelligent risk control system characterized by "promoting robust development and effective risk control": the Bank established and improved the intelligent risk control system characterized by "promoting robust development and effective risk control". The Bank dynamically refined the risk compliance management strategy, and improved the institutional system for risk compliance that consists of more than 60 policies, to strengthen credit policy guidance. It upgraded the intelligent risk control platform, and continuously enhanced post-lending first inspection, automatic regular inspection and integrated post-lending and early warning capabilities. It maintained risk tolerance, and refined the rules for exempting those who fulfilled duties from accountability. It improved the loan renewal policy, and stepped up efforts in loan renewal in the principle of "granting renewed loans wherever relevant criteria is met". As at 31 December 2024, the balance of renewed loans to micro and small enterprises totalled approximately RMB102.30 billion, up by approximately RMB54.24 billion, or over 100 per cent, from the balance as at 31 December 2023; and

- establishment and improvement of the integrated service system characterized by "customers first and collaboration": the Bank fully leveraged the strengths of CITIC Group of "full licenses in finance and full coverage in industries", strengthened collaboration with financial and non-financial subsidiaries, carried out cooperation with government departments and large platforms, among others, and provided "credit +" integrated services covering financing, wealth management and settlement.

As at the end of 31 December 2022, 2023 and 2024, the balance of loans to micro and small-sized enterprises[15] was RMB1,248.20 billion RMB1,465.26 billion and RMB1,655.86 billion respectively. As at the end of 31 December 2022, 2023 and 2024, the balance of inclusive loans to micro and small-sized enterprises[16] was RMB445.99 billion, RMB545.08 billion and RMB599.83 billion respectively. As at 31 December 2024, the number of customers with outstanding loans was approximately 310,400, an increase of approximately 26,800 compared to the number as at 31 December 2023. Overall, the asset quality was kept at a relatively sound level, with the non-performing asset ratio lower than the average of total loans across the Bank.

Technology Finance

The Bank implements national policies and strategies improved the systems and mechanisms for technology finance and aligned it with the national technological programmes. It attaches great importance to the development of technology finance business, further increased input of resources, and explored institutional innovation in multiple aspects, with the aim to take the lead in the market. Both the coverage and depth of its services for tech enterprises kept expanding. As at 31 December 2024, the Bank's balance of loans to tech enterprises[17] stood at RMB564.37 billion, an increase of 19.34 per cent. from the balance as at 31 December 2023. It served 8,246 enterprises with specialised, sophisticated techniques and unique, novel products[18] among the first five batches of such enterprises named by the state, up by 1,640 from the end of prior year.

In terms of product innovation, the Bank upholds the concept of "selecting customers from the perspective of investment", constantly upgraded point card-based approval model, and creatively launched the Yangtze River Delta point card and "Torch Loan", among other products. It focused on the hard and core tech enterprises at earlier stages and of smaller scales, and vigorously advanced the launch of products such as loans for the commercialization of technological outcomes, fixed asset loans for tech enterprises and IPR loans, continuously forging the power of featured technology finance products.

In terms of ecosystem building, the Bank constantly improves the mechanism of regular connection with government departments including the Ministry of Industry and Information Technology and the Ministry of Science and Technology. It deepens cooperation with national industrial associations, leading securities companies and relevant intermediary agencies. The Bank stepped up collaboration with national key universities and research institutes, and actively engaged in industry-academia-research collaboration. Based on the CITIC Equity Investment Alliance, the Bank worked to build a private placement ecosystem for technology finance, guiding more financial resources to flow into tech enterprises.

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15 Refers to loans to small-sized enterprises, loans to micro-sized enterprises, and business loans to self-employed individuals and owners of micro and small-sized enterprises.

16 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.

17 The statistical standards were adjusted based on changes in the scope of the tech enterprises list, and the baseline at the beginning of the year was adjusted accordingly.

18 Statistics was conducted based on the latest list of state-level enterprises with specialized, sophisticated techniques and unique, novel products, and the baseline at the beginning of the year was adjusted accordingly.

In terms of risk control, the Bank continued to make customer selection the first step of risk prevention and control, and guided branches to precisely acquire customers through list-based management. It vigorously pushed forward the implementation of the differentiated approval mechanism for technology finance in key regions, and effectively boosted the efficiency and precision of approval, to meet the diverse financing needs of enterprises. It advanced the launch of credit rating models for enterprises, making the rating results more accurate and based on science.

Retail Banking

The Bank's retail banking business provides customers with comprehensive "financial and non-financial" services, including wealth management, private banking, personal loans, personal deposits, credit cards, and payroll services. The Bank aims to be an expert at five expertise (being expertise in settlement, investment, financing, activities and services) by closely following market development trends and adhering to the operation logic of retail banking, sharpening its digital insight into customers, enlarging the customer base and strengthening customer relations.

For the years ended 31 December 2023 and 2024, the Bank's net operating income from its retail banking business registered net operating income was RMB83.56 billion (representing an increase from RMB82.36 billion in 2022) and RMB81.83 billion (representing a decrease from RMB83.56 billion in 2023), respectively, accounting for 43.81 per cent. and 40.94 per cent. of the Bank's net operating income, respectively. For the years ended 31 December 2023 and 2024, the Bank's net non-interest income from its retail banking business recorded RMB23.65 billion (representing an increase from RMB23.34 billion in 2022) and RMB20.34 billion (representing a decrease from RMB23.65 billion in 2023), respectively, accounting for 42.51 per cent. and 32.93 per cent. of the Bank's net non-interest income, respectively.

Customers

The Bank implemented stratified management of retail customers to realise 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 31 December 2024, the Bank recorded 145 million accounts of retail customers, a growth of 6.21 per cent. over the number of accounts as at 31 December 2023. More specifically:

- ordinary basic customers: the Bank leverages its capabilities in the coordinated operation of multiple channels, including mobile banking, corporate WeChat account, remote assistant and AI outbound calls, to upgrade from volume channelling to transformation of ordinary customers towards customers of higher tiers in the chain. As at 31 December 2024, the number of the Bank's ordinary basic customers totalled approximately 17.80 million, up by 4.78 per cent. from the number as at 31 December 2023;

- wealthy and VIP customers: the Bank built the management approach on the strategy of "acquisition, upgradation and retention", continuously deepened customer relationship as an expert at "five expertise", improved professional capabilities in stratified services across channels, and enhanced customer service experience. As at 31 December 2024, the number of the Bank's wealthy and VIP customers reached approximately 4,588,200, an increase of 7.01 per cent. compared with the number as at 31 December 2023; and

- private banking customers[19]: the Bank further improved the chain-like customer upgrade mechanism, reinforced stratified management of private banking customers, fostered a customer acquisition ecosystem across private banking channels, and upgraded the digital operation system for private banking, significantly boosting the quality and efficiency of private banking business. As at 31 December 2024, the number of private banking customers reached approximately 84,100, an increase of 13.77 per cent. over the number as at 31 December 2023. In 2024, the monthly average daily balance of AUM of the private banking customers reached RMB1.17 trillion, up by 14.19 per cent. year on year;

In terms of grouped management of customers, the Bank provides professional, distinctive, differentiated, comprehensive financial and non-financial services to key customer groups such as pension customers, going abroad customers, and Generation Z customers. More specifically:

- pension customers: the Bank carries out the pension investment education activities, and upgraded the "Happiness +" pension finance service system, to meet customers' diverse pension needs. It helps pre-retirement people make pension plans in a science-based way; published *The Longevity Era: Be the CFO of Your Own Life*, the first novel-like pension finance book; and upgraded the "Happiness + Pension Account Book 3.0", a one- stop pension planning platform. The Bank helps elderly people gain better access to pension services, renewed strategic cooperation with aging associations, released the *Risk Prevention Manual for Elderly Financial Consumers*, continuously hosted the "Happiness+" Parent Talent Competition, launched convenient services such as pension community, healthcare assistance and Elderly Care Map on mobile banking, and carried out a variety of anti-fraud publicity activities, to help elderly customers protect property security. As at 31 December 2024, the Bank had approximately 98,331,600 middle- aged pre-retirement and elder customers, up by 12.27 per cent. from the number as at 31 December 2023;

- going abroad finance customers: the Bank further forged its brand as the top choice for both outbound and inbound travellers. In 2024, the Bank expanded the presence of diverse services in going abroad finance, and, in collaboration with the visa application centres of foreign embassies, overseas card organizations, domestically leading overseas study service agencies, tourism service platforms and foreign exchange service agencies, among other partners, launched a range of featured going abroad finance services and services facilitating payment from overseas visitors in China, to meet the diverse demands of customers, including outbound travellers, families with children studying abroad and foreign visitors in China, throughout their journeys. As at 31 December 2024, the Bank had a total of approximately 12,386,500 going abroad customers, up by 12.11 per cent. from the number as at 31 December 2023; and

[19] Referring to the customers with the monthly average daily balance of AUM totalling RMB6.00 million or above.

- Generation Z customers: on the basis of thoroughly understanding the lifestyle, consumption habits and values of Generation Z customers, the Bank developed a service system exclusive to Generation Z customers to meet young customers' diversified wealth management and consumption demands. In 2024, the Bank rolled out the "Latte Plan", an automatic investment plan for wealth management, to help young customers effectively build up wealth. Based on young users' preferences, the Bank issued co-branded cards themed games including Star Rail and Tears of Themis. Focusing on the consumption scenarios of young people, such as travelling and shopping, the Bank launched "Yanka" (good-looking card) credit card series, including Dragon-Horse Spirit Card, Go Card, Pass card, and Xingxing Card. It built a new media channel matrix and opened its official account "China CITIC Bank Xin Youth" on bilibili.com and Xiaohongshu, to continuously communicate its philosophy of serving young people. As at 31 December 2024, the Bank had approximately 46.78 million Generation Z customers, issued over 15 million "Yanka" credit cards, and recorded a total transaction amount of over RMB370.0 billion.

Businesses and Products

Wealth Management Business

In active response to external changes, the Bank, adhering to the customer-centric and investment research-driven approach, closely aligned with customer demands, strengthened customer relationships, improved the wealth management product system, provided forward-looking and effective supply, enhanced customer profit experience, promoted high-quality development of wealth management business, and achieved win-win results for customers and the Bank.

The Bank has implemented the approach of market-oriented product selection, professional investment research and science-based assessment, enhanced the capabilities of selecting products from the whole market, and provided customers with pro-cyclical quality products. More specifically:

- in terms of wealth management business, the Bank pressed ahead with the transformation towards net asset value (NAV) business, strengthened the investment research-driven approach and professional capability building, and intensified cooperation with leading wealth management companies, to select optimal products for customers. As at 31 December 2024, the balance of the Bank's retail wealth management products exceeded RMB1.40 trillion, an increase of 10.90 per cent. from the number as at 31 December 2023;

- in terms of fund business, the Bank followed market changes and customer demands, kept enriching the supply of fund products, provided customers with a variety of asset allocation solutions, such as pure bond strategy, fixed income + strategy, index strategy, and proactive equity strategy, and optimised the structure of customer asset allocation, to deliver rewarding financial experience for customers. As at 31 December 2024, the agency sale of mutual funds held reached RMB153.4 billion, of which non-monetary funds achieved a stable annual growth of 6.96 per cent. despite a volatile stock market trend;

- in terms of insurance business, being customer demand oriented, the Bank further enriched the types of insurance products it sold as an agent centring on pension plans and inclusive finance, to provide customers with more comprehensive protection against risks. In 2024, the sales of the retail insurance business posted RMB19.71 billion. The Bank actively responded to the regulatory requirements on "returning to the founding mission". In 2024, the sales of products providing long-term protection represented 57.83 per cent. of the total, indicating a business structure better than the market level; and

- in terms of personal deposits, for time deposits, the Bank continued to optimise the product line and improve customer investment experience. It refined fixed-term deposit product with lump-sum deposit and withdrawal by launching the "Enjoy as You Like" feature, which offered convenient services such as on-demand auto-deposit and auto-renewal upon maturity, to better meet customer needs for the allocation of deposit products. The Bank continued to improve the customer deposit process in pension scenario, refined the mobile banking interface for the display and purchase of savings products in pension accounts, and offered dedicated modules for product purchase and position query, allowing customers to easily check their positions. For personal settlement deposits, the Bank established the growth system led by "Five Expertise and Six Dimensions". That is, based on deepening the management of "Five Expertise" related customers, the Bank also built the growth capabilities in six dimensions (enlarging the size of new customer base, advancing chain-like upgrade of customers from lower tiers to higher ones, promoting cross-selling among customers, facilitating product integration and penetration, strengthening building of consumption payment scenarios, and expanding payment and settlement projects), to further improve the interaction between loan and deposit services, enhance digital operation, and promote the improvement of the liability structure.

In addition, the Bank actively aligns with the orientation of major national strategies, and enriched product supply centring on the Five Priorities in finance. In 2024, the Bank collaborated with leading wealth management companies and sold green and ESG themed wealth management products as an agent, to support the healthy and high-quality development of the real economy. As at 31 December 2024, the Bank recorded 27 green and ESG themed wealth management products in existence, with the AUM totalling approximately RMB5.17 billion. The Bank sold 94 green and environmental protection themed mutual funds of various types for domestically leading fund companies. In collaboration with CITIC Wealth Management, the Bank explored the new model of "charity + finance", to promote finance for good. As at 31 December 2024, the AUM under charitable wealth management products sold by the Bank as an agent amounted to approximately RMB9.93 billion.

Moreover, the Bank continuously intensifies the building of the investment research system and has built a sales capacity system, and strengthened product allocation capacity. The Bank's wealth management and fund business kept abreast of market changes, continuously output investment research views, polished allocation methods, enhanced the team's sensitivity to market changes and attention to customer experience, organized and carried out activities such as "10,000-Mile Tour", and strengthened salespersons' basic capabilities and allocation skills. In terms of insurance business, the Bank continued to iterate the sales methodology and optimise the insurance process, upgraded the training and honor system, and strengthened process control to improve allocation efficiency.

Last but not least, being customer-centric, the Bank enhanced digital service capacity, to make financial services more accessible and convenient. The Bank continuously upgraded the features of "Xiao Xin", a digital wealth advisor, providing customers with 24/7 real- time conversation-based consulting services both before and after investment for funds, wealth management, insurance, among other products, while offering them services throughout the process of wealth management including asset allocation. In 2024, the digital advisor "Xiao Xin" was named "Chinese Service Practice Case" among service demonstration cases at CIFTIS for its innovative, leading and inclusive features.

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 consumer loans in an balanced manner, to support the development of the real economy and private economy and boost consumption upgrading.

In terms of personal housing loans, the Bank actively implemented the country's policies on real estate regulation, better supported people's needs for essential and improvement-oriented housing, and promoted the building of a new model for real estate development. As at 31 December 2024, the balance of housing mortgage loans registered RMB1,032.58 billion, an increase of RMB61.41 billion from the balance as at 31 December 2023, with the increment ranking top among peers.

In terms of personal business loans, focusing on the real economy and inclusive business, the Bank continuously optimises policies and supporting functions for personal business loan products, further improved the share of inclusive financial business, expanded the coverage of beneficiaries, and made the services more accessible and convenient. As at 31 December 2024, the balance of personal inclusive loans was RMB411.65 billion, representing an increase of approximately RMB31.20 billion over the balance as at 31 December 2023.

In terms of personal consumer loans, the Bank deeply explored consumer finance scenarios such as housing and automobile, maintained active and sound marketing and risk control strategies, and actively carried out consumer finance business. Focusing on high-quality target customer groups, the Bank continued to improve its business and product system, promoted product innovation and upgrading, achieved in-depth integration of technological innovation and upgrading, big data empowerment and business practice, and continuously improved the quality and efficiency of consumer loan services.

As at 31 December 2024, the balance of personal loans (excluding credit cards) of the Bank was RMB1,815.41 billion, an increase of RMB104.51 billion over the end of the balance as at 31 December 2023.

Credit Card Business

The Bank's credit card centre was established in December 2007. The Bank's credit card business thoroughly implemented the "Five Leading" and the "Retail First" strategy. Focusing on

high-quality and sustainable development, the Bank comprehensively upgraded its product and service systems, and built a quality scenario ecosystem centring around consumption of general public, while deepening the precise alignment of "consumer needs, product offerings, and consumption scenarios". It further put forward high-quality customer acquisition and refined operations, accelerated technological innovation and digital transformation, and fully leveraged the important role of credit cards in "boosting spending, expanding domestic demand, and improve people's well-being" to further enhance people's senses of gain, happiness and security.

In 2024, the Bank took the following initiatives:

- focusing on high-quality customer acquisition: the Bank built a high-quality customer acquisition system featuring the integration of "sub-centres, branches, cross-industry alliance and Group", and enhanced the quantity and quality of customer acquisition through multiple channels. It upgraded the product system, and, centring around the basic needs for people's well-being, daily consumption and other scenarios, issued a series of products for "catering, accommodation, travel, entertainment and shopping", including Love Catering Card, Love Accommodation Card, Love Travel Card, PASS Card, and GO Card;

- strengthening scenario-based ecosystem building: the Bank continued to carry out the "99365"[20] brand campaign, and deepened the ecosystem building of CBD and merchants by combining a mix of marketing instruments including coupons and discounts for a certain amount of payment. As at 31 December 2024, the Bank established partnerships with over 6,000 national merchant brands, covering more than 400 thousand stores, engaged over 12 million customers in campaigns, and launched nearly 1,500 business districts;

- strengthening interest earning asset operation: the Bank improved the consumer instalment product system. It prioritized the "neighbourhood" scenario- based development, deepened "head-to-head" cooperation with leading enterprises and top internet platforms, and launched diversified instalment marketing campaigns to comprehensively address various consumer finance demands of credit card customers; and

- enhancing capacity building of technological innovation and intelligent services: the Bank leveraged AI-powered response assistance and smart policy routing to establish an efficient social engagement ecosystem and significantly improve customer service efficiency. It upgraded the intelligent outbound calling platform with core system enhancement and capacity expansion, and boosted capabilities in business script matching, accuracy of model identification, voice selection for robots, and human-machine collaboration.

As at 31 December 2024, the Bank issued cumulatively 123 million credit cards, an increase of 6.68 per cent. over the number as at 31 December 2023, and recorded RMB487.88 billion balance of credit card loans. In 2024, the Bank's credit card transaction volume stood at RMB2.44 trillion, a decrease of 10.13 per cent. year on year; it realised RMB55.91 billion income from credit card business, a decrease of 5.91 per cent. year on year.

[20] Refers to ″RMB9 Movie Ticket Privilege″, ″RMB0.09 Exchange Privilege″ and ″Wonderful 365″.

Private Banking Business

Adhering to the implementation of the new three-year-development plan, the private banking business of the Bank is committed to build its private banking business as a shining name card of "leading wealth management bank". It adhered to the customer and value orientation, promoted stratified operation, collaborative customer acquisition, capital allocation and digital operation, comprehensively enhanced the professional operation capability and customer service capability of private banking.

The Bank's specialised operation system has become more mature and the production capacity of the team was released at an accelerated pace. In 2024, the Bank promoted the stratified and intensive operation of private banking customers on all fronts, with a total of 21 branches and 46 private banking centres implementing intensive operation, covering nearly 9,000 more customers compared with the beginning of the year. It accelerated the staffing of private banking, built a standardised team management mechanism, optimised the training system, and continuously improved the operating result of the private banking team. As an important part for "service + operation" of private banking customers, private banking centres has had their layout improved step by step, and 99 private banking centres (11 of them were newly approved) have been established with approval, covering 69 major cities.

At the same time, the Bank strengthened resource integration and accelerated the release of customer acquisition capacity through channels. The corporate-private integration "Light Up Program" increased the allocation of key resources, focused on key scenarios and activities such as the dividend distribution of listed companies, and continuously improved the efficiency of corporate-retail integration. In 2024, the Bank acquired more than 8,000 corporate and private customers, representing a year-on-year increase of 6.59 per cent. The going abroad finance product "Junior Trip" enriched the scenario ecosystem and expanded brand reputation with its featured services. In 2024, the number of private banking customers acquired through the service increased by 77.59 per cent. year on year, and nearly 13,600 "Junior Trip" credit cards were issued cumulatively. Relying on the advantages and benefits of key credit card products, the debit- credit linkage increased investment in activities, and significantly improved the two-way customer acquisition. In 2024, the number of private banking customers acquired through debit-credit linkage increased by 26.79 per cent. year on year, and the coverage rate of private banking credit cards increased by 6.29 per cent. year on year. The cross-border linkage established a multi-scenario customer acquisition model, and, relying on overseas featured value-added services, drove the significant increase in channel value, with the global service capabilities for high-net-worth customers continuously enhanced.

Furthermore, the Bank promoted sales through capital allocation and improved production capacity through structural optimisation. Private banking deposits focused on the development of settlement deposit scenarios, and continued to refine the deposit structure, with the daily average balance of settlement deposits of private banking customers increasing by 46.13 per cent. year on year. Private banking wealth management continued to focus on fixed income + products, with steady growth in scale and sales volume. The number of wealth management products held by private banking customers increased by 16.40 per cent. over the end of the previous year. The premiums of private banking insurance recorded positive growth, and the proportion of protection products continued to increase, continuing improve the insurance structure of private

banking. The performance of mutual fund and private fund products continued to outperform the market, and existing products increased by 16.47 per cent. as compared to the end of the previous year. Featured single products maintained a rapid growth momentum and the scale of inheritance business grew steadily. The volume of discretionary entrustment increased by 15.10 per cent. from the end of the previous year, and the scale of inheritance business exceeded RMB70.0 billion.

In addition, in 2024, the Bank strengthened digital operation and support capabilities, and built digital capabilities of private banking. The Bank upgraded the business strategy system for private banking customers in an all-round manner, established a strategic synergy mechanism for retail banking, and added and optimised 26 precise marketing models for private banking business in the year, covering more than 30 core business scenarios. It strengthened the online channel operation and productivity delivery capability, and upgraded the service process of mobile banking agency sales of private banking, private banking wealth management and featured single products. The number of active customers of the exclusive version of private banking grew by 33.14 per cent. year on year. The Bank effectively improved the agency sale product selection and customer service capability for private banking with the support of the system, was among the first in the industry to launch family service trust and online and offline full-process services, and realised the quantitative evaluation of standard products for agency sales based on internal and external data.

Ageing Finance Business

The Bank is one of the first commercial banks in China to launch exclusive services for senior customers, and a strategic partner of China National Committee on Ageing.

The Bank places great emphasis on its pension finance service system. It set up a Pension Finance Special Taskforce, and formulated the *Special Action Plan of China CITIC Bank for Promoting the Development of Pension Finance*. As a member of the Pension Finance Office of the Wealth Management Committee under CITIC Financial Holdings, the Bank provided customers with comprehensive service solutions for pension finance through Group-wide coordination and bank-wide collaboration.

To promote high-quality development of three-pillar pension plans, the Bank continuously optimise the first-pillar supporting financial services, and realised the national-wide issuance of digital social security cards on mobile banking. The number of digital social security card issuing regions above the prefecture level exceeded 60. The Bank innovatively improved the service plan for the second-pillar annuity customers, and forged featured value-added services suitable for annuity management needs. As at 31 December 2024, the scale of custody of pension exceeded RMB500.0 billion. It promoted and implemented the private pension policies nationwide, continued to carry out investment education activities for pension finance, and launched the dialogue program of Old Friends themed CITIC Bank Empowers Your Dream Over Time, helping disseminate the knowledge on pension finance. The Bank further enriched pension finance products and made all categories of private pension products including savings deposits, pension funds, commercial insurance for the elderly and pension wealth management available for purchase. It launched the "Well-Selected" pension finance product recommendation system to improve the precise match between customer demand and financial products. As at 31 December

2024, the Bank had approximately 2,188,200 private pension accounts, up by 136.04 per cent. from the number as at 31 December 2023.

Centring around different customer groups' needs for elderly care, the Bank upgraded the "Happiness +" pension finance service system. On the one hand, centring around the needs of elderly groups including "independent seniors, semi-independent seniors, and disabled/cognitively impaired seniors", the Bank further enriched the online services of its "Happiness+ Club" and launched features such as "elderly care communities, medical-health services, and elderly care maps". These services now cover 67 elderly care communities across 29 cities, complemented by offline medical assistance and family doctor services. For the third consecutive year, the Bank released the *China Resident Pension Wealth Management Development Report* (2024), and the industry's inaugural *Elderly Care Community White Paper*. On the other hand, centring around the planning needs of customers preparing for retirement, the Bank rolled out the automatic investment plan "Latte Plan" for "young customers" and launched the asset management tool "balance sheet" on mobile banking. As at 31 December 2024, the users totalled approximately 4,007,600. The Bank published the inaugural novel-style pension finance guide *The Longevity Era: Be the CFO of Your Own Life* for young and middle-aged groups. It developed and upgraded the "Happiness + Pension Account Book 3.0", a one-stop pension planning platform, and innovated the feature of financial and non-financial pension accounts keeping. As at 31 December 2024, the users totalled approximately 5,035,500.

The Bank's pension finance service system supported by "six supports", namely, "one account, one account book, one set of products, one set of services, one team and one platform", such that each customer can have a personal pension fund account that can be used in multiple channels and scenarios, an account book that is clear, manageable, and well invested, a set of comprehensive and high-quality pension finance products, a set of elderly care services covering wealth management, health, privileges, education, heritage, and entertainment, a team of certified and excellent "pension finance planners", and a forward-looking and specialised pension finance office platform launched by CITIC Financial Holdings.

Additionally, the Bank consolidated the efforts to make financial services more age-friendly. The Bank was one of the first commercial banks to launch a mobile banking version exclusive to elderly customers. It has made 100 per cent. of its outlets age-friendly, continued to optimise the age-friendly IVR[21] system, and launched the "Happiness Express", a convenient manual service. Meanwhile, the Bank continued to carry out financial education initiatives and crack down on elderly-targeting illegal financial activities. It developed educational materials such as the *Mastering Smartphones, Financial Literacy Handbook for the Elderly, and Guide on Elderly Financial Consumer Risk Prevention*, while continuously enhancing the "Sentry" intelligent anti-fraud risk control system to safeguard the financial security of elderly customers.

[21] IVR refers to Interactive Voice Response system, through which customers can interact and obtain functions such as menu navigation by telephone, reduce waiting time effectively and achieve self-service.

Payroll Service Business

Starting from the needs of enterprises and employees, the Bank integrates its competitive resources in corporate and retail banking businesses and created one-stop payroll service solutions for enterprises. For different corporate customer groups, the Bank expanded the coverage of payroll service with a focus on enterprises which increases its staff and salary payment, and built one-stop solution for enterprises with its integration of the advantages of corporate and retail business. On the enterprise end, the Bank has built the "Easy Salary" payroll service platform and the necessary tools for the digital transformation of enterprises' human resources and fiscal management. On the individual end, the Bank has introduced the exclusive payroll card, benefits and wealth management services to continuously build the "caring" customer services.

Digital Finance

Upholding the philosophy of "benefiting the public through intelligence", the Bank is committed to the development path of "AI + finance" and focuses on the upgrade of the retail business towards data, ecosystem, personalisation and intelligence, covering the management of all customers and providing inclusive wealth management services for the public via digital means.

In terms of data, the Bank upgraded the customer insight platform, and focused on advancing such work as dialog mining, lattice cockpit, "five expertise" thermometer, customer timeline and intelligent calendar. In 2024, the Bank segmented customers into a total of 112 lattice customer groups, accumulated more than 4,700 labels, triggered an average of 40 million business opportunities on a daily basis, connected to over 270,000 behaviour points, and integrated 71 marketing calendars, further refining the insight into customers' diversified demands and advancing the improvement of quality and expansion of coverage of inclusive finance.

In terms of the ecosystem, the Bank established cooperation with major financial institutions based on the open platform "Xing Fu Hao". In 2024, the platform introduced 37 external financial institutions and attracted over 2.36 million followers. The Bank provided users with long-term interactive investor education services, and launched 15 activities including collecting golden beans, survey rewards, quiz for prizes, puzzle games, Sowing Festival, Wealth Carnival and sign-in. The Bank and partner financial institutions jointly built investment companionship scenarios, developed the function "Happiness Expert", and brought in professional institutional investment experts to provide more thorough asset allocation services to users.

In terms of personalisation, the Bank established the intelligent marketing and automated operation capabilities facing over 100 million customers and upgraded the unified strategy management and A/B test capabilities to meet their personalized demands for financial services. In 2024, 3,612 strategies were deployed across channels, providing diversified fine matched contents, activities, information and caring services for 1.17 billion persons cumulatively.

In terms of intelligence, in 2024, the Bank completed the upgrading of the digital wealth advisor "Xiao Xin", which provides advisory services for four types of products, namely wealth management, funds, insurance and deposits, as well as asset allocation and diagnosis services. Since its launch, "Xiao Xin" served a total of 4.58 million advisory conversions and had overall

satisfaction of more than 95 per cent. The Bank further improved the intelligent recommendation system, which supported standardised product recommendation across channels that satisfies tailor-made customer needs, and introduced applications for scenarios including proactive service for mobile banking breakpoints and fund transfer interception, recording an average of 4 million recommendation service instances per day. Meanwhile, the Bank continued to develop the AI outbound call channel, focused on promoting the new model of "AI- Human collaborative call", and applied intelligent tools to continuously empower manual channels, which significantly improved service efficiency and provided more customers with caring online services. In 2024, outbound calls were made to 39.14 million customers, up by 9.79 per cent. year on year.

Financial Markets

The Bank's financial markets business includes interbank business and other financial markets business. The Bank's financial market segment has been responding to the complicated and dynamic economic and financial situation at home and abroad, by following closely the national policies and carrying out its duty of supporting the real economy with financial services. It stayed committed to five directions, i.e. "deepening integration, improving capability, ensuring risk control, enlarging the scale, and boosting profitability", improved its structural capability and expanded systematic advantages through building a business system that integrates sales service, investment and transaction and risk control research ("**S-T-R**"), to serve more customers and create greater value.

For the years ended 31 December 2023 and 2024, the Bank's financial market business recorded a net operating income of RMB21.67 billion (representing a decrease from RMB25.38 billion in 2022) and RMB26.74 billion (representing an increase from RMB21.67 billion in 2023), respectively, accounting for 11.36 per cent. and 13.38 per cent. of the Bank's net operating income, respectively. For the same period, the Bank's non-interest net income from financial market business recorded RMB18.85 billion (representing an increase from RMB18.46 billion in 2022) and RMB27.37 billion (representing an increase from RMB18.85 billion in 2023), respectively, accounting for 33.89 per cent. and 44.32 per cent. of the Bank's net non-interest income, respectively.

Customers

Based on the "S-T-R" model, the Bank tapped into the blue ocean of institutional customers. Centring on five major areas of urban and rural commercial banking, securities, funds, elements and insurance, the Bank developed business models featuring combined operation, chain marketing and cross traffic diversion, to constantly boost the operating efficiency in different industries. Comprehensively leveraging digital operation tools, such as CITIC "Interbank+", peer CRM and MPP, the Bank forged differentiated competitive advantages in key industries and regions through the "going to the countryside and primary-level institutions" initiative. As at 31 December 2024, the "Interbank+" platform recorded 3,022 accounts, an increase of 182 accounts from the number as at 31 December 2023.

Businesses and Products

Financial Interbank Business

The Bank has continued to expand the scope of its business cooperation with other banks and financial institutions after achieving full coverage of mainstream financial institutions.

As at 31 December 2022, 2023 and 2024, the Bank's balance of financial interbank assets (including deposits and placements with, loans to banks and non-bank financial institutions, taking into account accrued interest and allowance for impairment losses) amounted to RMB297.00 billion, RMB318.82 billion and RMB532.99 billion, respectively. As at 31 December 2022, 2023 and 2024, the Bank's balance of financial interbank liabilities (including deposits and placements from banks and non-bank financial institutions, taking into account accrued interest) amounted to RMB1,214.52 billion, RMB1,014.21 billion and RMB1,057.04 billion, respectively.

The Bank's bill discounting business has been targeting inclusive, green and strategic emerging industries as well as manufacturing and key sectors of real economy, channelling low-cost funds to the real economy. For the year ended 31 December 2024, the volume of bill discounting business reaching RMB1,577.98 billion, serving 19,526 accounts of corporate customers, of which 14,385 or 73.67 per cent. were micro and small enterprises. For the year ended 31 December 2023, the volume of bill discounting business reached RMB1,547.13 billion, serving 16,777 corporate banking customers, of which 11,687 or 69.66 per cent. were micro and small enterprises.

The Bank launched the CITIC "Interbank+" platform online in the first half of 2017. It is a one-stop interbank financial service platform that integrates traditional finance and the internet. Following the operating philosophy of "One CITIC, One Customer", the Bank integrated resources in cooperation with the financial subsidiaries of CITIC Group to further develop the CITIC "Interbank+" platform. Focusing on the demand of financial institutions for wealth management, market making transactions, and intelligent services, the Bank deployed the financial market businesses featuring "floor + over-the-counter" trading and "domestic + overseas" operations, and developed three major features, i.e. "Premium Product Store", "Cloud-based Interbank Market Trading Hall" and "Intelligent and Digital Communication Platform". Centring on renewal and upgrade, customer experience and first-line customer services, the Bank completed fast upgrade of features, and gradually formed three value chains respectively of wealth management, asset management and comprehensive financing. The "Interbank+" platform recorded an online business volume of RMB2.25 trillion for the year ended 31 December 2024, up by RMB0.43 trillion year on year.

Forex Business

The Bank's forex business is committed to serve the real economy, vigorously supported the transmission and implementation of regulatory policies. The Bank actively fulfils its responsibilities as a market maker and promoted the high-quality development of the forex market, providing enterprises and overseas institutional investors with exchange rate risk solutions. In 2024, the Bank continuously provided quotation to the interbank forex market. Its

forex market making volume recorded U.S.$3.35 trillion, increasing by 28.35 per cent. year on year, and staying ahead in the market. The Bank added the quotation trading of Indonesian Rupee derivatives and the trading of Macao Pataca, and was among the first group to participate in the Korean Won spread delivery forward trading of the China Foreign Exchange Trading System. Currently, it has the listed direct transaction between RMB and 20 currencies of countries along the Belt and Road Initiative such as South African Rand, Kazakhstan Tenge, Thai Baht, Macao Pataca and Singapore Dollar. Unswervingly following regulatory orientations, it stepped up the publicity of the exchange rate risk neutrality concept, and helped enterprises establish the exchange rate risk management mechanism. It continued to strengthen forex capability building, enriched the exchange rate hedge product system, provided professional and comprehensive forex services, and helped enterprises, particularly micro, small and medium-sized enterprises improve the capability of managing exchange rate risk. It served the high-level opening- up of the financial industry, and offered cross-border institutional investors with solutions including forex services. Foreign exchange trading services for cross-border institutional investors exceeded U.S.$200.0 billion, up by 68.26 per cent. year on year. The Bank took an active part in the self-discipline initiatives in China's forex market, and supported the progress in various work including self-discipline management, market regulation and international exchanges.

Bond Business

The Bank's bond business targeted its function in providing customers with integrated financing services, actively carried out bond investment transactions with proprietary funds, providing customers with high-quality financial services for fund-raising, and offered financial liquidity for the development of the real economy. In 2024, the Bank earnestly performed its duty as a central government bond underwriter, vigorously supported the issuance of central government bonds in primary markets, and provided strong fund support for serving national strategies and supporting the real economy. The Bank ranked among the top joint-stock banks in terms of comprehensive underwriting performance for three consecutive years. It gave full play to its professionalism in bond investment, stepped up collaboration between the Head Office and branches, strengthened the efficiency of transaction circulation, unlocked the new momentum of collaboration, effectively satisfied the comprehensive financing service needs of corporate customers, and empowered the integrated management of interbank customers.

The Bank fulfilled its duties and responsibilities as a core market maker in the interbank bond market, continued to carry out bilateral and requested market marking quotations, and actively offered the market pricing benchmark and liquidity support, ranking among the top market makers by several indicators. In 2024, the Bank launched a series of innovative products, including the Innovation Development Index and bond baskets, among which the Bank's new quality productivity bond basket was the first market-wide financial instrument themed on new quality productivity, which has provided investors with a novel avenue for thematic investments, launched the first IMM contract transaction under the Northbound Bond Connect program in the market, and assisted the China Foreign Exchange Trade System and Shanghai Clearing House in carrying out the first batch of "Swap Connect" contract compression business in the market. It successfully launched the first batch of new interest rate swap contracts in the market, and actively participated in the innovation of the derivatives market. As for the market making business, the Bank actively implemented the interconnectivity mechanism in the bond market,

and made greater efforts to facilitate services for overseas institutional investors, staying ahead in the market in terms of the Bond Connect and bond settlement agency businesses, and continuously contributing to the high-standard opening-up of the bond market. At the same time, the Bank implemented the inclusive finance policy, steadily promoted the OTC bond business of small and medium-sized financial institutions, and built a whole-process integrated OTC bond system to serve small and medium-sized financial institutions to facilitate their participation in the bond market and bolster the development of the multi-level bond market.

Monetary Market Business

The Bank's monetary market business conducts bond repurchase in both local and foreign currencies, interbank lending and interbank certificates of deposit issue to enrich financing channels for small and medium-sized commercial banks, non-banking financial institutions as well as other trading entities so as to help them to meet their short-term financing needs. In 2024, the Bank actively conducted bond repurchase, interbank lending and issuance of interbank certificates of deposits in both local and foreign currencies, continued to enhance the financing capacity in the monetary market, earnestly performed the duties of a primary dealer in the open market, and actively met the short-term financing needs of small and medium-sized commercial banks, non-banking financial institutions as well as other trading entities. It proactively participated in the innovation and building of trading mechanisms, launched the first batch of pledge-style government bond repurchase transactions under general repo and swap facilities in the whole market, and concluded the first anonymous local government bond contract expansion repurchase in the market, the three-party foreign currency repurchase with Yulan bond basket as collateral and the OTC repurchase of bonds under custody of Shanghai Clearing House for small and medium-sized financial institutions, thus further consolidating its position as a core dealer in the interbank market. In 2024, the Bank recorded a trading volume of RMB28.70 trillion in the RMB money market, the issuance of RMB interbank certificates of deposit reached RMB1.42 trillion, the trading volume in the foreign currency money market of approximately U.S.$536.11 billion, and the issuance of interbank certificates of deposit in foreign currencies amounted to approximately U.S.$630 million.

Precious Metal Business

The Bank's precious metal business focuses on serving the real economy with financial services, enriching transaction strategies and increasing business income. In 2024, the Bank actively served enterprises across the precious metal industry chain through joint marketing between the Head Office and branches, steadily promoted customer products and provided customers with specialised services such as leasing, value reservation and warehouse receipt transaction. It strengthened market research and judgment, actively performed its duty as an importer, enhanced the allocation to core trading operations, and vigorously pursued bilateral swing trading strategies through digital means. As one of the first gold market makers on the Shanghai Gold Exchange, the Bank performs the duties and obligations as a market maker, continuously conducted market-making quotations, and actively provided liquidity support to the market. In 2024, the Bank remained at the top of the market in market making.

Asset Management Business

The Bank's asset management business is the key link and role in the value chain of its "wealth management – asset management – comprehensive financing". The Bank's subsidiary CITIC Wealth Management leverages the advantages of synergy within the CITIC Group and collaboration between the parent bank and subsidiaries as well as its own asset organization and investment management capacities to continuously forge an all-round asset management business line with core competitiveness, a full range of products, wide customer coverage and leading comprehensive strength, and strives to build itself into a first-class enterprise in world with an all-around asset management business.

The Bank's asset management business followed a "customer-centric" operation philosophy. CITIC Wealth Management established 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 stock rights. Meanwhile, it actively explored scenario-based businesses such as pension finance, wealth inheritance and discretionary trust, to build a full lifecycle wealth management service system.

Giving priority to the quality and efficiency of the real economy, the Bank fully leverages its strength of asset allocation platform and supported high-quality development of the real economy through its financial resources, placing focuses on FinTech, green economy, pension finance and inclusive wealth management:

- FinTech: with a focus on promoting sound circulation among "technology, industries and finance", CITIC Wealth Management enhanced support for innovative technologies such as new energy, new materials, next-generation information technology and biomedicine;

- green economy: CITIC Wealth Management proactively acts on the green and sustainable development philosophy and supported green development in key areas. In 2024, CITIC Wealth Management issued RMB8.81 billion wealth management products on themes of ESG, green etc;

- inclusive wealth management: in 2024, CITIC Wealth Management further expanded the "charity + finance" model and continued to develop "Caring for Children" series wealth management products. As at 31 December 2024, it had 21 wealth management products worth a total of approximately RMB11.77 billion. With those efforts, it fulfilled the mission of supporting common prosperity through wealth management;

- pension finance: in 2024, CITIC Wealth Management participated in the development of a pension insurance system with Chinese characteristics. As at 31 December 2024, it had 169 ongoing "Xinyi" series products which were designed to meet pension investment needs, with a scale of approximately RMB70.42 billion.

The Bank adheres to a technology-driven approach in its asset management business and strengthened the integration of data, business and technology at the top level. In 2024, CITIC Wealth Management established the "Digital and Intelligent Wealth Management" technology empowerment system, intensified efforts to build a digitalisation talent team, and advanced six

major digital transformation projects. Centring around the value chain of wealth management business, it adhered to technology-driven development, and continued to foster new quality productive forces.

As at 31 December 2024, the wealth management products amounted to RMB1.99 trillion, an increase of 15.29 per cent. from the end of the previous year, of which the scale of new net-worth management products reached RMB1.95 trillion, accounting for 97.68 per cent. of the total. The Bank cumulatively served approximately 22,567,300 wealth management customers, representing an increase of 37.79 per cent. as compared to the number of wealth management customers as at 31 December 2023. In 2024, the Bank realised income from wealth management business of approximately RMB4.23 billion, up by 47.87 per cent. year on year.

DISTRIBUTION CHANNELS

As at 31 December 2024, the Bank had 1,470 outlets in 153 large and medium-sized cities in the PRC, a London Branch and a Hong Kong Branch. In addition, the Bank is continuously promoting the use of online banking channels, such as Internet banking and mobile banking. The Bank is able to provide its customers with efficient banking services through its extensive network of physical outlets and online channels.

The table below sets out the Bank's balance of deposits from customers by geographical region as at 31 December 2024.

Region	Balance	Proportion
	RMB million	*% of total*
Head Office	8,484	0.1
Bohai Rim	1,566,353	26.7
Yangtze River Delta	1,509,601	25.7
Pearl River Delta and West Strait	926,838	15.8
Central China	779,616	13.3
Western China	596,566	10.2
Northeastern China	126,530	2.2
Overseas	350,323	6.0
Total	**5,864,311**	**100.0**

Physical Outlets

As at 31 December 2024, the Bank had 1,470 outlets in 153 medium-sized and large cities in the Chinese mainland, including 37 tier-one branches (directly managed by its Head Office), 125 tier-two branches, and 1,308 sub-branches (including 30 community/micro and small sub-branches), plus 1,509 self-service banks (including onsite and offsite self-service banks), 4,456 self-service terminals and 9,593 smart teller machines.

In terms of the layout of overseas outlets, the Bank set up a London Branch, a Hong Kong Branch and a Sydney Representative Office. As at 31 December 2024, CNCBI, an affiliate of the Bank, had 31 outlets and two business wealth management centres in Hong Kong, Macau, New

York, Los Angeles, Singapore and the Chinese mainland. CNCB Investment had 3 subsidiaries in Hong Kong and the Chinese mainland. JSC Altyn Bank had seven outlets and one private banking centre in Kazakhstan.

The Bank's London Branch, upon approval of the Prudential Regulation Authority and the Financial Conduct Authority of the UK, opened for business on 21 June 2019. The Bank's London Branch is the Bank's first overseas branch directly managed by the Head Office. It conducts wholesale banking and its main business scope covers deposits, loans such as bilateral lending, syndicated lending, trade finance and cross-border M&A finance, financial markets services such as agency spot foreign exchange trading, money market trading, derivative trading, offshore RMB trading, bond repurchase and investment in and issuance of bonds and certificates of deposits, as well as financial services such as cross-border RMB payment settlement. It proactively explores market opportunities resulted from the fluctuations of macroeconomy, and stays active in the money market and forex market. The Bank's London Branch undertook the forex transactions business of the Head Office during European trading sessions, provided customers with efficient and convenient forex services throughout the day, actively performed its duties as an interbank forex market maker, and offered the market continuous two-way quotations. The Bank's London Branch recorded a proprietary trading volume of U.S.$36.51 billion, and a forex trading volume of U.S.$36.58 billion as an agent of the Head Office for the year ended 31 December 2024.

The Bank's London Branch achieved an operating income of U.S.$39.90 million, U.S.$28.15 million and U.S.$36.73 million, for the years ended 31 December 2022, 2023 and 2024, respectively.

On 8 June 2023, the Bank's Hong Kong Branch was granted the license for operation by the Hong Kong Monetary Authority. On 27 March 2024, as approved by the Hong Kong Monetary Authority, the Hong Kong Branch of the Bank has been officially established.

Retail Online Channels

The Bank has placed significant emphasis on developing robust retail online channels to meet the needs of its retail customers. Through its internet and mobile banking applications, the Bank offers personalised and exclusive user experience to its retail customers.

China CITIC Bank APP

In 2024, the Bank continued to optimise the basic service scenarios of the mobile banking App with a focus on user experience and through the pathway of "scenario services – traffic distribution – business monetization", and also carried out product operation to improve customer service experience.

In terms of scenarios services, the Bank redesigned the experience journey for three important business scenarios, i.e., account restructure, transaction details (income/ expense analysis), and membership, and integrated localized lifestyle service scenarios to foster a scenario of active users. It upgraded the membership tier system, unified the view of membership level-based benefits and rights, and developed six growth-oriented tools.

In terms of traffic distribution, based on the existing intelligent distribution, the Bank built a "people – product – scenarios traffic distribution large model" according to the user lifecycle, product preference analysis, and scenario-based insights, to improve the traffic allocation efficiency.

In terms of business monetisation, the Bank created online product selection scenarios such as "Xinxin Family", "Night Market of Wealth Management" and "Product Map", optimised the pre-sales, in-process and after-sales processes for wealth management, funds, insurance, and deposits, provided customers with full lifecycle accompanying services with the help of digital wealth advisors, enhanced the online digital operation capacity for wealth management products and ensured the transformation of business value. As to the development of featured customer groups, the Bank continued to enhance featured services for Generation Z, middle-aged and silver-aged customer groups through upgrading card services for young customers, Pension Account Book 3.0, and asset authorisation and sharing services etc. It consolidated the cross-scenario support via the "Super Customer Representative Service Team", reinforced the "Be the CFO of Your Own Life" value proposition and strengthened the brand image of a "caring bank".

In 2024, China CITIC Bank APP recorded approximately 18.88 million online monthly active accounts (MAUs), and the total number of customers granted loans through the Lending Channel reached approximately 1,938,100.

Mobile Card Space APP

The Bank upgraded Mobile Card Space App 11.0, launched two new portals of "Credit Card" and "Discounts", and continuously improved the user experience of core benefit reception processes to achieve structured and visualized benefits. It was one of the first batch in the industry to release the HarmonyOS Edition of the credit card App, and launched the senior-friendly version 3.0 of the Mobile Card Space App. Centering around the interface design, functional workflows, and security performance, the Bank optimised the core card services for the elderly customers, and built a new Card Security Center, to provide elderly customers with one-stop services and settings. In 2024, the Mobile Card Space App recorded approximately 22,469,400 online monthly active accounts, an increase of 13.05 per cent. year on year.

Remote Customer Management Service

In 2024, the Bank established the Remote Customer Management Service Center, and deepened multi-channel collaboration between remote operations, online App platforms, and outlet-based customer managers. For online users, the Bank applied intelligent technologies to identify and predict pain points, provided precise personalized services via phone calls, WeCom, and other channels, and ensured a "one-point access, full-channel response" experience. For customers beyond the reach of offline outlets, the remote assistant teams collaborated with branch-based customer managers to deliver accompanying services integrated with marketing, transformed traditional services such as wealth management, benefit notifications, and event updates into rapid online solutions via remote engagement, and significantly expanded service coverage. In 2024, the Bank's Remote Customer Management Service Center proactively reached customers for hundreds of million times, covering near 20 million customers.

Open Banking

The Bank advanced the development of open banking and the scenario-based ecosystem. Through standardised, modular and light docking solutions (including but not limited to API, SDK, H5 and WeChat Mini Program), it embedded financial/non-financial services into third-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. In 2024, the Bank jointly developed scenarios such as account, wealth, payment and bill payment with industries through standardised product components, serving more than 85.51 million person-times and recording more than RMB551.6 billion in cumulative transactions.

Corporate Online Channels

In 2024, the Bank continued to strengthen corporate online channel building, launched Smart Online Banking 5.0, and realised "zero-distance" contract signing for corporate online banking, simplifying contracting procedures. It improved the "self-service" experience, established a "guided service" model for online banking, and leveraged customer behaviour insights to guide customers to operate through intelligent prompts. The Bank introduced a series of special zones such as the Task Center, Product Center, Admin Dashboard and Cloud Counter Series, to improve the one-stop business handling efficiency. It comprehensively upgraded the systems, and provided support for UnionTech, Kylin and other domestic operating systems. It enhanced the intensive operation of channels, built a four-tier operation and maintenance system, and applied co-screen interactive tool to improve quality and efficiency of customer services. As at the end of the 2024, the Bank recorded approximately 1,227,900 customers across corporate online channels, up by 12.20 per cent. over the number of customers as at 31 December 2023, and the coverage rate of corporate customers through online channels reached 96.95 per cent. In 2024, 227 million transactions were enabled through corporate online channels, up by 5.38 per cent. year on year, and the amount of transactions hit RMB177.72 trillion, up by 8.76 per cent. year on year.

Subsidiaries and Joint Ventures

Set out below are the Bank's main subsidiaries and other joint ventures which the Bank is engaged in:

- **CIFH** is a wholly-owned subsidiary of the Bank. Its main business scope includes commercial banking and non-banking financial services, and serves as the Bank's main platform for conducting overseas business. CIFH conducts its commercial banking business mainly via its holding subsidiary CNCBI (in which CIFH holds a 75 per cent., equity interest), and conducts its non-banking financial business primarily via CIAM (in which CIFH holds a 46 per cent. equity interest):

    - **CNCBI** is a whole-license commercial bank that offers a broad spectrum of financial services to customers across the region. As the main channel of the Bank's overseas business and cross border synergy, it gives full play of the synergy between the Bank and CNCBI, provided comprehensive financing services around customers' need

regarding "equity, debt, loan and investment". In 2024, it successfully built the layout of cross-border wealth management services that combines Chinese mainland branches, Hong Kong private banking and Singapore private banking, developing cross- border business into a new engine of income increase, and achieving two-digit growth in both the number of high-net- worth customers and income from cross-border business. Meanwhile, to further speed up FinTech transformation and empower business development, it established CITIC Bank Digital and Intelligent (Shenzhen) Information Technology Co., Ltd, and commenced operations in early 2025.

- **CIAM** is a Hong Kong-based institution mainly engaged in private equity investment and asset management.

- **CNCB Investment** is an overseas wholly-controlled subsidiary of the Bank established in Hong Kong. The business scope of CNCB Investment covers lending (holding 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.

- **CITIC Financial Leasing** is a wholly-owned subsidiary of the Bank. Its business scope mainly covers financial leasing.

- **CITIC Wealth Management** is a wholly-owned subsidiary of the Bank. It mainly engages in the issuance of wealth management products, investment and management of investor assets under custody and financial advisory and consulting services.

- **CITIC aiBank** is 65.70 per cent. owned by the Bank. It is an innovative internet bank jointly established by the Bank and Fujian Baidu Borui Network Technology Co., Ltd.

- **JSC Altyn Bank** is 50.1 per cent. owned by the Bank. It mainly engages in banking business in Kazakhstan.

- **Lin'an CITIC Rural Bank** is 51 per cent. owned by the Bank. It mainly engages in general commercial banking business.

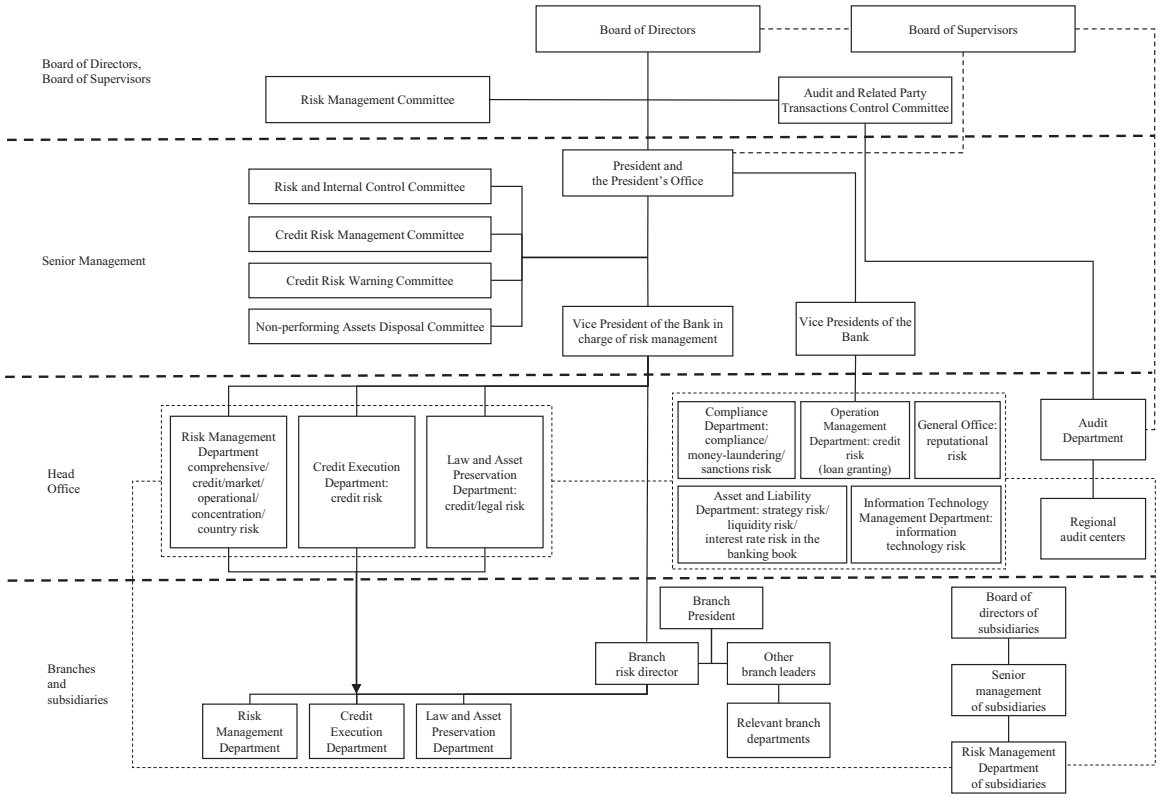
RISK MANAGEMENT

The Bank continuously improves the comprehensive risk management system that is "effective in controlling risks and promoting development", and constantly deepens the prudential risk compliance culture. In 2024, it pressed ahead with the implementation of the "Five Policies", integrated executing various decisions and plans of the Central Committee of the Chinese Communist Party ("**CCPCC**") and promoting the five priorities in finance with seizing business opportunities, and guided target extension and withdrawal of credit. It improved the unified credit management system, and strengthened regional and customer concentration control. It deepened the mechanism for integrated credit approval, management and inspection, improved the full-time approver system, strengthened post-lending management and building of the collateral management system, and refined the whole- process management mechanism for credit business. It tightened quality control over all assets, and classified assets strictly. It pushed forward risk projects defusing, increased efforts in cash recovery, and tapped the value of written-off assets. It deepened the comprehensive risk penetration management of subsidiaries, strengthened the building of professional risk management teams, and enhanced the risk management capabilities of the Bank.

The Bank made risk appetite a drive to transmit and implement national policy orientations, upheld a prudent overall risk appetite, and made consistent efforts to ensure compliance and prevent systemic risks. The Bank elaborated on risk appetite from four perspectives of value, capital, risk and social responsibility, defined quantitative indicators of risk appetite at different levels, and clearly specified bottom-line requirements for the management of major risks associated with credit, market, operation and liquidity, among others. The Bank strengthened the connection of risk appetite with credit policies, risk limits, capital management, and appraisal and assessment, highlighting both uniformity and difference, intensified risk appetite management of subsidiaries, and advanced the effective transmission and execution of risk appetite across the Group.

The Bank continuously strengthens digital risk control, optimised and iterated digital risk control tools, and pushed forward the building of the risk management system. It deepened data integration and governance, improved digital risk management in the whole process covering risk identification, measurement and evaluation, monitoring, reporting and control, and upgraded risk management to make it increasingly powered by data and intelligence instead of being based on information alone.

The following chart sets out the Bank's risk management structure:



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 fulfil 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 (factoring included), guarantee, acceptance, loan commitments and other on-and off-balance sheet credit businesses, bond investment of banking book, derivatives trading and security financing, structured finance and other businesses. 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 optimised 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.

The Bank strictly implemented the *Administrative Measures for Large Exposures of Commercial Banks* released by former CBIRC and other relevant provisions, proactively conducted management of large exposures under the framework of comprehensive risk management, reinforced the institutional foundation, and carried out statistical monitoring and regulatory submission in an orderly manner. In 2024, the Bank strictly implemented the identification and classification standards for customers with large exposures, with all indicators related to large exposures within regulatory limits.

In 2024, 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 realising continuous value creation. It implemented the requirements of "Year for Deepened Post-lending Management", and continuously advanced the development of post-lending management system. The Bank revised the policy on post-lending management of corporate customers, and further improved relevant mechanisms. It continued to carry out stratified and classified risk monitoring, and strengthened risk investigation of key areas and key customers. It also improved the early warning committee mechanism, optimised early warning strategies, and further brought into play the role of early warning of risk. It organised special inspections of key post-lending areas and strictly implemented regulatory requirements.

Market Risk Management

Market risk refers to the risk of on- and off-balance sheet businesses of a bank incurring losses due to unfavourable 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 risk. The Bank has established a market risk management policy system covering market risk identification, measurement, monitoring, control and reporting. By closely monitoring market risks, strictly implementing product access and risk limit management, timely conducting risk measurement and reporting and other measures, the Bank has prevented and controlled its market risk. The target of market risk management of the Bank is to control market risk within the reasonable range and maximise risk-adjusted returns based on its risk appetite.

In 2024, the Bank measured market risk capital according to the *Rules on Capital Management of Commercial Banks*, and continued to consolidate the system and data foundation of the market risk measurement. It also improved the market risk management system, and revised relevant rules for market risk limit management, stress testing, contingency plans and reporting management, in a bid to enhance management effectiveness. In addition, the Bank continuously tracked and monitored market fluctuations of interest rate and exchange rate, strengthened risk analysis and judgement, conducted risk warning and reporting, and effectively prevented and responded to market risks. For details of market risk capital measurement, please refer to the *Third Pillar Information Disclosure Report of 2024* issued by the Bank. For details of interest rate gap, foreign exchange exposure and sensitivity analysis, please refer to Note 55(b) of the 2024 Annual Financial Statements.

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. In 2024, the domestic bond market yields overall went downwards amid fluctuations. 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, consisting of gap risk, benchmark risk and option risk, 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. The Bank manages its interest rate risk in the banking book with the basic objective of controlling its interest rate risk in the banking book within a reasonable range according to its risk management capability, risk preference and tolerance. 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.

In 2024, 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 measures 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 fluctuated within the risk tolerance range of the Bank in 2024.

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 unfavourable changes in exchange rates. 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 U.S. dollar. In 2024, the exchange rate of RMB against U.S. dollar fluctuated. The Bank strictly controlled the foreign exchange risk exposures of relevant businesses, and intensified routine risk monitoring, forewarning and reporting, controlling the exchange rate risk within the acceptable range.

Liquidity Risk Management

Liquidity risk refers to the risk that a bank is unable to obtain adequate capital in a timely manner and at a 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 ensuring that the liquidity demand can be met at a reasonable cost in a timely manner on the premise of compliance 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 specialised 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 shareholders' general meeting. The senior management shall take charge of the 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 analysing 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 and a unified liquidity risk management mode. The Head Office is responsible for formulating liquidity risk management policies and strategies for the Group and its legal-person institutions, and for managing liquidity risk at the legal-person institution level in a centralised manner. All domestic and overseas affiliates of the Group are responsible for developing and continuously 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.

In 2024, the domestic economic recovery still faced certain challenges, and the counter-cyclical adjustment of macro policies was intensified. The central bank cut the reserve requirement ratio (RRR) twice to maintain reasonably ample liquidity in the market. It cut the policy rate twice

and drove down the market interest rate. It launched policy tools such as government bond trading and buy-out reverse repurchase to optimise market capital structure. It adopted and optimised structured instruments of monetary policy, and increased financial support to key areas and weak links. In 2024, the liquidity of the money market was reasonable and abundant, while the interest rate of the money market generally fluctuated downward around the policy rate.

The Bank constantly enhanced liquidity risk management, increased the foresight and proactiveness of liquidity management and kept optimising 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 utilisation, and maintained a dynamic balance between liquidity and efficiency in a coordinated manner. It also enhanced liquidity risk measurement and monitoring, kept practicing liquidity risk limit management, and kept liquidity risk management indicators meeting regulatory requirements and maintained at reasonable levels. Moreover, the Bank properly conducted routine liquidity management, strengthened market analysis and forecast, made forward-looking fund arrangements, and improved the efficiency of fund utilization on the basis of ensuring liquidity safety. It reinforced proactive management of liabilities and maintained a reasonable and proactive liability structure so as to ensure smooth channels and diversified sources of financing. In addition, the Bank continued to promote the issuance of financial bonds to replenish and stabilise the sources of liabilities. It paid attention to emergency liquidity management, and enhanced its emergency management capability. In 2024, the Bank reasonably set stress scenarios and conducted liquidity risk stress tests on a quarterly basis, comprehensively 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.

Operational Risk Management

Operational risk refers to the risk of losses resulting from deficient internal procedures, employees and information technology systems and external incidents. It includes legal risk but excludes strategic risk and reputational risk. The Bank has established a sound policy system for operational risk management to consolidate the foundation for operational risk management. Aiming at improving its risk management and control capabilities and capability of responding to internal and external events, and improving service efficiency and return to shareholders, the Bank established a correct value orientation for operational risk management, and fostered a favourable operational risk management culture. It strengthened the organic connection between the operational risk management system and mechanisms of business continuity, outsourcing risk management, network security and data security, so as to enhance the operational resilience of the Bank.

In 2024, the Bank continued to strengthen the management and control of its operational risk, strictly implemented the *Operational Risk Management Measures of Banking and Insurance Institutions*, and revised and improved operational risk management policies and procedures. It actively advanced the implementation of the operational risk measurement with standardised capital approaches, and continuously bolstered the mechanism for collecting data about loss resulting from operational risk, improving the quality of data. It timely started operational risk-triggered evaluation in the links where risk management is weak, enriched the key risk

indicator system, and made risk monitoring more forward- looking. It guided subsidiaries and overseas branches to improve the operational risk management system and optimise the functions of the operational risk management system, continuously enhancing the Bank-wide operational risk management. Moreover, it made further endeavours to establish a robust risk management system for its outsourcing business, strengthened the screening and assessment reporting of outsourcing risk, urged the department in charge of outsourcing affairs to perform its duty, reviewed and revised the outsourcing catalogue, and strengthened the review of outsourcing projects and policies. The Bank continued to improve the business continuity system, conducted problem screening and rectification, completed drills on business continuity as scheduled, continuously monitored operational interruption risk, and improved management quality and efficiency. It also deepened the IT risk assessment and enhanced its IT risk management capability. In 2024, the operational risk management system of the Bank operated stably, placing operational risk under control in the overall sense.

Compliance Risk Management

Compliance risk refers to the possibility of criminal, administrative and civil liabilities, property losses, reputation damage or other negative impacts incurred by financial institutions or their employees because financial institutions' operation and management behaviours or their employees' performance of duty are not compliant with relevant regulations. Compliance risk management is a core risk management activity of the Bank, with the Board of Directors being the decision-making body for significant compliance matters and ultimately responsible for the effectiveness of compliance management of the Bank.

In 2024, the Bank strictly implemented regulatory policies and requirements, and established the concept of operation in compliance with laws and regulations, thus securing its high-quality development. The Bank upheld its mission in the "Year for Rectification and Improvement", conducting governance combining inspection, rectification and assessment[22] with reference to the typical problems of departure from serving the real economy as identified by the National Audit Office and the NFRA, and working to improve the quality and efficiency of serving the real economy. The Bank focused on intensifying the implementation of policies and regulations. It issued the *Notice on Further Strengthening Implementation of Regulatory Requirements*, classified regulatory provisions, clarified requirements for policy transmission and implementation, and intensified supervision over the implementation of regulatory policies regarding renewal of loans to micro and small-sized enterprises, among others. It released a series of *Key Compliance Reminders*, summarised critical compliance requirements, and urged strict defence of the bottom line across the Bank. The Bank deepened penetration of its compliance culture. It launched the Risk Compliance Culture Season campaign for the ninth straight year, and, under the guidance of the financial culture with Chinese characteristics, assigned 19 key jobs in four aspects, namely primary-level cultural penetration, targeted institutional governance, risk compliance inspection and rectification, and screening in key

[22] Referring to the internal control and compliance governance mechanism that integrates compliance inspection, problem rectification, and evaluation & assessment.

fields. It carried out education themed "Four Compliance Lessons"[23] at primary-level institutions, and organised over 20,000 compliance training sessions and over 10,000 warning education sessions at various levels across the Bank, to promote correct outlook on operation, performance and risk.

Information Technology Risk Management

Information technology risk refers to the operational, legal and reputational risks caused by natural disasters, human factors, technical loopholes and management defects in the application of information technology by commercial banks. Information technology risk management is incorporated into the Bank's comprehensive risk management system and is an important part of comprehensive risk management. With the core concept of "adhering to the bottom line, strengthening awareness, focusing on execution, proactive management and creating value", the Bank is committed to creating an information technology risk culture system covering "all employees, all aspects and full process".

The Bank has established an organizational structure featuring "three lines of defence" consisting of the "one department and three centres" of information technology, risk management department, compliance department, audit department and other relevant departments. In 2024, the Bank continued to improve the information technology risk management policy system, and strengthened the management of information technology risk. It continuously refined the mechanism and process for the management of information technology risk, and promoted the early discovery, warning and disposal of information technology risk by intensifying risk indicator monitoring, evaluation and inspection. It stepped up production and operation management, enhanced the quality of information systems in operation, boosted the capability of business continuity drills, and promoted the safe, sustainable and stable operation of information systems.

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 opinion of the Bank by stakeholders, the public and the media resulted from the Bank's behaviours, employees' behaviours or external events.

In 2024, the Bank upheld political consciousness and took a people-centric approach in financial work, followed the basic principles of "forward-looking, commensurateness, full coverage and effectiveness" in reputational risk management, and ensured various work related to reputation risk management be advanced effectively. The Bank adhered to the Party's leadership, and promoted the effective operation of the three-tiered structure for reputation risk governance consisting of the Board of Directors, Board of Supervisors and senior management, departments of the Head Office, and branches and subsidiaries. The Bank continued to strengthen the whole-process management mechanism for reputational risk, upheld the customer-centric approach, and took active steps to eliminate hidden risks at the source. Guided by systematic

[23] "Four Compliance Lessons" refer to the compliance lesson for top executives, the compliance lesson for business lines, the first lesson for new employees and the online compliance lesson for all employees.

thinking, the Bank refined the prevention and control mechanism to avoid any negative public opinion events that might trigger industry-wide risks. The Bank advanced the building of the risk prevention and control system, and raised the reputational risk management and response capabilities of institutions at various levels.

Country Risk Management

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

The Bank formulated sound country risk management policies and procedures so as to effectively identify, measure, monitor and control country risk. It identified and measured country risk in cross-border credit extension, investment and off-balance sheet businesses, conducted regular country risk assessment and ratings in countries (regions) where business has been conducted or planned to be conducted, set appropriate country risk limits, and regularly monitored and rationally controlled country risk exposures. In 2024, the Bank revised and improved country risk management rules and processes, and pushed forward the improvement and optimisation of management tools. It closely tracked changes in international situations, continuously monitored and assessed country risk, and intensified risk screening. It updated country risk ratings, reviewed and adjusted country risk limits in a timely manner, carried out stress tests on country risk, and controlled country risk at an acceptable level.

Money Laundering Risk Management

Money laundering risk refers to the risk of customer attrition, business or financial loss or legal sanctions, regulatory punishments or reputation damage possibly incurred by the Bank for being exploited by money laundering or other illegal and criminal activities or failing to observe the laws, regulations and internal rules on anti-money laundering ("**AML**") during operation and management.

In AML work, the Bank remained led by Party building, strictly complied with the Law of the People's Republic of China on Anti-Money Laundering, the Guidelines for Risk Management Regarding Money Laundering and Terrorist Financing in Corporate Financial Institutions (Trial), as well as other laws and regulations regarding AML, and effectively fulfilled its legal obligation of AML under the management mechanism where the three lines of defence (decision-making by the Board of Directors, supervision by the Board of Supervisors and execution by senior management) performed duties in a coordinated manner, and the Head Office, branches and sub-branches performed respective responsibilities.

The Bank attached great importance to AML work, and thoroughly practiced the philosophy of risk-oriented AML management. It continued to improve relevant mechanisms and processes, took solid steps to advance AML inspection, rectification and assessment, vigorously improved the refined management of customers, and sped up AML intelligence building, to enhance the compliance of AML work and the effectiveness of AML risk prevention and control in all aspects.

In 2024, in strict compliance with regulatory requirements, the Bank kept optimising the AML policy system by revising and issuing three policies respectively regarding AML data governance, customers' money laundering risk event management norms, and internal account AML management, and formulated three notices respectively regarding the standardization of duty performance by AML leading groups at branches, management of local money laundering risk events, and management of AML investigation risk event entries. The Bank regularly conducted AML review of "policies, products and systems", and enhanced AML risk reminding, to secure healthy business development. It carried out AML inspection, rectification and assessment throughout the year, deepened special screening in key areas, and rectified institutional and fundamental problems. It further promoted the work for reducing the burden and increasing the efficiency of AML, and upgraded intelligent analysis of suspicious transactions, to improve its operation efficiency and reduce false screening risk. It enriched the rules for customer due diligence monitoring, refined the standards for customer credit line control, and consolidated the effectiveness of integrated operation. Leveraging new technology and algorithm, it continued to increase and optimise the models for suspicious transaction monitoring, and made the systems more intelligent and easier-to-use. The Bank organised over 1,100 AML training sessions for directors, supervisors, senior management members and employees at all levels, and carried out 855 AML publicity activities on regulatory hotspots, to fulfill its social responsibility in AML while fostering an AML compliance culture.

Capital Management

The Group has established a comprehensive capital management system covering capital planning, capital allocation, capital evaluation, capital monitoring and capital analysis and management. In 2024, in light of changes in both internal and external situations, the Group made greater efforts to serve the real economy, established and improved the linkage mechanism between capital planning and business arrangements, and reasonably promoted asset growth. Meanwhile, it continued to uphold the "capital light, asset light and cost light" development strategy. Guided by the concepts of light development and value creation, it continued to optimise the capital allocation model, enhanced refined capital management, guided operating institutions to reasonably arrange business, customer and product structure under capital constraints, and thus realised the balanced development of business growth, value return and capital consumption.

In 2024, as required by the Measures for Capital Management of Commercial Banks promulgated by the NFRA, the Group recorded the following capital adequacy profile: capital adequacy ratio of 13.36 per cent., tier-one capital adequacy ratio of 11.26 per cent., and core tier-one capital adequacy ratio of 9.72 per cent., all meeting regulatory requirements.

Internal Audit

The Bank established an independent and vertical system for internal audit, with the internal audit departments carrying out work under leadership of the Board of Directors, responsible and reporting to the Board of Directors. The Board of Directors assumes ultimate responsibilities for the independence and effectiveness of internal audit and provides necessary support to ensure independent and objective internal audit. The Bank's internal audit departments consist of the Head Office's Audit Department and eight regional audit centres under its direct management,

which perform the duty of audit and supervision and are independent from business operation, risk management, and internal control and compliance.

In 2024, the Bank, guided by the Five-Year Plan for the Development of Audit Work (2021–2025) and aligning its internal audit with a focus on development strategy and central tasks, steadily promoted audits focusing on quality, technology, talent and reform, accelerated the digital transformation of its audit function, and actively promoted continuous auditing. Through auditing, it coordinated the disclosure of problems and supervision of rectification work. Placing equal importance to supervision and services, the Bank continued to consolidate the foundation of audit management, strengthened the cultivation of a specialized audit talent, carried out research-based audits, guided audit practice with research findings, and continuously improved the audit value, quality and efficiency.

In 2024, upholding the risk orientation, the Bank, with the focus on the implementation of national policies and regulatory attention, corporate governance and strategy implementation, and internal control compliance of key links, conducted audits particularly in areas such as serving the real economy, inclusive finance, green finance, real estate financing, government-backed credit, consumer rights protection, anti-money laundering, and case prevention. It stepped up supervision over key institutions, key areas and key positions, urged systematic rectification of the problems found in audit from the source, advanced the application of audit results, and strengthened the three lines of defence for joint prevention and control, hence promoting the high-quality and sustainable development across the Bank.

INTERNAL CONTROL

The Bank attaches great importance to the establishment and improvement of its internal control system, stepped up governance of processes with focus on key areas, continuously strengthened management of the weak links of internal control, and further refined the internal control system with clear responsibilities, effective control and powerful supervision.

In 2024, the Bank pressed ahead with targeted governance on regulations. It cleared the policy-like documents with management requirements, such as regulatory notices, guiding opinions, and implementation plans, in a centralised manner; organized special re-inspections of trial policies, policies implemented for five years or above, and implementation rules of branches; and eliminated the loopholes in policy enforcement. It carried out the fourth round of institutional governance, and conducted the work of establishing, revising, and abolishing regulations in time, to eliminate risks and loopholes. It promoted the application of the institutional middle-office system in all aspects, moved all processes of institutional management online, and strengthened process tracking and acceptance inspection.

During the same period of time, the Bank advanced the internal control governance for key businesses**.** It compiled the *Directory of Internal Control Management Risk Points* for 42 key businesses including CITIC Instant Loan and car finance, and sorted key risk points, to clarify control measures and intensify control of key links. In consideration of regulatory reminders and industrial risks, it carried out special inspections on auto loans, entrusted loans, agency sales, and domestic letters of credit, conducted internal control assessment on the classification of micro and small-sized enterprises and credit loans for renovation scenarios, and urged

responsible departments to implement internal control measures throughout the process of operation and management.

In addition, in 2024, the Bank strengthened rectification of key problems by category. Centering on national macro policies, regulatory focuses and operation reality, the Bank established "four ledgers" for the rectification of problems. It carried out 10 tasks in the "breakthrough ledger" for internal control at the source, strengthening systematic rectification of such problems as the five-tier classification of loans and enterprise categorisation; advanced rectification and clearance of the issues in the "priority ledger" as listed in the annual regulatory notifications for legal entities; established a "regional ledger" of 100 key issues subject to local regulatory penalties; and organized branches to establish a "core ledger" for local notifications, urging rectification of problems in line with regulatory requirements.

Last but not least, in 2024 the Bank strengthened behavioral case prevention management. It fully implemented the new regulatory requirements for case prevention, promptly revised policies regarding case prevention management, case management, and rotation of key positions, among others, and improved the mechanism for case prevention management. It pressed ahead with the special campaign for case risk prevention and control, intensified "three checks and four visits"48 across the Bank, and announced typical employee violation cases at important bank-wide meetings, to strengthen daily warning education.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

One of the development principles of the Bank is to adhere to prudent operation and sustainable development. The Bank pursues long-termism development, balances development and risks in a coordinated manner, and properly handles the relations between short-term and long-term interests, and between overall and partial perspectives. The Bank adheres to the ESG concept and green development, actively fulfils its social responsibilities, and continuously improves its environmental, social and governance performance.

The Bank has established a "top-down and innovation-driven ESG management system that features mutual promotion and coordinated operation". Throughout 2024, the Bank continued to improve the ESG management system and mechanism. It convened the 2024 working group meeting on market capitalization and ESG management, and advanced ESG work in a coordinated manner. It continuously strengthened data governance, gradually built the statistical and management capabilities of Scope 3 emissions, successfully completed the inventory of carbon emissions for 2021-2023, and sorted historical data, laying a solid foundation for the formulation of the Bank's "carbon peaking and carbon neutrality" objectives and implementation path. It continuously promoted the integration of the ESG philosophy into daily operation and management, and incorporated ESG-related contents into its employee qualification certification system. It carried out the Special Training Course on ESG Capability Improvement of China CITIC Bank for ESG management personnel teams of the Head Office, branches and sub-branches, and organized training sessions on the concept of ESG sustainable development, carbon peaking and carbon neutrality management, climate change and green finance etc. to further enhance the Bank's ESG management.

Under the strategic leadership of the Board of Directors, the Bank actively supported key areas of the real economy, vigorously developed green finance, inclusive finance and elderly-oriented finance, actively served the rural revitalisation strategy, and continuously carried out precision assistance and public welfare donations.

INFORMATION TECHNOLOGY

Adhering to a comprehensive technology-driven strategy, the Bank understood the importance of enhancing and upgrading its technological capabilities and focused on advancing digital transformation in its operation. The Bank continued to improve data capabilities and strengthened IT innovation to unleash the potential of data and digital infrastructure.

In 2024, the Group input approximately RMB10.95 billion in information technology, accounting for 5.13 per cent. of its operating. As at 31 December 2024, the Group had 5,832 technology personnel, increasing by 3.66 per cent. from the number as at 31 December 2023, and accounting for 8.91 per cent. of the total personnel. The vigor of technological innovation was further released, and 364 patents were authorised on a cumulative basis.

COMPETITION

As at the date of this Offering Circular, the Bank competes principally with large-scale commercial banks, national joint stock commercial banks, key urban commercial banks and foreign-invested banks in the PRC. In addition, the Bank may face competition for funds from other forms of investment alternatives as the PRC capital markets continue to develop.

EMPLOYEES

As at 31 December 2024, the Group had a total of 65,466 employees.

LEGAL AND REGULATORY PROCEEDINGS

The Group has been involved in several litigation and arbitration cases in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Group to enforce loan recovery, and there were also litigations and arbitrations resulting from disputes with customers. As at 31 December 2024, there were 116 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Group's ordinary and usual course of business where the Group acted as defendant/respondent, relating to an aggregate disputed amount of approximately RMB1.33 billion.

The Group is of the view that the litigations and arbitrations will not have significant adverse impacts on either its financial conditions or results of operations.

As at the date of the Offering Circular, the Bank is not involved in any litigation, arbitration or administrative proceedings, whether pending or threatened, which are or might have a material adverse effect on the financial conditions or results of operations of the Bank or which are otherwise material in the context of the issuance of the Notes.

RECENT DEVELOPMENTS

Capital Increase in CITIC Financial Leasing and Conversion of Retained Earnings into Registered Capital

On 20 February 2025, the Board of Directors of the Bank reviewed and approved the Proposal on Capital Replenishment Plan of CITIC Financial Leasing and agreed that CITIC Financial Leasing will convert RMB3.0 billion of retained earnings into registered capital and that the Bank will increase RMB3.0 billion capital in cash to CITIC Financial Leasing. Upon completion of the capital increase, the registered capital of CITIC Financial Leasing will increase from RMB4.0 billion to RMB10.0 billion, and the Bank will still hold 100 per cent. of the shares of CITIC Financial Leasing.

Share Transfer between Controlling Shareholder and Its Persons Acting in Concert

On 27 February 2025, the registration of the transfer of the Bank's H shares to CITIC Financial Holdings from its persons acting in concert Metal Link Limited and Fortune Class Investments Limited was completed. After completion of the share transfers, CITIC Financial Holdings held 36,028,393,412 shares (including 33,264,829,933 A shares and 2,763,563,479 H shares) of the Bank, accounting for 64.79 per cent.[24] of the Bank's total share capital; the number and percentage of shares CITIC Financial Holdings and its persons acting in concert collectively held in the Bank remained unchanged; Metal Link Limited and Fortune Class Investments Limited no longer held the Bank's shares or acted in concert with CITIC Financial Holdings.

Delisting of Convertible Bonds

In March 2025, the RMB40.0 billion worth of A-share convertible bonds issued by the Bank in March 2019 was delisted upon maturity, recording a total of RMB39,943,149,000 of convertible bonds converted into 6,710,365,691 shares and in total of RMB63,104,610 redeemed upon maturity.

Quarterly Financial Information as at and for the Three Months Ended 31 March 2025

On 29 April 2025, the Group announced its unaudited financial results as at and for the three months ended 31 March 2025 (the "**First Quarterly Report**"). The Group also reported additional financial and operating indicators. The unaudited consolidated quarterly interim financial information as at and for the three months ended 31 March 2024 and 2025 set forth in the First Quarterly Report has not been audited or reviewed by the Bank's auditors. Consequently, such consolidated quarterly interim financial information and the First Quarterly Report should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

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[24] The shareholding percentage after completion of the share transfer was calculated based on the total share capital of the Bank (55,607,461,451 shares) as at 27 February 2025.

The following table sets forth, for the periods indicated, the Group's unaudited consolidated statement of profit or loss and other comprehensive income.

	For the Period of Three Months Ended 31 March	
	2024	2025
	(Unaudited)	(Unaudited)
	(RMB in millions)	
Interest income	78,731	73,133
Interest expense	(43,771)	(37,456)
Net interest income	**34,960**	**35,677**
Fee and commission income	9,389	10,309
Fee and commission expense	(1,013)	(1,873)
Net fee and commission income	**8,376**	**8,436**
Net trading gain	1,606	1,266
Net gain from investment securities	8,433	5,791
Net hedging income	1	(2)
Other net operating income	193	446
Operating income	**53,569**	**51,614**
Operating expenses	(15,061)	(14,567)
Net Operating profit before impairment	**38,508**	**37,047**
Credit impairment losses	(16,819)	(14,403)
Impairment losses on other assets	(26)	(14)
Share of profit of associates and joint ventures	251	212
Profit before tax	**21,914**	**22,842**
Income tax expense	(2,523)	(3,059)
Profit for the period	**19,391**	**19,783**
Profit attributable to:		
Equity holders of the Bank	19,191	19,509
Non-controlling interests	200	274

	For the Period of Three Months Ended 31 March	
	2024	2025
	(Unaudited)	(Unaudited)
	(RMB in millions)	
Other comprehensive income, net of tax		
i. Items that will not be reclassified to profit or loss (net of tax):		
– Fair value changes on financial investments designated at fair value through other comprehensive income	15	20
ii. Items that may be reclassified subsequently to profit or loss (net of tax):		
– Other comprehensive income transferable to profit or loss under equity method	17	(41)
– Fair value changes on financial assets at fair value through other comprehensive income	3,301	(6,689)
– Credit impairment allowance on financial assets at fair value through other comprehensive income	12	(12)
– Exchange difference on translation of financial statements denominated in foreign currency	952	(491)
Other comprehensive income, net of tax	**4,297**	**(7,213)**
Total comprehensive income for the period	**23,688**	**12,570**
Total comprehensive income attribute to:		
Equity holders of the Bank	23,489	12,191
Non-controlling interests	199	379
Earnings per share attributable to the ordinary shareholders of the Bank		
Basic earnings per share (RMB)	0.39	0.36
Diluted earnings per share (RMB)	0.38	0.36

The following table sets forth, as at the dates indicated, the Group's unaudited consolidated statement of financial position.

	As at 31 December 2024	As at 31 March 2025
	(Audited)	(Unaudited)
	(RMB in millions)	
Assets		
Cash and balances with central banks	340,915	368,270
Deposits with banks and non-bank financial institutions	128,193	122,133
Precious metals	13,580	31,371
Placements with and loans to banks and non-bank financial institutions	404,801	446,523
Derivative financial assets	85,929	64,735
Financial assets held under resale agreements	136,265	99,702
Loans and advances to customers	5,601,450	5,747,735
Financial Investments		
– At fair value through profit or loss	647,398	653,867
– At amortised cost	1,118,989	1,123,392
– At fair value through other comprehensive income	849,781	956,456
– Designated at fair value through other comprehensive income	4,702	4,727
Investments in associates and joint ventures	7,349	7,518
Investment properties	578	573
Property, plant and equipment	46,516	51,877
Right-of-use assets	11,035	11,015
Intangible assets	3,419	2,826
Goodwill	959	951
Deferred tax assets	54,130	56,440
Other assets	76,733	105,157
Total assets	**9,532,722**	**9,855,268**

	As at 31 December 2024	As at 31 March 2025
	(Audited)	(Unaudited)
	(RMB in millions)	
Liabilities		
Borrowings from central banks	124,151	109,173
Deposits from banks and non-bank financial institutions	968,492	822,554
Placements from banks and non-bank financial institutions	88,550	104,422
Financial liabilities at fair value through profit or loss	1,719	2,754
Derivative financial liabilities	81,162	66,846
Financial assets sold under repurchase agreements	278,003	384,067
Deposits from customers	5,864,311	6,111,779
Accrued staff costs	20,318	18,430
Taxes payable	7,645	7,375
Debt securities issued	1,224,038	1,333,636
Lease liabilities	10,861	10,931
Provisions	9,990	10,174
Deferred tax liabilities	39	58
Other liabilities	46,078	46,228
Total liabilities	**8,725,357**	**9,028,427**
Equity		
Share capital	54,397	55,645
Other equity instruments	105,499	104,948
Capital reserve	89,286	95,566
Other comprehensive income	16,862	9,544
Surplus reserve	67,629	67,629
General reserve	111,723	111,801
Retained earnings	343,868	363,299
Total equity attributable to equity holders of the Bank	**789,264**	**808,432**
Non-controlling interests	18,101	18,409
Total equity	**807,365**	**826,841**
Total liabilities and equity	**9,532,722**	**9,855,268**

The following table sets forth, for the periods indicated, the Group's unaudited consolidated statement of cash flows.

	For the Period of Three Months Ended 31 March	
	2024	2025
	Unaudited	Unaudited
	(RMB in millions)	
Operating activities		
Profit before tax	21,914	22,842
Adjustments for:		
– Revaluation gain on investments, derivatives and investment properties	(1,973)	2,135
– Investment gains	(5,707)	(5,815)
– Net losses/(gains) on disposal of property, plant and equipment, intangible assets and other assets	(17)	(4)
– Unrealised foreign exchange (gains)/losses	(1,044)	1,290
– Credit impairment losses	16,819	14,403
– Impairment losses on other assets	26	14
– Depreciation and amortisation	1,324	963
– Interest expense on debt securities issued	6,899	6,514
– Depreciation of right-of-use assets and interest expense on lease liabilities	883	858
– Income tax paid	(3,248)	(3,052)
Subtotal	35,876	40,138
Changes in operating assets and liabilities:		
Decrease/(Increase) in balances with central banks	30,319	2,111
Decrease in deposits with banks and non-bank financial institutions	14,161	7,398
Increase in placements with and loans to banks and non-bank financial institutions	(55,671)	(67,495)
Decrease/(Increase) in financial assets held for trading	25,775	18,102
Decrease/(Increase) in financial assets held under resale agreements	28,332	38,017
Increase in loans and advances to customers	(91,560)	(158,922)
Increase/(Decrease) in borrowings from central banks	3,918	(14,042)
Decrease in deposits from banks and non-bank financial institutions	(20,641)	(145,591)
(Decrease)/Increase in placements from banks and non-bank financial institutions	(10,872)	15,838
(Decrease)/Increase in financial liabilities at fair value through profit or loss	(345)	1,048
Increase in financial assets sold under repurchase agreements	(249,248)	106,218
Increase in deposits from customers	11,750	251,883
Increase in other operating assets	(48,728)	(46,864)
Decrease in other operating liabilities	(6,205)	(9,846)
Subtotal	(369,015)	(2,145)
Net cash flows from operating activities	**(333,139)**	**37,993**

	For the Period of Three Months Ended 31 March	
	2024	2025
	Unaudited	Unaudited
	(RMB in millions)	
Investing activities		
Proceeds from disposal and redemption of investments	875,269	979,473
Proceeds from disposal of property, plant and equipment, land use rights, and other assets	20	21
Cash received from equity investment income	136	251
Payments on acquisition of investments	(854,688)	(1,107,828)
Payments on acquisition of property, plant and equipment, land use rights and other assets	(1,795)	(8,272)
Net cash flows from investing activities	**18,942**	**(136,355)**
Financing activities		
Cash received from debt securities issued	531,114	388,079
Cash paid for redemption of other equity instruments	(279,165)	271,320)
Interest paid on debt securities issued	(6,584)	(5,148)
Cash paid for dividends	(70)	(2,593)
Cash paid in connection with other financing activities	(774)	(752)
Net cash flows from financing activities	**244,521**	**108,266**
Net (decrease)/increase in cash and cash equivalents	**(69,676)**	**9,904**
Cash and cash equivalents as at 1 January	249,002	262,779
Effect of exchange rate changes on cash and cash equivalents	2,333	(859)
Cash and cash equivalents as at 31 March	**181,659**	**271,824**
Cash flows from operating activities include:		
Interest received	78,320	72,823
Interest paid, not including interest paid on debt securities issued	(35,468)	(32,452)

Analysis of capital adequacy ratios as at 31 March 2025

As at 31 March 2025, the Group recorded a core tier-one capital adequacy ratio of 9.45 per cent., a tier-one capital adequacy ratio of 10.90 per cent., and a capital adequacy ratio of 12.90 per cent. The Bank recorded a core tier-one capital adequacy ratio of 9.15 per cent., a tier-one capital adequacy ratio of 10.68 per cent., and a capital adequacy ratio of 12.78 per cent.

DIRECTORS

The following table sets out certain information relating to the Bank's directors as at the date of this Offering Circular.

Name	Position	Term of appointment
Executive Directors		
Fang Heying	Chairman, Executive Director	September 2018 – June 2027
Lu Wei	Executive Director, President	June 2025 – June 2027
Hu Gang	Executive Director, Vice President, Chief Risk Officer	October 2024 – June 2027
Non-executive Directors		
Huang Fang	Non-executive director	November 2016 – June 2027
Wang Yankang	Non-executive director	April 2021 – June 2027
Independent Non-executive Directors		
Liu Tsz Bun Bennett	Independent non-executive director	June 2022 – June 2027
Zhou Bowen	Independent non-executive director	August 2023 – June 2027
Wang Huacheng	Independent non-executive director	October 2023 – June 2027
Song Fangxiu	Independent non-executive director	October 2023 – June 2027

No potential conflicts of interest exist between the duties of the Bank's directors and their private interests and/or other duties.

Executive Directors

Mr. Fang Heying (方合英) is the secretary of the Party Committee, chairman and executive director of the Bank. Mr. Fang has served as deputy general manager of CITIC Group, 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 since November 2020. 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 more than 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 with full professorship.

Mr. Lu Wei (蘆葦) is the deputy secretary of the Party Committee, president and executive director of the Bank. Mr. Lu has served as secretary of the Party Committee, general manager, vice chairman and chairman of CITIC Trust Co., Ltd. from October 2022 to February 2025. From January 2017 to October 2022, he successively served as Board secretary, Board secretary (business director level), business director, a member of Party Committee and vice president of the Bank, and concurrently held the positions of deputy head of the preparatory team for the establishment of Hong Kong Branch, general manager of the Asset and Liability Department of Head Office, deputy head of preparatory team for the establishment of the JSC Altyn Bank and a director of JSC Altyn Bank, and secretary of the Party Committee and president of Shenzhen Branch of the Bank. From January 1997 to January 2017, Mr. Lu worked at the Business Department (currently Beijing Branch) and the Head Office, and successively served as a member of the Party Committee, assistant general manager, and deputy general manager of the Business Department of the Head Office, deputy general manager (presiding) and general manager of the Budget and Finance Department (currently Finance and Accounting Department) of the Head Office as well as general manager of Asset and Liability Department of the Head Office. Prior to that, he worked in Beijing Youth Industrial Group Corporation. Mr. Lu has 25 years of experience in the Chinese banking industry and he is a certified public accountant of the PRC, Hong Kong SAR and Australia. He holds a master's degree in accounting from Deakin University in Australia.

Mr. Hu Gang (胡罡) is a Party Committee member, executive director, vice president and Chief Risk Officer of the Bank. Mr. Hu concurrently serves as a director of CNCBI. 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; Chief Risk Officer and head of the wholesale business 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 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 has nearly 30 years of experience in the Chinese banking industry. He graduated from Hunan University with a doctoral degree in economics and is a senior economist.

Non-executive Directors

Ms. Huang Fang (黃芳) is a non-executive director of the Bank. Ms. Huang has served as a director of Zhejiang Xinhu Group Co., Ltd. since August 2013. 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, vice president (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, a director of Xinhu Zhongbao Co., Ltd., and vice president and chief financial officer of Zhejiang Xinhu Group Co., Ltd. Ms. Huang graduated from Zhejiang University with a bachelor's degree in law. She is an intermediate economist.

Mr. Wang Yankang (王彦康) is a 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.

Independent Non-executive Directors

Mr. Liu Tsz Bun Bennett (廖子彬) is an 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 Life Insurance Company of China, Ltd., China Vanke Co., Ltd. and China Petroleum & Chemical Corporation. 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.

Mr. Zhou Bowen (周伯文) is an independent non-executive director of the Bank. Mr. Zhou is an IEEE Fellow/CAAI Fellow, has been a long-tenured professor at the Department of Electronic Engineering and a professor of Huiyan Symposium of Tsinghua University since May 2022, and has served as director and chief scientist of Shanghai Artificial Intelligence Laboratory since April 2024. Previously, he was the president of the Basic Research Institute of Artificial Intelligence at IBM's headquarters in New York, USA, Chief Scientist of IBM Watson, and IBM Distinguished Engineer from March 2003 to September 2017; Vice president and senior vice president of JD.com, Inc., chairman of Technology Committee of JD.com, Inc., president of JD Cloud & AI, and president of JD AI Research Institute from September 2017 to November 2021; director of Kingdee International Software Group Co. Ltd. from March 2020 to December 2021; and he founded Beijing Xianyuan Technology Co., Ltd. in December 2021. Graduated from the University of Colorado with a doctorate degree in electronic and computer engineering, Mr.

Zhou has been engaged in AI basic theory and cutting-edge technology research for more than 20 years. He has long-time academic research experience in the new generation of information technology represented by artificial intelligence, and accumulated an abundance of hands-on experience in the field of Internet.

Mr. Wang Huacheng (王化成) is an independent non-executive director of the Bank. He currently serves as a professor and PhD supervisor at the Department of Finance of Renmin Business School. He is one of the first batch of outstanding scholars (Post-A professor) appointed by Renmin University of China, a state-level famous teacher, the deputy director of the China National MPAcc Education Steering Committee, vice chairman of Accounting Society of China, vice chairman of Cost Research Society of China, and an independent director of Tsinghua Tongfang Co., Ltd., Wanhua Chemical Group Co., Ltd. and Beijing Capital International Airport Company Limited. The positions he previously held include deputy director of Accounting Department and deputy Dean of the business school at Renmin University of China as well as an independent director of many companies such as Huatai Securities Co., Ltd., E Fund Management Co., Ltd., China Railway Construction Corporation Limited, BOE Technology Group Co., Ltd., Hua Xia Bank Co., Ltd., China Great Wall Securities Co., Ltd., etc. Graduated from Renmin University of China with a doctorate degree in management (majoring in accounting), Mr. Wang has abundant research achievements and extensive experience in fiscal, accounting, and financial fields.

Ms. Song Fangxiu (宋芳秀) is an independent non-executive director of the Bank. She is currently deputy secretary of the Party Committee of the School of Economics, professor and PhD supervisor at the Department of Finance, director of the China Center for Financial and Investment Research, Peking University and independent director of China Silver Group Limited. Ms. Song has been teaching at the School of Economics, Peking University since 2003. She once worked as lecturer, associate professor, Party Committee member of the School of Economics, deputy director of the Department of Finance and assistant to the dean of the School of Economics. From 2006 to 2007, Ms. Song was a visiting scholar at the University of Minnesota. Ms. Song graduated from the Department of Finance of the School of Economics, Peking University with a doctoral degree. Her research focuses on monetary theories and policies, international finance and asset pricing. She published more than 50 academic papers on key journals of economics, books such as Asset Allocation Mechanisms and Interest Rate Liberalization in China's Transition Economy and Comparison of Currency Internationalization Between China and the United States and a number translated books. She hosted three provincial or ministerial level research subjects in the National Social Science Fund Project and the Beijing Philosophy and Social Science Project and participated in a number of national and provincial level research subjects.

SUPERVISORS

The following table sets out certain information relating to the Bank's supervisors as at the date of this Offering Circular.

Name	Position	Term of appointment
Wei Guobin	External supervisor	May 2020 – May 2026
Sun Qixiang	External supervisor	June 2021 – June 2027
Li Rong	Shareholder representative supervisor	January 2021 – June 2027
Cheng Pusheng	Employee representative supervisor	March 2022 – June 2027
Zhang Chun	Employee Representative Supervisor	June 2024 – June 2027
Zeng Yufang	Employee representative supervisor	September 2017 – June 20247

Mr. Wei Guobin (魏國斌) is an 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 (孫祁祥) is an external supervisor of the Bank. Ms. Sun is now a professor and PhD supervisor of School of Economics, Peking University. Ms. Sun is 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, visiting professor at Harvard University, and independent director of AVIC Industry-Finance Holdings Co., Ltd., Bank of China Investment Management Co., Ltd. and China Development Bank Securities Co., Ltd. Ms. Sun graduated from the School of Economics of Peking University with a doctorate degree in economics.

Ms. Li Rong (李蓉) is the shareholder representative supervisor of the Bank. Ms. Li is currently the director of the Board of Directors office and director of the Board of Supervisors Office of the Bank. Previously, she served as general manager of Retail Banking Department, assistant president and vice president of the Bank's Chongqing Branch, general manager of the Interbank Business Department and general manager of the Compliance Department of the Bank's Head Office. 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. She is a senior economist with full professorship.

Mr. Cheng Pusheng (程普升) is an 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. Zhang Chun (張純) is an employee representative supervisor of the Bank. Mr. Zhang is currently the deputy general manager (presiding) of the Bank's Culture and Labor Union Department. Mr. Zhang once served as deputy director of the Bank's General Office and secretary of the Committee for Disciplinary Inspection of Beijing Branch. Prior to that, Mr. Zhang worked in the President's Office of China Huarong Asset Management Corporation (currently China CITIC Financial Asset Management Co., Ltd.) as an assistant director and deputy director, and was at the level of assistant director of Board of Directors' office of CITIC Group. Mr. Zhang graduated from Central University of Finance and Economics with a master's degree in economics, and is a senior economist.

Ms. Zeng Yufang (曾玉芳) is an employee representative supervisor of the Bank. Ms. Zeng currently 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.

SENIOR MANAGEMENT

The following table sets out certain information relating to the Bank's senior management as at the date of this Offering Circular.

Name	Position	Term of appointment
Lu Wei	Executive director, President	Since June 2025
Hu Gang	Executive director, Vice President, Chief Risk Officer	Since May 2017
Xie Zhibin	Vice President	Since June 2019
He Jingsong	Vice President	Since October 2024
Gu Lingyun	Vice President	Since March 2025
Lu Jingen	Business Director	Since August 2018
Zhang Qing	Board secretary	Since July 2019

Mr. Lu Wei (蘆葦) – Please refer to "*Directors*" for more details.

Mr. Hu Gang (胡罡) – Please refer to "*Directors*" for more details.

Mr. Xie Zhibin (**謝志斌**) is a Party Committee member and vice president of the Bank. Mr. Xie serves as director of CNCB Investment and is concurrently a director of CITIC Foundation for Reform and Development Studies. 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. He Jingsong (賀勁松) is a Party Committee member and vice president of the Bank. Mr. He concurrently serves as secretary of Party Committee and president of Beijing Branch of the Bank. He previously served as vice president (presiding) and president of Dongchenggenjie Sub-branch, general manager of the Corporate Banking Department of Chengdu Branch, assistant to president, vice president, secretary of the Party Committee and president of Chengdu Branch, general manager of the Asset Preservation Department of the Head Office, and secretary of Party Committee and president of Shanghai Branch of the Bank. Prior to that, Mr. He worked at Sichuan Rural Trust and Investment Company. He has 27 years' experience in China's banking industry. He graduated from Southwestern University of Finance and Economics and obtained master's degrees in economics. He is a senior economist.

Mr. Gu Lingyun (谷淩雲) is a Party Committee Member and vice president of the Bank. Mr. Gu used to serve as the assistant president and vice president (presiding) of Jiefang sub-branch of Hangzhou Branch; vice president (presiding) and president of Qianjiang sub-branch of Hangzhou Branch; executive deputy general manager of the Business Department of Hangzhou Branch; assistant president, Party Committee member, chief risk officer and vice president of Hangzhou Branch; deputy general manager (presiding) of the Inclusive Finance Department of the Head Office; Party Committee member, vice president (presiding), secretary of the Party Committee and president of the Asset Management Business Center of the Head Office of the Bank; and secretary of the Party Committee, president and chairman of CITIC Wealth Management Corporation Limited. Mr. Gu has more than 20 years of experience in the Chinese banking industry. He graduated from the School of International Business and Economics of Zhejiang University with a bachelor' s degree in Economics.

Mr. Lu Jingen (陸金根) is 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 30 years' experience in the Chinese banking industry. He received his master's degree in economics from Renmin University of China, EMBA degree from Peking University and doctorate degree in management from Central South University. He is a senior economist.

Ms. Zhang Qing (張青) is 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, Party committee member, assistant president, 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 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 over 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.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the relevant Issuer and the Bank believes to be reliable, but none of the Issuers, the Bank or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None the Issuers, the Bank or any other party to the Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

BOOK-ENTRY SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, "**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all financial institutions regulated by the HKMA, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or "redemption proceeds" (collectively, the "**income proceeds**") by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

TRANSFERS OF NOTES REPRESENTED BY REGISTERED GLOBAL NOTES

Transfers of any interests in Notes represented by a Registered Global Note within Euroclear, Clearstream and the CMU will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Euroclear, Clearstream and the CMU have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among accountholders of Euroclear, Clearstream and the CMU. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, the Bank, the Paying Agents, the Registrar and the Dealers will be responsible for any performance by Euroclear, Clearstream or the CMU or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

The banking industry is heavily regulated in the PRC, with the relevant PRC Banking Regulatory Authority and PBOC acting as the principal regulatory authorities. The relevant PRC Banking Regulatory Authority is primarily responsible for supervising and regulating banking institutions, and the PBOC, as the central bank of the PRC, is primarily responsible for formulating and implementing monetary policies. The applicable laws and regulations governing activities in the PRC's banking industry consist principally of the Law of PRC on the People's Bank of China (the "**PRC PBOC Law**"), the PRC Commercial Banking Law (中華人民共和國商業銀行法), the Law of PRC on Regulation of and Supervision over the Banking Industry (中華人民共和國銀行業監督管理法), and the rules and regulations promulgated thereunder.

PBOC

As the central bank of the PRC, the PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the PRC financial markets.

According to the PBOC Banking Law and relevant provisions, the PBOC shall perform the following functions and responsibilities: (1) to promulgate and carry out the orders and regulations related to its functions and responsibilities; (2) to formulate and implement monetary policies in accordance with law; (3) to issue Renminbi (RMB) and control its circulation; (4) to supervise and administer the interbank lending market and the interbank bond market; (5) to exercise control of foreign exchange and supervise and administer the interbank foreign exchange market; (6) to supervise and administer the gold market; (7) to hold, administer and manage the state foreign exchange reserve and gold reserve; (8) to manage the state treasury; (9) to maintain the normal operation of the system for making payments and settling accounts; (10) to guide and make plans for the fight against money laundering in the financial industry, and to be responsible for monitoring the use of the funds earmarked for the fight against money laundering; (11) to be responsible for statistics, investigation, analysis and forecasting concerning the financial industry; (12) to engage in relevant international financial operations in its capacity as the central bank of the state; and (13) other functions and responsibilities prescribed by the State Council.

Former CBIRC

Functions and Powers

Established by merging the former CBRC and China Insurance Regulatory Commission and prior to the establishment of NFRA, the CBIRC was an institution directly under the State Council, and was the principal regulatory authority for financial institutions of the banking industry in the PRC, responsible for the supervision and regulation of banking institutions operating in the PRC, including commercial banks, urban credit cooperatives, rural credit cooperatives and other financial institutions taking deposits from the public, policy banks and certain non-banking financial institutions. The former CBIRC was also responsible for the supervision and regulation of the entities established by the abovementioned financial institutions outside the PRC and the overseas operations of the above-mentioned banking and non-banking financial institutions.

Examination and Supervision

The former CBIRC, through its headquarters in Beijing and its local offices throughout the PRC, monitors the operations of banks and their branches and sub-branches through on-site examinations and off-site surveillance.

If a banking institution is not in compliance with the relevant banking regulations, the former CBIRC is authorised to require it to rectify and impose punitive measures against it, including imposing fines, ordering the suspension of certain business activities, withholding the approval for engaging in new businesses, imposing restrictions on dividends, distributions in other forms, and transfer of assets, demanding the transfer of equity interest held by controlling shareholders or limiting the exercise of such shareholders' rights, demanding the change of directors or senior management personnel or limiting their rights, and withholding the approval for the opening of new branches and sub-branches. If the case is particularly serious, or the banking institution fails to make correction within the prescribed period of time, the former CBIRC may order suspension of business or revocation of its operation license. When there is, or is likely to be, a credit crisis within a banking institution, which may materially impact the legitimate interests of depositors and other customers, the former CBIRC may take over or procure the restructuring of such banking institution.

NFRA

China's national legislature approved a plan on 7 March 2023, on reforming the institutions of the State Council. The State Council announced that it would abolish the former CBIRC and move its functions, powers and responsibilities to a national financial regulator, namely the National Financial Regulatory Administration. Certain functions of the PBOC and the CSRC will be transferred to the NFRA as well.

On 18 May 2023, the NFRA was officially established, which opens a new chapter on financial regulation in China. The NFRA, directly under the State Council, is formed on the basis of the former CBIRC, in charge of regulating the financial industry except the securities sector. Apart from taking over the commission's responsibility of supervising banking and insurance institutions, the NFRA would also supervise financial holding companies and other financial conglomerates, which was a duty of the People's Bank of China. Therefore, the NFRA has inherited almost all the functions of the former CBIRC and such reform of state institutions has no substantial impact on the Bank's business and operations or the banking industry in the PRC.

OTHER REGULATORY AUTHORITIES

In addition to the NFRA and PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, but not limited to, the MOF, NDRC and SAFE.

REGULATIONS REGARDING CAPITAL ADEQUACY

In March 2004, the relevant PRC Banking Regulatory Authority implemented the Capital Adequacy Measures applicable to all commercial banks in the PRC. The Capital Adequacy Measures provided for a phase-in period whereby all domestic banks must have met minimum capital adequacy ratios by 1 January 2007. On 3 July 2007, the relevant PRC Banking Regulatory Authority amended the Capital Adequacy Measures issued in March 2004 to set forth new and more stringent capital adequacy guidelines which must be complied with from 3 July 2007.

In June 2012, the relevant PRC Banking Regulatory Authority issued the Provisional Capital Management Regulations regulating capital adequacy ratios ("**CAR**") of PRC commercial banks, which abolish the Capital Adequacy Measures amended on 3 July 2007. The Provisional Capital Management Regulations, which are intended to reflect the Basel III regulatory capital requirements, set out minimum CAR requirements for commercial banks and provide detailed guidelines on the calculation of "capital" and "risk-weighted assets". The overall CAR requirements are 11.5 per cent. for domestic systematically important commercial banks and 10.5 per cent. for other commercial banks. On 26 October 2023, the relevant PRC Banking Regulatory Authority promulgated the Capital Management Regulations (商業銀行資本管理辦法), which came into effect on 1 January 2024 and replaced the Provisional Capital Management Regulations. According to the Capital Management Regulations, commercial banks in the PRC are required to have a CAR of not less than 8 per cent., Tier 1 CAR of not less than 6 per cent. and Core Tier 1 CAR of not less than 5 per cent. The CARs are calculated in accordance with the Capital Management Regulations as follows:

$$\textit{Capital Adequacy Ratio} = \frac{\textit{(Total Capital – deductions from corresponding capital instruments)}}{\textit{(Risk – weighted Assets)}} \times 100\%$$

$$\textit{Tier 1 Capital Adequacy Ratio} = \frac{\textit{(Tier 1 Capital – deductions from corresponding capital instruments)}}{\textit{(Risk - weighted Assets)}} \times 100\%$$

$$\textit{Core Tier 1 Capital Adequacy Ratio} = \frac{\textit{(Core Tier 1 Capital – deductions from corresponding capital instruments)}}{\textit{(Risk – weighted Assets)}} \times 100\%$$

Further details regarding the basic principles of such calculations can be obtained at the official website of the NFRA.

The contents of this website do not form a part of this Offering Circular.

On 29 November 2012, the relevant PRC Banking Regulatory Authority released the Guiding Opinions of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (中國銀監會關於商業銀行資本工具創新的指導意見) and an amendment on 22 November 2019 (關於商業銀行資本工具創新的指導意見(修訂)) (together, the "**Innovation on Capital Instruments Guiding Opinions**"), allowing and encouraging commercial banks to develop capital instruments (including tier 2 capital instruments) that comply with the Provisional Capital Management Regulations. Pursuant to the Innovation on Capital Instruments Guiding Opinions, Additional Tier 1 Capital instruments and Tier 2 Capital instruments issued

by a commercial bank after 1 January 2013 must contain a provision that requires such instruments to be either written off or converted into common stock upon the occurrence of a triggering event. A triggering event for Additional Tier 1 Capital instruments occurs when the Core Tier 1 Capital Adequacy Ratio of the commercial bank falls to 5.125 per cent. or below. A triggering event for tier 2 capital instruments occurs upon the earlier of: (i) a decision of write-off or share conversion, without which the commercial bank would become non-viable, as determined by the former CBIRC; or (ii) a decision to make a public sector injection of capital or equivalent support, without which the commercial bank would have become non-viable, as determined by relevant authorities. Following the amendment on 22 November 2019, the Innovation on Capital Instruments Guiding Opinions' further require that: (i) when the same triggering event occurs, the Additional Tier 1 Capital instrument shall be written down or converted into shares in full amount, before the write-down or share conversion of the Tier 2 Capital instrument is launched; and (ii) when the same triggering event occurs, each capital instrument of the same tier shall be written down or converted into shares at the same time, in proportion to the percentage for which the instrument accounts of the total amount of the capital instruments of that tier. The amended Innovation on Capital Instruments Guiding Opinions further demand that both kinds of triggering events stated above shall be set concurrently for Additional Tier-1 Capital instruments to be issued after the amendment if classified in accounting as liabilities.

On 19 July 2019, the relevant PRC Banking Regulatory Authority and CSRC promulgated Guiding Opinions of the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission on the Issuance of Preferred Shares by Commercial Banks to Supplement Tier 1 Capital (中國銀保監會、中國證監會關於商業銀行發行優先股補充一級資本的指導意見), the commercial banks issuing preference shares shall comply with relevant regulations promulgated by the State Council and CSRC and the requirements of capital instruments released by the relevant PRC Banking Regulatory Authority, and the Core Tier 1 Capital Adequacy Ratio shall comply with the prudential regulation principles formulated by the relevant PRC Banking Regulatory Authority. The commercial banks issuing preference shares to supplement tier 1 capital shall comply with the criteria of the Additional Tier 1 Capital instruments under the Provisional Capital Management Regulations and the Guiding Opinions, and shall not issue the preference shares with put provisions.

On 18 January 2018, the relevant PRC Banking Regulatory Authority, the PBOC, the CSRC and the State Administration of Foreign Exchange jointly released the Opinions on Further Supporting Commercial Banks' Innovation on Capital Instruments (中國銀監會、中國人民銀行、中國證監會、中國保監會、國家外匯管理局關於進一步支持商業銀行資本工具創新的意見), further supporting the beneficial exploration of commercial banks for innovating capital instruments, expanding the channels for issuance of capital instruments, increasing capital instrument types, creating favourable conditions for commercial banks to issue capital bonds without fixed terms, Tier-2 capital bonds to be converted into shares, capital bonds containing regular share conversion clauses, bonds with total loss-absorbing capacity and other capital instruments and improving the approval of issuance of capital instruments.

On 26 October 2023, the relevant PRC Banking Regulatory Authority promulgated the Capital Management Regulations, which came into effect on 1 January 2024. It replaced the Provisional Capital Management Regulations and shall prevail in the case of inconsistencies between the Capital Management Regulations and any regulations or guidances issued before the Capital Management Regulations came into effect.

PRC CURRENCY CONTROLS

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. On July 2009, the PRC government promulgated Measures for the Administration of the Pilot Program of Renminbi Settlement of Cross-Border Trades (跨境貿易人民幣結算試點管理辦法) (the "**Pilot Program Measures**") and its implementation rules, pursuant to which designated and eligible enterprises are allowed to settle their cross-border trade transactions in Renminbi. Since July 2009, subject to the Pilot Program Measures and its implementation rules, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知), pursuant to which (i) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (ii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in 16 provinces within the designated pilot districts in the PRC). On 27 July 2011, the PRC government promulgated the Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算地區的通知), pursuant to which the list of designated pilot districts was expanded to the whole country. On 3 February 2012, the PRC government promulgated the Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in RMB Settlement of Export of Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi.

On 1 November 2014, the PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, the PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民

幣資金池業務的通知) (the "**2015 PBOC Circular**"), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises within a pilot free trade zone in the PRC, such as the China (Shanghai) Pilot Free Trade Zone may establish an additional cash pool in the local scheme in such pilot free trade zone, but each onshore company within the group may only elect to participate in one cash pool.

Accordingly, offshore enterprises are entitled to use Renminbi to settle imports of goods and services and other current account items. Renminbi remittance for exports of goods from the PRC may be effected by enterprises with the foreign trading right.

On 10 April 2020, the SAFE issued Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知(匯發[2020]8號)), which cancelling the registration of special refund of remittance, simplify the administration of registration of some businesses under the capital account and relaxing the purchase of foreign exchange with export background for repayments of domestic foreign exchange loans.

On 4 December 2023, the SAFE issued the Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知(匯發[2023]28號)), which partly revised the Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知(匯發[2019]28號)).

On 3 April 2024, the SAFE issued the Notice on Further Optimizing the Management of Trade and Foreign Exchange Service (國家外匯管理局關於進一步優化貿易外匯業務管理的通知(匯發[2024]11號)), which will be implemented on 1 June 2024. The requirement for each branch of the SAFE to approve the registration of the "Directory of Enterprises dealing with Foreign Exchange Receipts and Expenditures of Trade" shall be abolished, and the directory registration shall be handled directly by domestic banks.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (銀發[2013]168號), which, in particular, simplifies the procedures for cross-border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for the PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow the PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

On 23 October 2019, the SAFE promulgated the Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯帳戶的通知(匯發[2019]29號)) which became effective on 1 February 2020. SAFE has decided to review and integrate certain foreign exchange accounts and further reduce the types of accounts in order to further intensify the reform of foreign exchange administration, simplifying the relevant business operating procedures, and facilitate true and compliant foreign exchange transactions by

banks, enterprises and other market participants, for example, "current accounts – foreign currency cash account" and "current accounts – foreign exchange account under current accounts of overseas institutions" are included in "current accounts – foreign exchange settlement account".

On the same day, the SAFE issued the Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知(匯發[2019]28號)), based on which, for the revenue obtained by an enterprise from trade in goods, the enterprise may, on its own, decide whether to open a to-be-inspected account for export revenue ("**to-be-inspected account**"). If an enterprise has not opened a to-be-inspected account, the examined revenue from trade in goods by the bank in accordance with the existing provisions may be directly deposited into the foreign exchange account under current accounts or used for foreign exchange settlement.

On 29 April 2019, the SAFE issued Administrative Measures for the Foreign Exchange Service of Payment Institutions (支付機構外匯業務管理辦法), which facilitates domestic institutions and individuals to carry out e-commerce trade through the internet, standardizes the cross-border foreign exchange payment services provided by payment institutions, and prevents the risk of cross-border capital flows through the internet channel.

The foregoing measures and circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Pilot Program Measures and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filling with, the relevant PRC authorities.

Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, the SAFE issued the Notice on Relevant Issues regarding Streamlining the Business Operation of Cross-border RMB Capital Account Items (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知), which clarifies that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantees in Renminbi shall in principle follow the current regulations on the provision of external guarantees in foreign currencies.

On 3 December 2013, the MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM RMB FDI Circular**") which became effective on 1 January 2014. Pursuant to the MOFCOM RMB FDI Circular, the proceeds from foreign direct investment in Renminbi may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investment in PRC domestic listed companies under the PRC strategic investment regime with the approval of the MOFCOM pursuant to the Administrative Measures for Strategic Investment by Foreign Investors in Listed Companies (外國投資者對上市公司戰略投資管理辦法).

On 3 June 2011, the PBOC promulgated the Circular on Clarifying Issues concerning Cross-border Renminbi Settlement (中國人民銀行關於明確跨境人民幣業務相關問題的通知) (the "**2011 PBOC Circular**"). The 2011 PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi foreign direct investment into the PRC. The 2011 PBOC Circular applies to all non-financial Renminbi foreign direct investment into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the relevant local PBOC authorities which include, *inter alia*, requisite approval letters issued by the relevant MOFCOM authorities.

On 13 October 2011, the PBOC issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC RMB FDI Measures**") and amended it on 29 May 2015, to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the 2011 PBOC Circular is no longer necessary. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures.

On 19 November 2012, the SAFE promulgated the Circular on Further Improving and Adjusting the Foreign Exchange Administration Policies on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) (the "**SAFE Circular on DI**"), which became effective on 17 December 2012 and was amended on 4 May 2015, 10 October 2018 and 30 December 2019. According to the SAFE Circular on DI, the SAFE removes or adjusts certain administrative licensing items with regard to foreign exchange administration over direct

investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within China of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 5 July 2013, the PBOC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**"), which simplifies the operating procedures on current account cross-border Renminbi settlement, provision of Renminbi outbound loans and Renminbi cross-border security in favour of offshore entities by onshore non-financial institutions, and further published policies with respect to bank card related cross-border Renminbi clearing and issuance of offshore Renminbi bonds by onshore non-financial institutions. The 2013 PBOC Circular intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 30 March 2015, SAFE promulgated the Notices of Reformation on Administration of Settlement of Capital Foreign Exchange of Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知(匯發[2015]19號)), which became effective on 1 June 2015. In order to further deepen the reform of the foreign exchange administration system, better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, the SAFE has decided to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises nationwide on the basis of summarising the pilot experience of certain regions in the early days. The key points of this notice set out as the following:

- the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement;

- the capital in Renminbi obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment;

- the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises;

- facilitating foreign-invested enterprises in carrying out domestic equity investment with the capital obtained from foreign exchange settlement;

- further standardising the administration of payment by the capital obtained by foreign exchange settlement;

- administration of the settlement and use of the capital in other foreign exchange accounts under direct investment; and

- further strengthening the ex-post regulation as well as investigation on and punishment against violations by the foreign exchange bureaus.

Previously, Renminbi may only be converted for capital account expenses once the prior approval of the SAFE had been obtained. However, according to the Circular of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13號)) issued on 28 February 2015, the SAFE authorised some qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment from 1 June 2015.

On 26 January 2017, the SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核政策的通知(匯發[2017]3號)) to further advance the reform of foreign exchange administration, such as:

- settlement of domestic foreign exchange loans are allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;

- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with domestic guarantee, relevant foreign exchange settlement and sale shall be managed as the bank's own foreign exchange settlement and sale;

- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100 per cent. of the average daily deposit balance in the previous six months as opposed to the former 50 per cent.; and the funds used domestically are not included in the bank's outstanding short-term external debt quota;

- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: Where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and

- where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30 per cent. of owner's equity in the audited financial statements of the previous year.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in

stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In 2018, the China Foreign Exchange Trade System further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

On 23 October 2019, the SAFE promulgated Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯帳戶的通知(匯發[2019]29號)) which became effective on 1 February 2020, according to which, several measures were taken to intensify, for example, "capital accounts – special account for domestic reinvestment" is included in "capital accounts – foreign exchange capital account".

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知(匯發[2019]28號)) in order to further promote the reform of "simplification of administrative procedures and decentralisation of powers, combination of decentralisation and appropriate control, and optimisation of services". It cancelled restrictions on the use of funds in domestic asset realisation accounts for foreign exchange settlement and restrictions on the number of opened foreign exchange accounts under capital accounts.

On 3 April 2024, the SAFE issued the Notice on Promulgation of the Guidelines on Foreign Exchange Businesses under Capital Accounts (Edition 2024) (國家外匯管理局關於印發《資本項目外匯業務指引 (2024 年版)》的通知(匯發[2024]12號)) in order to further optimise the workflow for handling of capital account transactions.

The foregoing circulars, notices and measures will be subject to interpretation and application by the relevant PRC authorities. There is no assurance that approval of such remittances, borrowing or provision of external guarantee in Renminbi will continue to be granted or will not be revoked in the future. Further, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances are subject to the specific requirements or restrictions set out in the relevant SAFE rules.

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as "non-PRC Noteholders" or "non-resident Noteholders" in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the Enterprise Income Tax Law effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, and the PRC Individual Income Tax Law, as amended on 30 June 2011 and 31 August 2018, and their implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-resident Noteholders, including non-resident enterprises and non-resident individuals.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業税改徵增值税試點的通知) (Caishui [2016] No. 36, "**Circular 36**") which confirms that business tax was replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China, but where the services are sold by offshore entities or individuals to onshore entities or individuals and such services purely take place outside the PRC, they should not be deemed as services sold within the territory of China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer.

(I) In the event that the Issuer is the Bank or an onshore branch of the Bank (an "Onshore Bank Entity")

In the event that the Issuer is an Onshore Bank Entity, such Onshore Bank Entity will be subject to withholding PRC income tax on the payment of interest of the Notes to non-resident Noteholders. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest, in each case, unless a lower rate is available under an applicable tax treaty. For example, the tax so charged on interests paid on the Notes to non-resident Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between the mainland China and Hong Kong for purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to such arrangement. Further, given that the Onshore Bank Entity is located in the PRC, the holders of the Notes would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Notes. Given that the Onshore Bank Entity pays interest income to Noteholders who are located outside of the PRC, such Onshore Bank Entity, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT from the payment of interest income to Noteholders who are located outside of the PRC. The Bank has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Notes*".

Under the Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Notes would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

(II) In the event that the Issuer is an offshore branch of the Bank

In the event that the Issuer is an offshore branch of the Bank, the Issuer is not obliged to withhold PRC income tax at the rate up to 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) on the payments of interest made by it to non-resident Noteholders **provided that** the payments are made outside of the territory of PRC. However, this is subject to the interpretation by the PRC tax authorities. If the PRC tax authorities take an interpretation that the interest on the Notes payable by the Issuer is treated as income sourced from the PRC, a withholding tax may be imposed on such

interest and the Issuer will pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Notes*".

In the case of issuance of Notes by an offshore branch of the Bank, Circular 36 will not apply if the provision of loans by individuals or entities located outside the PRC takes place outside the PRC. Neither the offshore branch of the Bank nor the holders of the Notes are located in the PRC and if the provision of loans takes place outside the PRC, then no VAT is payable on interest payments under the Notes. This is, however, subject to the interpretation of Circular 36 by the relevant authority.

If the Bank shall perform the obligation of paying interest of the Notes in the event and only when the offshore branch Issuer fails to perform its obligations of paying the interest of the Notes, the Bank will be obliged to withhold PRC income tax at a rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) (unless a lower rate is available under an applicable tax treaty) and PRC VAT tax at the rate of 6 per cent. of the interest component of the amount payable by the Bank to the Noteholders if the PRC tax authority views such component as an interest income arising within the territory of the PRC.

Non-resident Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-resident Noteholders, except however, if such capital gains are determined as income sourced in China, accordingly such capital gains would be subject to the rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) of PRC withholding tax unless there is a lower tax rate applicable. According to an arrangement between the mainland China and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes. There is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be treated as income sourced within the PRC which as a result will be subject to PRC individual income tax.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically VAT prescribed under Circular 36 does not apply and the offshore branch Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

The above statements on VAT may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the offshore branch Issuer shall withhold EIT, (should such tax apply) from the payments of interest in respect of the

Notes for any non-PRC Noteholder and the offshore branch Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT or VAT otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes – Condition 8 (Taxation)*".

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Where the Hong Kong Branch of the Bank is the Issuer, pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia*, an authorised institution in Hong Kong

(within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of the Notes by such Issuer is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source, unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes by the relevant Issuer, **provided that** either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the relevant Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes, **provided that** either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 17 November 2023, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

UNITED STATES FATCA TAX PROVISIONS

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The relevant Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the PRC) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to

withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

DEALER AGREEMENT

Subject to the terms and on the conditions contained in the amended and restated dealer agreement dated 18 June 2024 (such dealer agreement as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") made between the Bank, the Arranger and the permanent Dealers, the Notes will be offered on a continuous basis by the relevant Issuer to the permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of the relevant Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The relevant Issuer will reimburse the Arranger for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant subscription agreement.

The relevant Issuer will indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and directives, over-allot Notes or effect transactions with a view to supporting the price of the Notes of the Series at a level higher than that which might otherwise prevail for a limited period after the Issue Date of the relevant Tranche of Notes, but in so doing, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) shall act as principal and not as agent of the relevant Issuer. However, there is no obligation of such Stabilisation Manager(s) to do this. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the relevant Dealer.

The Arranger, the Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Arranger, the Dealers or any of their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with or for the relevant Issuer and/or its affiliates for which they have received, or will receive, fees and expenses and may, from time to time, engage in transactions with and perform services for the relevant Issuer and/or its affiliates in the ordinary course of the relevant Issuer's or their business. In addition, certain of the Arranger and Dealers, namely China CITIC Bank International Limited, is a subsidiary of the

Bank. The net proceeds from each issue of the Notes may be on-lent by the relevant Issuer to the Bank and/or any of its subsidiaries.

In the ordinary course of their various business activities, the Arranger, the Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the relevant Issuer or the Bank, including the Notes and could adversely affect the trading price and liquidity of the relevant Notes. The Arranger, the Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the relevant Issuer or the Bank and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the relevant Issuer or the Bank.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates or affiliates of the relevant Issuer may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers and/or their respective affiliates or affiliates of the relevant Issuer may act as investors and place orders, receive allocations and purchase and trade Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations and/or trades of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the relevant Issuer, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the relevant Issuer, the Bank, the Arranger, the Dealers and/or their respective affiliates, or affiliates of the relevant Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. If such transactions occur, the trading price and liquidity of such Notes may be impacted.

Furthermore, it is possible that a significant proportion of a Series of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in such Notes may be constrained. The Issuers, the Bank and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

UNITED STATES

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act.

(b) Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Bearer Notes will be issued in accordance with the provisions of U.S. Treasury Regulation or section 1.163 – 5(c)(2)(i)(D), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation or section 1.163 – 5(c)(2)(i)(C). The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

(c) In connection with any Notes which are offered or sold outside the United States in reliance on exemption from the registration requirements of the Securities Act provided under Category 1 of Regulation S ("**Category 1 of Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes constituting part of its allotment in the United States except in accordance with Rule 903 of Regulation S under the Securities Act, and that accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

(d) In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S ("**Category 2 of Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will offer, sell or deliver such Category 2 of Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Category 2 of Regulation S Notes are a part, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Category 2 of Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Category 2 of Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

(e) Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision:

(i) the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(c) not a qualified investor as defined in Article 2 of the UK Prospects Regulation, and

(ii) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

PUBLIC OFFER SELLING RESTRICTIONS UNDER THE UK PROSPECTUS REGULATION

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

(i) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the Financial Conduct Authority, **provided that** any such prospectus has subsequently been

completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the relevant Issuer has consented in writing to its use for the purpose of that Public Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Notes referred to in (ii) to (iv) shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA.

SELLING RESTRICTIONS ADDRESSING ADDITIONAL UNITED KINGDOM SECURITIES LAWS

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the relevant subscription agreement:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) *Approved prospectus:* if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, **provided that** any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the

period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors:* at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) *Fewer than 150 offerees:* at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(d) *Other exempt offers:* at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

SINGAPORE

If the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Applicable", each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

If the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of

Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

HONG KONG

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to

Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT – IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the relevant Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the relevant Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the relevant Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering may include institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the relevant Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the relevant Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may

request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealers with such evidence within the timeline requested.

PEOPLE'S REPUBLIC OF CHINA

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong Special Administrative Region and Macau Special Administrative Region of the People's Republic of China or Taiwan), except as permitted by the securities laws of the People's Republic of China.

GENERAL

Each Dealer has agreed and each further Dealers appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers and any other Dealer shall have any responsibility therefor.

None of the Issuers and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction that would permit a public offering of any of the Notes, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the relevant Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

AUTHORISATION

1. The issue of the Notes has been duly authorised pursuant to the resolutions of the Bank's board of directors dated 28 August 2024 and the resolutions of the Bank's shareholder dated 20 November 2024.

LISTING

2. Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12 month period after the date of this Offering Circular. Separate application will be made for the listing of, and permission to deal in, the Notes issued under the Programme on the Hong Kong Stock Exchange. The issue price of listed Notes on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount.

NDRC APPROVAL

3. Where applicable for a relevant Tranche of Notes, the Notes will be issued in accordance with the pre-issuance examination and registration with the NDRC to obtain the Certificate of Examination and Registration of Foreign Debts Borrowed by Enterprises (企業借用外債審核登記證明) prior to the issuance of the Notes under the Programme pursuant to the NDRC Administrative Measures.

4. The Bank will make a pre-issuance registration with the NDRC, followed by post-issuance filings with the NDRC within the prescribed time following of the Notes.

CLEARING SYSTEMS

5. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. If the Notes will be cleared through an additional or alternative clearing system, the appropriate information will be specified in the relevant Pricing Supplement.

LEGAL ENTITY IDENTIFIER

6. The legal entity identifier of the Bank is 300300C1030211000384.

NO SIGNIFICANT CHANGE

7. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Bank or of the Group since 31 December 2024.

NO MATERIAL ADVERSE CHANGE

8. Save as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Bank or of the Group since 31 December 2024.

LITIGATION

9. Save as disclosed in this Offering Circular, neither the Issuer nor any member of the Group is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer or the Group.

INDEPENDENT AUDITOR

10. The current independent auditor of the Bank is KPMG, Certified Public Accountants, Hong Kong.

11. The audited consolidated financial statements of the Bank as at and for the year ended 31 December 2022, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, the then independent auditor of the Bank, in accordance with HKSAs, as stated in its report included in this Offering Circular.

12. The audited consolidated financial statements of the Bank as at and for the years ended 31 December 2023 and 2024, which are included elsewhere in this Offering Circular, have been audited by KPMG, the current independent auditor of the Bank, in accordance with HKSAs, as stated in its reports included in this Offering Circular.

DOCUMENTS

13. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the relevant Issuer and from the specified office of the Fiscal Agent for the time being at 40/F Champion Tower, 3 Garden Road, Central, Hong Kong:

    (a) the constitutional documents of the Bank;

    (b) the audited consolidated financial statements of the Group in respect of the years ended 31 December 2022, 2023 and 2024 (in each case together with the auditor's report in connection therewith). The Bank currently publishes audited consolidated accounts on an annual basis;

    (c) the most recent annual audited consolidated financial statements of the Group and the most recently published unaudited consolidated interim financial statements of the Group (if any);

(d) the Fiscal Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(e) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein; and

(f) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

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(1) The independent auditor's reports on the Group's consolidated financial statements for the years ended 31 December 2022, 2023 and 2024 set out herein are reproduced from the Group's annual reports for the years ended 31 December 2022, 2023 and 2024, respectively. Page references referred to in the abovenamed reports refer to pages set out in such annual reports. These independent auditor's reports and the consolidated financial statements have not been specifically prepared for inclusion in this Offering Circular.

China CITIC Bank Corporation Limited
Consolidated Statement of Profit or Loss
For the Period of Three Months Ended 31 March 2025
(Amounts in millions of Renminbi unless otherwise stated)

	2025 January – March	2024 January – March
	Unaudited	Unaudited
Interest income	**73,133**	78,731
Interest expense	**(37,456)**	(43,771)
Net interest income	**35,677**	34,960
Fee and commission income	**10,309**	9,389
Fee and commission expense	**(1,873)**	(1,013)
Net fee and commission income	**8,436**	8,376
Net trading gain	**1,266**	1,606
Net gain from investment securities	**5,791**	8,433
Net hedging (loss)/gain	**(2)**	1
Other net operating income	**446**	193
Operating income	**51,614**	53,569
Operating expenses	**(14,567)**	(15,061)
Net operating profit before impairment	**37,047**	38,508
Credit impairment losses	**(14,403)**	(16,819)
Impairment losses on other assets	**(14)**	(26)
Share of profit of associates and joint ventures	**212**	251
Profit before tax	**22,842**	21,914
Income tax expense	**(3,059)**	(2,523)
Profit for the period	**19,783**	19,391
Profit attributable to:		
Equity holders of the Bank	**19,509**	19,191
Non-controlling interests	**274**	200
Earnings per share attributable to the ordinary shareholders of the Bank		
Basic earnings per share (RMB)	**0.36**	0.39
Diluted earnings per share (RMB)	**0.36**	0.38

China CITIC Bank Corporation Limited
Consolidated Statement of Comprehensive Income
For the Period of Three Months Ended 31 March 2025
(Amounts in millions of Renminbi unless otherwise stated)

	2025 January – March	2024 January – March
	Unaudited	Unaudited
Profit for the period	**19,783**	19,391
Other comprehensive income, net of tax:		
I. Items that will not be reclassified subsequently to profit or loss		
– Fair value changes on financial investments designated at fair value through other comprehensive income	**20**	15
II. Items that may be reclassified subsequently to profit or loss		
– Other comprehensive income transferable to profit or loss under equity method	**(41)**	17
– Fair value changes on financial assets at fair value through other comprehensive income	**(6,689)**	3,301
– Impairment allowance on financial assets at fair value through other comprehensive income	**(12)**	12
– Exchange difference on translation of foreign financial statements	**(491)**	952
Other comprehensive income, net of tax	**(7,213)**	4,297
Total comprehensive income for the period	**12,570**	23,688
Total comprehensive income attribute to:		
Equity holders of the Bank	**12,191**	23,489
Non-controlling interests	**379**	199

China CITIC Bank Corporation Limited
Consolidated Statement of Financial Position
31 March 2025
(Amounts in millions of Renminbi unless otherwise stated)

	2025 31 March Unaudited	2024 31 December Audited
Assets		
Cash and balances with central banks	**368,270**	340,915
Deposits with banks and non-bank financial institutions	**122,133**	128,193
Precious metals	**31,371**	13,580
Placements with and loans to banks and non-bank financial institutions	**446,523**	404,801
Derivative financial assets	**64,735**	85,929
Financial assets held under resale agreements	**99,702**	136,265
Loans and advances to customers	**5,747,735**	5,601,450
Financial investments		
– at fair value through profit or loss	**653,867**	647,398
– at amortized cost	**1,123,392**	1,118,989
– at fair value through other comprehensive income	**956,456**	849,781
– designated at fair value through other comprehensive income	**4,727**	4,702
Investments in associates and joint ventures	**7,518**	7,349
Investment properties	**573**	578
Property, plant and equipment	**51,877**	46,516
Right-of-use assets	**11,015**	11,035
Intangible assets	**2,826**	3,419
Goodwill	**951**	959
Deferred tax assets	**56,440**	54,130
Other assets	**105,157**	76,733
Total assets	**9,855,268**	9,532,722

	2025 31 March Unaudited	2024 31 December Audited
Liabilities		
Borrowings from central banks	**109,173**	124,151
Deposits from banks and non-bank financial institutions	**822,554**	968,492
Placements from banks and non-bank financial institutions	**104,422**	88,550
Financial liabilities at fair value through profit or loss	**2,754**	1,719
Derivative financial liabilities	**66,846**	81,162
Financial assets sold under repurchase agreements	**384,067**	278,003
Deposits from customers	**6,111,779**	5,864,311
Accrued staff costs	**18,430**	20,318
Taxes payable	**7,375**	7,645
Debt securities issued	**1,333,636**	1,224,038
Lease liabilities	**10,931**	10,861
Provisions	**10,174**	9,990
Deferred tax liabilities	**58**	39
Other liabilities	**46,228**	46,078
Total liabilities	**9,028,427**	8,725,357

	2025 31 March Unaudited	2024 31 December Audited
Equity		
Share capital	**55,645**	54,397
Other equity instruments	**104,948**	105,499
Capital reserve	**95,566**	89,286
Other comprehensive income	**9,544**	16,862
Surplus reserve	**67,629**	67,629
General reserve	**111,801**	111,723
Retained earnings	**363,299**	343,868
Total equity attributable to the equity holders of the Bank	**808,432**	789,264
Non-controlling interests	**18,409**	18,101
Total equity	**826,841**	807,365
Total liabilities and equity	**9,855,268**	9,532,722

Approved and authorized for issue by the Board of Directors on 29 April 2025.

Fang Heying
Chairman, Executive Director

Lu Wei
President (In charge of finance and accounting work of the Bank)

Kang Chao
The head of the Finance and Accounting Department

(Company stamp)

China CITIC Bank Corporation Limited
Consolidated Statement of Cash Flows
For the Period of Three Months Ended 31 March 2025
(Amounts in millions of Renminbi unless otherwise stated)

	2025 January – March	2024 January – March
	Unaudited	Unaudited
Operating activities		
Profit before tax	**22,842**	21,914
Adjustments for:		
– revaluation losses/(gains) on investments, derivatives and investment properties	**2,135**	(1,973)
– investment gains	**(5,815)**	(5,707)
– net gains on disposal of property, plant and equipment, intangible assets and other assets	**(4)**	(17)
– unrealised foreign exchange losses/(gains)	**1,290**	(1,044)
– credit impairment losses	**14,403**	16,819
– impairment losses on other assets	**14**	26
– depreciation and amortisation	**963**	1,324
– interest expense on debt securities issued	**6,514**	6,899
– dividend income from equity investment	**(10)**	–
– depreciation of right-of-use assets and interest expense on lease liabilities	**858**	883
– income tax paid	**(3,052)**	(3,248)
Subtotal	**40,138**	35,876

	2025 January – March	2024 January – March
	Unaudited	Unaudited
Changes in operating assets and liabilities:		
Decrease in balances with central banks	**2,111**	30,319
Decrease in deposits with banks and non-bank financial institutions	**7,398**	14,161
Increase in placements with and loans to banks and non-bank financial institutions	**(67,495)**	(55,671)
Decrease in financial assets held for trading	**18,102**	25,775
Decrease in financial assets held under resale agreements	**38,017**	28,332
Increase in loans and advances to customers	**(158,922)**	(91,560)
(Decrease)/Increase in borrowings from central banks	**(14,042)**	3,918
Decrease in deposits from banks and non-bank financial institutions	**(145,591)**	(20,641)
Increase/(Decrease) in placements from banks and non-bank financial institutions	**15,838**	(10,872)
Increase/(Decrease) in financial liabilities at fair value through profit or loss	**1,048**	(345)
Increase/(Decrease) in financial assets sold under repurchase agreements	**106,218**	(249,248)
Increase in deposits from customers	**251,883**	11,750
Increase in other operating assets	**(46,864)**	(48,728)
Decrease in other operating liabilities	**(9,846)**	(6,205)
Subtotal	**(2,145)**	(369,015)
Net cash flows from/(used in) operating activities	**37,993**	(333,139)

	2025 January – March	2024 January – March
	Unaudited	Unaudited
Investing activities		
Proceeds from disposal and redemption of investments	**979,473**	875,269
Proceeds from disposal of property, plant and equipment, land use rights, and other assets	**21**	20
Cash received from equity investment income	**251**	136
Payments on acquisition of investments	**(1,107,828)**	(854,688)
Payments on acquisition of property, plant and equipment, land use rights and other assets	**(8,272)**	(1,795)
Net cash flows (used in)/from investing activities	**(136,355)**	18,942
Financing activities		
Cash received from debt securities issued	**388,079**	531,114
Cash paid for redemption of debt securities issued	**(271,320)**	(279,165)
Interest paid on debt securities issued	**(5,148)**	(6,584)
Cash paid for dividends	**(2,593)**	(70)
Cash paid in connection with other financing activities	**(752)**	(774)
Net cash flows from financing activities	**108,266**	244,521
Increase/(Decrease) in cash and cash equivalents	**9,904**	(69,676)
Cash and cash equivalents as at 1 January	**262,779**	249,002
Effect of exchange rate changes on cash and cash equivalents	**(859)**	2,333
Cash and cash equivalents as at 31 March	**271,824**	181,659
Cash flows from operating activities include:		
Interest received	**72,823**	78,320
Interest paid, excluding interest paid for debt securities issued	**(32,452)**	(35,468)

For year ended 31 December 2024

To the Shareholders of China CITIC Bank Corporation Limited

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

Opinion

We have audited the consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 196 to 324, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of expected credit losses for loans and advances to customers and financial assets at amortised costs

See Note 4(c), Note 5(i), Note 21 and Note 22 to the consolidated financial statements.

The key audit matter

As at 31 December 2024, the gross balance of loans and advances to customers and accrued interest included for the purpose of expected credit loss assessment in the Group's consolidated statement of financial position, amounted to RMB5,730,231 million, for which management recognized an impairment allowance of RMB140,942 million; the gross balance of financial assets at amortised costs and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,145,154 million, for which management recognized an impairment allowance of RMB26,165 million.

The Group uses an expected credit loss ("ECL") model to measure the loss allowance for loans and advances to customers and financial assets at amortised costs in accordance with IFRS 9, Financial instruments.

The determination of ECL allowance of loans and advances to customers and financial assets at amortised costs is subject to the application of a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Extensive management judgment is involved in the selection of those parameters and the application of the assumptions.

How the matter was addressed in our audit

Our audit procedures to assess ECL for loans and advances to customers and financial assets at amortised costs included the following:

- With the assistance of KPMG's IT audit specialists, understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers and financial assets at amortised costs, the credit risk staging process and the measurement of ECL for loans and advances to customers and financial assets at amortised costs.
- With the assistance of KPMG's financial risk specialists, assessing the appropriateness of the ECL model in determining the loss allowance of loans and advances to customers and financial assets at amortised costs and the appropriateness of the key parameters and assumptions in the model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other adjustments, and assessing the appropriateness of related key management judgement.
- Assessing the completeness and accuracy of key data used in the ECL model. We compared the total balance of the loans and advances to customers and financial assets at amortised costs used by management to assess the ECL allowance with the general ledger to check the completeness of the data. We also selected samples to compare information of individual loan and advance to customers and financial assets at amortised costs with the underlying agreements and other related documentation. In addition, we checked the accuracy of key external data used by management by comparing them with public sources.
- For key parameters used in the ECL model which were derived from system generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved KPMG's IT audit specialists to assess the accuracy of the loans and advances' overdue information on a sample basis.

Measurement of expected credit losses for loans and advances to customers and financial investments (continued)

See Note 4(c), Note 5(i), Note 21 and Note 22 to the consolidated financial statements.

The key audit matter

The amount of impairment of the loans and advances to customers and financial assets at amortised costs is significant, and the measurement has a high degree of estimation uncertainty. The measurement of ECL applied significant management judgments and assumptions, and involved significant inherent risk. In view of these reasons, we identified this as a key audit matter.

How the matter was addressed in our audit

- Evaluating the reasonableness of management's assessment on whether the credit risk of the loans and advances customers and financial assets at amortised costs have, or have not, increased significantly since initial recognition and whether the loans and advances to customers and financial assets at amortised costs are credit-impaired by selecting risk-based samples. We analyzed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation and selected samples from borrowers with potential credit risk. For selected samples, we checked loans and advances to customers and financial assets at amortised costs overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses, to check the credit risk status of the borrower, and the reasonableness of credit risk stage.

- For corporate loans and advances and financial assets at amortised costs that are credit-impaired, we selected samples to evaluate the forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, collateral valuations, other available information and possible future factors together with discount rates in supporting the computation of loss allowance.

- Based on our procedures performed, we selected samples and assessed the accuracy of calculation for loans and advances to customers and financial assets at amortised costs' credit losses by using the ECL model.

- Performing retrospective review of ECL model components and significant assumptions to assess whether the results indicate possible management bias on loss estimation.

- Assessing the reasonableness of the disclosures in the financial statements in relation to ECL for loans and advances to customers and financial assets at amortised costs against prevailing accounting standards.

Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products

See Note 4(a), Note 5(v) and Note 59 to the consolidated financial statements.

The key audit matter

As at 31 December 2024, all of non-principal guaranteed wealth management products ("WMPs") issued and managed by the Group are structured entities that are not included in the scope of consolidation.

In determining whether the Group retains any partial interests in a structured entity for non-principal guaranteed WMPs or should consolidate it, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.

We have identified this as a key audit matter due to the material balance and significant management judgements were involved in assessing the consolidation of the structured entities for non-principal guaranteed WMPs.

How the matter was addressed in our audit

Our audit procedures related to consolidation of structured entities for non-principal guaranteed WMPs included the following:

- understanding and assessing the design, implementation, and operating effectiveness of key internal controls of financial reporting over measurement of interests in and consolidation of structured entities for non-principal guaranteed WMPs.
- selecting samples of structured entities for non-principal guaranteed WMPs and performing the following procedures:
  - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity for non-principal guaranteed WMPs and the involvement the Group has with the structured entity for non-principal guaranteed WMPs and to assess management's judgement over whether the Group can exercise power over the structured entity for non-principal guaranteed WMPs;

Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products (continued)

See Note 4(a), Note 5(v) and Note 59 to the consolidated financial statements.

The key audit matter

How the matter was addressed in our audit

– performed independent analysis and tests on the variable returns from the structured entities for non-principal guaranteed WMPs, including but not limited to commission income and asset management fees earned, gain from investments, retention of residual income, and, if any, liquidity, and other support provided to the structured entities for non-principal guaranteed WMPs, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;

– inspecting management's analysis of the structured entity for non-principal guaranteed WMPs, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity for non-principal guaranteed WMPs, to assess management's judgement over the Group's ability to affect its variable returns from the structured entity for non-principal guaranteed WMPs;

– assessing management's judgement over whether the structured entity for non-principal guaranteed WMPs should be consolidated or not.

• assessing the reasonableness of the disclosures in the financial statements in relation to the measurement of interests in and consolidation of structured entities for non-principal guaranteed WMPs against prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Yuen Shan.

Certified Public Accountants

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

26 March 2025

Chapter 9 Consolidated Statement of Profit or Loss

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

	Note	Years ended 31 December 2024	2023
Interest income		**309,791**	317,692
Interest expense		**(163,112)**	(174,153)
Net interest income	6	**146,679**	143,539
Fee and commission income		**37,414**	36,999
Fee and commission expense		**(6,312)**	(4,616)
Net fee and commission income	7	**31,102**	32,383
Net trading gain	8	**6,769**	7,138
Net gain from investment securities	9	**27,111**	21,103
Net hedging gain		**2**	–
Other operating income		**1,560**	1,407
Operating income		**213,223**	205,570
Operating expenses	10	**(71,938)**	(69,214)
Operating profit before impairment		**141,285**	136,356
Credit impairment losses	11	**(61,045)**	(61,926)
Impairment losses on other assets	12	**(68)**	(278)
Revaluation losses on investment properties		**(24)**	(1)
Share of profit of associates and joint ventures		**715**	736
Profit before tax		**80,863**	74,887
Income tax expense	13	**(11,395)**	(6,825)
Profit for the year		**69,468**	68,062
Net profit attributable to:			
Equity holders of the Bank		**68,576**	67,016
Non-controlling interests		**892**	1,046
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	15	**1.22**	1.27
Diluted earnings per share (RMB)	15	**1.20**	1.14

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

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

	Note	Years ended 31 December 2024	2023
Profit for the year		**69,468**	68,062
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		**(82)**	(144)
— Changes in defined benefit plan liabilities		**(1)**	–
Items that may be reclassified subsequently to profit or loss (net of tax):			
— Other comprehensive income transferable to profit or loss under equity method		**15**	39
— Fair value changes on financial assets at fair value through other comprehensive income		**10,737**	4,989
— Impairment allowance on financial assets at fair value through other comprehensive income		**384**	(512)
— Exchange difference on translation of financial statements		**1,767**	1,198
— Others		**94**	5
Other comprehensive income, net of tax	14	**12,914**	5,575
Total comprehensive income for the year		**82,382**	73,637
Total comprehensive income attribute to:			
Equity holders of the Bank		**81,381**	72,508
Non-controlling interests		**1,001**	1,129

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

Chapter 9 Consolidated Statement of Financial Position

As at 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

	Note	31 December 2024	31 December 2023
Assets			
Cash and balances with central banks	16	**340,915**	416,442
Deposits with banks and non-bank financial institutions	17	**128,193**	81,075
Precious metals		**13,580**	11,674
Placements with and loans to banks and non-bank financial institutions	18	**404,801**	237,742
Derivative financial assets	19	**85,929**	44,675
Financial assets held under resale agreements	20	**136,265**	104,773
Loans and advances to customers	21	**5,601,450**	5,383,750
Financial investments	22		
— at fair value through profit or loss		**647,398**	613,824
— at amortised cost		**1,118,989**	1,085,598
— at fair value through other comprehensive income		**849,781**	888,677
— designated at fair value through other comprehensive income		**4,702**	4,807
Investments in associates and joint ventures	23	**7,349**	6,945
Investment properties	25	**578**	528
Property, plant and equipment	26	**46,516**	38,309
Right-of-use assets	27	**11,035**	10,643
Intangible assets	28	**3,419**	4,595
Goodwill	29	**959**	926
Deferred tax assets	30	**54,130**	52,480
Other assets	31	**76,733**	65,021
Total assets		**9,532,722**	9,052,484
Liabilities			
Borrowings from central banks		**124,151**	273,226
Deposits from banks and non-bank financial institutions	33	**968,492**	927,887
Placements from banks and non-bank financial institutions	34	**88,550**	86,327
Financial liabilities at fair value through profit or loss		**1,719**	1,588
Derivative financial liabilities	19	**81,162**	41,850
Financial assets sold under repurchase agreements	35	**278,003**	463,018
Deposits from customers	36	**5,864,311**	5,467,657
Accrued staff costs	37	**20,318**	22,420
Taxes payable	38	**7,645**	4,536
Debt securities issued	39	**1,224,038**	965,981
Lease liabilities	27	**10,861**	10,245
Provisions	40	**9,990**	10,846
Deferred tax liabilities	30	**39**	1
Other liabilities	41	**46,078**	42,227
Total liabilities		**8,725,357**	8,317,809

	Note	**31 December 2024**	31 December 2023
Equity			
Share capital	42	**54,397**	48,967
Other equity instruments	43	**105,499**	118,060
Capital reserve	44	**89,286**	59,400
Other comprehensive income	45	**16,862**	4,057
Surplus reserve	46	**67,629**	60,992
General reserve	47	**111,723**	105,127
Retained earnings	48	**343,868**	320,619
Total equity attributable to equity holders of the Bank		**789,264**	717,222
Non-controlling interests	49	**18,101**	17,453
Total equity		**807,365**	734,675
Total liabilities and equity		**9,532,722**	9,052,484

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

Approved and recognized for issue by the board of directors on 26 March 2025.

Fang Heying
Chairman
Executive Director

Lu Wei
In charge of finance and accounting of the Bank
(performing the duties of the President)

Kang Chao
The head of the Finance and Accounting Department

Company stamp

Chapter 9 Consolidated Statement of Changes in Equity

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Note	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 2024		48,967	118,060	59,400	4,057	60,992	105,127	320,619	9,763	7,690	734,675
(i) Net profit		–	–	–	–	–	–	68,576	544	348	69,468
(ii) Other comprehensive income	14	–	–	–	12,805	–	–	–	109	–	12,914
Total comprehensive income		–	–	–	12,805	–	–	68,576	653	348	82,382
(iii) Investor capital											
— Conversion of convertible corporate bonds to equity		5,430	(2,568)	29,897	–	–	–	–	–	–	32,759
— Issuance of perpetual bonds	43	–	30,000	(4)	–	–	–	–	–	–	29,996
— Redemption of perpetual bonds	43	–	(39,993)	(7)	–	–	–	–	–	–	(40,000)
(iv) Profit appropriations											
— Appropriations to surplus reserve	46	–	–	–	–	6,637	–	(6,637)	–	–	–
— Appropriations to general reserve	47	–	–	–	–	–	6,596	(6,596)	–	–	–
— Dividend distribution to ordinary shareholders of the Bank	48	–	–	–	–	–	–	(27,306)	–	–	(27,306)
— Dividend distribution to preference shareholders	48	–	–	–	–	–	–	(1,428)	–	–	(1,428)
— Dividend distribution to non-controlling interests		–	–	–	–	–	–	–	(5)	–	(5)
— Interest paid to holders of perpetual bonds	48	–	–	–	–	–	–	(3,360)	–	(348)	(3,708)
As at 31 December 2024		54,397	105,499	89,286	16,862	67,629	111,723	343,868	10,411	7,690	807,365

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Note	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 2023		48,935	118,076	59,216	(1,621)	54,727	100,580	285,505	9,220	11,192	685,830
(i) Net profit		–	–	–	–	–	–	67,016	458	588	68,062
(ii) Other comprehensive income	14	–	–	–	5,492	–	–	–	83	–	5,575
Total comprehensive income		–	–	–	5,492	–	–	67,016	541	588	73,637
(iii) Investor capital											
— Conversion of convertible corporate bonds to equity		32	(16)	192	–	–	–	–	–	–	208
— Reduction of capital by other equity instruments holders	43	–	–	(4)	–	–	–	–	–	(3,502)	(3,506)
— Reduction of capital by Non-controlling interests	43	–	-	–	-	-	-	-	(2)	–	(2)
(iv) Profit appropriations											
— Appropriations to surplus reserve	46	–	–	–	–	6,265	–	(6,265)	–	–	–
— Appropriations to general reserve	47	–	–	–	–	–	4,547	(4,547)	–	–	–
— Dividend distribution to ordinary shareholders of the Bank	48	–	–	–	–	–	–	(16,110)	–	–	(16,110)
— Dividend distribution to preference shareholders	48	–	–	–	–	–	–	(1,428)	–	–	(1,428)
— Dividend distribution to non-controlling interests		–	–	–	–	–	–	–	(6)	–	(6)
— Interest paid to holders of perpetual bonds	48	–	–	–	–	–	–	(3,360)	–	(588)	(3,948)
(v) Transfers within the owners' equity											
— Other comprehensive income transferred to retained earnings		–	–	–	186	–	–	(186)	–	–	–
— Reduction of capital by Non-controlling interests		–	–	(4)	–	–	–	(6)	10	–	–
As at 31 December 2023		48,967	118,060	59,400	4,057	60,992	105,127	320,619	9,763	7,690	734,675

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

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

	Years ended 31 December	
	2024	2023
Operating activities		
Profit before tax	**80,863**	74,887
Adjustments for:		
— revaluation gains on investments, derivatives and investment properties	**(3,803)**	(521)
— investment gains	**(19,973)**	(19,843)
— net gains of property, plant and equipment, intangible assets and other assets	**(154)**	(9)
— unrealised foreign exchange gains	**(2,896)**	(3,013)
— credit impairment losses	**61,045**	61,926
— impairment losses on other assets	**68**	278
— depreciation and amortisation	**5,072**	4,868
— interest expense on debt securities issued	**27,608**	24,996
— dividend income from equity investment	**(196)**	(169)
— depreciation of right-of-use assets and interest expense on lease liabilities	**3,692**	3,710
— income tax paid	**(9,841)**	(13,523)
Subtotal	**141,485**	133,587
Changes in operating assets and liabilities:		
Decrease in balances with central banks	**30,381**	8,361
Decrease in deposits with banks and non-bank financial institutions	**7,715**	1,760
(Increase)/Decrease in placements with and loans to banks and non-bank financial institutions	**(124,278)**	6,115
Increase in financial assets held under resale agreements	**(30,168)**	(90,988)
Increase in loans and advances to customers	**(258,336)**	(380,326)
Decrease/(Increase) in financial assets at fair value through profit or loss	**9,738**	(79,755)
(Decrease)/Increase in borrowings from central banks	**(148,593)**	152,670
Increase/(Decrease) in deposits from banks and non-bank financial institutions	**40,871**	(215,881)
(Decrease)/Increase in placements from banks and non-bank financial institutions	**(2,211)**	17,387
Increase in financial liabilities at fair value through profit or loss	**93**	5
(Decrease)/Increase in financial assets sold under repurchase agreements	**(186,823)**	206,389
Increase in deposits from customers	**365,813**	286,207
Increase in other operating assets	**(43,595)**	(46,723)
Increase in other operating liabilities	**16,876**	274
Subtotal	**(322,517)**	(134,505)
Net cash flows used in operating activities	**(181,032)**	(918)

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

	Note	Years ended 31 December 2024	2023
Investing activities			
Proceeds from disposal and redemption of investments		**3,848,154**	2,768,331
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**260**	83
Cash received from equity investment income		**1,070**	653
Cash received from disposal of associates		**–**	70
Payments on acquisition of investments		**(3,860,233)**	(2,753,726)
Payments on acquisition of property, plant and equipment, land use rights and other assets		**(18,783)**	(13,524)
Net cash flows (used in)/from investing activities		**(29,532)**	1,887
Financing activities			
Cash received from issuing other equity instruments		**30,000**	–
Cash received from debt securities issued		**1,553,890**	1,096,139
Cash paid for redemption of other equity instruments		**(39,993)**	(3,516)
Cash paid for redemption of debt securities issued		**(1,261,613)**	(1,106,000)
Interest paid on debt securities issued		**(28,178)**	(24,724)
Cash paid for dividends		**(29,925)**	(21,492)
Cash paid in connection with other financing activities		**(3,378)**	(3,509)
Net cash flows from/(used in) financing activities		**220,803**	(63,102)
Increase/(Decrease) in cash and cash equivalents		**10,239**	(62,133)
Cash and cash equivalents as at 1 January		**249,002**	307,871
Effect of exchange rate changes on cash and cash equivalents		**3,538**	3,264
Cash and cash equivalents as at 31 December	50	**262,779**	249,002
Cash flows from operating activities include:			
Interest received		**317,099**	318,778
Interest paid		**(118,514)**	(136,150)

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

For the year ended 31 December 2024
(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 Financial Regulatory Administration (the former "China Banking and Insurance Regulatory Commission", the "NFRA"), 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, wealth management and other non-banking financial services.

As at 31 December 2024, 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 annual 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 annual financial statements were approved by the Board of Directors of the Bank on 26 March 2025.

2 Basis of preparation

These consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements for the year ended 31 December 2024 comprise the Bank and its subsidiaries, associates and joint ventures.

(a) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(b) Functional currency and presentation currency

The functional currency of the Group's domestic branches and subsidiaries is Renminbi ("RMB"). The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the consolidated financial statements according to Note 4 (b)(ii). The consolidated financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

3 Principal accounting policies

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

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

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

(a) Standards and amendments effective in 2024 relevant to and adopted by the Group

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

- Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-Current – Amendments to IAS 1
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

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.

(b) Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2024

Effective date	New accounting standards or amendments
1 January 2025	Lack of Exchangeability – Amendments to IAS 21
1 January 2026	Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7
1 January 2026	Annual Improvements to IFRS Accounting Standards – Volume 11
1 January 2027	IFRS 18 Presentation and Disclosure in Financial Statements
1 January 2027	IFRS 19 Subsidiaries without Public Accountability: Disclosures
Available for optional adoption/ effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

4 Summary of significant accounting policies

(a) Consolidated financial statements

(i) Business combinations involving enterprises under common control

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

(ii) Business combinations not involving entities under common control

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

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognized as investment income for the current period. The amount recognized in other comprehensive income relating to the previously-held equity interest in the acquire that can be reclassified into profits and losses in the future and other changes in owner's equity accounted by the equity method will be reclassified to profit or loss.

(iii) Consolidated financial statements

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

4 Summary of significant accounting policies (continued)

(a) Consolidated financial statements (continued)

(iii) Consolidated financial statements (continued)

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

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

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

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

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

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

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognized assets, liabilities, non-controlling interests and other related items in equity holders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognized as investment income for the current period when the control is lost.

If there is a difference between the accounting entity of the Group and the accounting entity of the Bank or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (continued)

(b) Foreign currency translations

(i) Translation of foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated into Renminbi by applying the spot exchange rates at the dates of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the reporting date. The resulting exchange differences are recognized in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Renminbi using the exchange rate at the transaction date.

Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rate at the date the fair value is determined. The differences arising from the translation of financial assets at fair value through other comprehensive income is recognized in other comprehensive income. Changes in the fair value of monetary assets denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognized in the consolidated statement of profit or loss, and other changes in the carrying amount are recognized in other comprehensive income. The translation differences resulting from other monetary assets and liabilities are recognized in the consolidated statement of profit or loss.

(ii) Translation of financial statements denominated in foreign currency

Financial statements denominated in foreign currency are translated into Renminbi for the preparation of consolidated financial statements. The assets and liabilities in the financial statements denominated in foreign currency are translated into Renminbi at the spot exchange rates prevailing at the reporting date. The equity items, except for "retained earnings", are translated to Renminbi at the spot exchange rates at the dates on which such items arose. Income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. The resulting exchange differences are recognized in other comprehensive income.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognized in equity holders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs. The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows.

4 Summary of significant accounting policies (continued)

(c) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

(i) Initial recognition and classification of financial instruments

Financial assets

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

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

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

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

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

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

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

Debt Instruments

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

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

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

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

Equity instruments

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

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

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

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

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

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

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

(ii) Measurement of financial assets

Initial measurement

At initial recognition, the Group measures a financial asset or financial liability at its fair value. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognized in profit or loss. For other financial asset or liability, transaction costs are recognized in the initial measurement.

Subsequent measurement

Subsequent measurement of financial instruments depends on the categories:

Financial assets and financial liabilities measured at amortised cost

The amortised cost is the amount at which the financial asset is measured at initial recognition: i) minus the principal; ii) plus or minus the cumulative recognized using the effective interest method of any difference between that initial amount and maturity amount; iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses ('ECL') and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of this gross carrying amount and incorporates the impact of ECL in estimated future cash flows.

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Measurement of financial assets (continued)

Financial assets and financial liabilities measured at amortised cost (continued)

Interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, except for:

i) a POCI financial asset, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to its amortised cost; and

ii) a financial asset that is not a POCI financial asset but has subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to its amortised cost. If, in a subsequent period, the financial asset improves its quality so that it is no longer credit-impaired and the improvement in credit quality can be related objectively to a certain event occurring after the application of the above-mentioned rule, then the interest income can again be calculated by applying the effective interest rate to its gross carrying amount. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

For floating-rate financial assets and floating-rate financial liabilities, periodic re-estimation of cash flows to reflect the movements in the market rates of interest alters the effective interest rate. If a floatingrate financial asset or a floating rate financial liability is recognized initially at an amount equal to the principal receivable or payable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or the liability.

If the Group revises its estimates of payments or receipts, the difference between the gross carrying amount of the financial asset or amortised cost of a financial liability calculated from revised estimated contractual cash flows and the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate should be recognized in profit or loss.

Financial assets at fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognized in profit or loss.

When the financial assets is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity instruments

Where an investment in an equity investment not held for trading is designated as a financial asset measured at fair value through other comprehensive income, the fair value changes of the financial asset is derecognized in the other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to retained earnings. The dividends on the investment are recognized in profit or loss only when the Group's right to receive payment of the dividends is established.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Measurement of financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on the financial assets that is measured at fair value should be recognized in profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and
- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period.

(iii) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with exposure arising from loan commitments, financial guarantee contracts and lease receivables.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, i. e. all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

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

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

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

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

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

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

(iv) Modification of loans

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

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

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Derivatives and hedges

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognized assets or liabilities or firm commitments for fair value hedges.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

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4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Derecognition of financial assets

Financial assets

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

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

– the carrying amount of the financial asset transferred;

– the sum of the consideration received from the transfer and the cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognized an associated liability.

Financial liabilities

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. An agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

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

(vii) Securitization

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

(viii) Sales of assets on condition of repurchase

De-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognize the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognize the financial asset.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ix) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the consolidated statement of financial position and are not offset. However, financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only if the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by recognizing the asset and settling the liability simultaneously.

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

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

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

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

(xi) Equity instruments

The issuance of equity instruments is recognised at the actual issue price in shareholders' equity, relevant transaction costs are deducted from shareholders' equity (capital reserve), with any excess deducted from surplus reserve and retained earnings sequentially. Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(d) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals acquired by the Group for trading purposes and precious metals leasing are initially measured at fair value and subsequent changes in fair value are recorded in the consolidated statement of profit or loss.

(e) Interests in subsidiaries

In the Bank's consolidated statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (see Note 4 (m)). Cost includes direct attributable costs of investment. Dividends declared by subsidiaries are recognized in investment income.

Determination of investment cost

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

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

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4 Summary of significant accounting policies (continued)

(f) Interests in associates and joint ventures

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

When acquiring associates and joint ventures, the Group recognizes as initial investment cost in the principle which: for the investments obtained by making payment in cash, the Group recognizes the purchase cost which is actually paid as initial investment costs; for the investments obtained by equity securities, the Group recognizes the fair value of the equity securities issued as initial investment cost.

An investment in an associate or a joint venture is accounted for using the equity method, unless the investment is classified as held for sale.

The Group adopts the following accounting treatments when using the equity method:

– Where the initial investment cost of an associate or joint venture exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

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

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

– The Group discontinues recognition of its share of net losses of investees after the carrying amount of investment in the associates and joint ventures and any long-term interest that in substance forms part of the Group's net interest in the associates and joint ventures are reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate. Where profits are subsequently made by the associates and joint ventures, the Group resumes the recognition of its share of those profits only after its share of the profits equals the share of losses not recognized.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

The Group makes provisions for impairment of interests in associates and joint ventures in accordance with the principles described in Note 4 (m).

4 Summary of significant accounting policies (continued)

(g) Property, plant and equipment

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

(i) Cost

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

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

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

(ii) Subsequent costs

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when the recognition conditions of fixed assets are met, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

(iii) Depreciation

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

The estimated useful lives are as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Buildings	30-35 years	0%-5%	2.71%-3.17%
Computer equipment and others	3-10 years	0%-5%	9.50%-31.67%

No depreciation is provided in respect of construction in progress.

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

(iv) Impairment

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

(v) Disposal and retirement

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

4 Summary of significant accounting policies (continued)

(h) Lease

A lease is a contract under which the lessor conveys to the lessee the right to use an asset for a period of time in exchange for consideration.

The Group as the lessee

The Group recognises the right-of-use assets on the commencement date of the lease term and recognises the lease liability at the present value of the lease payments that have not been paid yet. Each lease payment is allocated between the liability and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease payments include fixed payments and payments to be made in the event that it is reasonably determined that the purchase option will be exercised or the lease option is terminated. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used.

The Group's right-of-use assets include leased buildings, land use right, equipment, vehicles and others. The right-of-use assets are initially measured at cost, which includes the initial measurement of the lease liability, the lease payments paid on or before the lease commencement date, and the initial direct costs, less any lease incentives received. If the Group can reasonably expect to obtain the ownership of the leased asset at the expiration of the lease term, it is depreciated over the remaining useful life of the leased asset on a straight-line basis; if it is not possible to reasonably determine whether the ownership of the leased asset can be obtained at the expiration of the lease term, it is depreciated over the shorter period of the lease term and the remaining useful life of the leased assets on a straight-line basis. When the recoverable amount is lower than the carrying amount of an right-of-use asset, the Group writes down the carrying amount to the recoverable amount.

For short-term leases with a lease term of no more than 12 months and leases of assets with low values when new, the Group chooses not to recognise the right-of-use assets and lease liabilities. Instead, it recognises in each period the relevant rental payments in profit or loss or relevant asset costs on a straight-line basis over the lease term.

Land use rights are amortised on a straight-line basis over the respective periods of grant. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property, plant and equipment.

Impairment loss on land use rights is accounted for in accordance with the accounting policies as set out in Note 4(m).

The Group as the lessor

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(i) Finance leases

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receipts and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the "net lease investment"), is included in "loans and advances to customers" on consolidated statement of financial position as a finance lease receivable. At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the net lease investment and the aggregate of their present value is recognised as unearned finance income which is included in "loans and advances to customers" as well. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. The financing income included in finance lease receivable will be recognized as "interest income" according to the proportion of invested capital during the lease term.

Impairment losses are accounted in accordance with the accounting policies as set out in Note 4 (c)(iii).

4 Summary of significant accounting policies (continued)

(h) Lease (continued)

The Group as the lessor (continued)

(ii) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 4 (g) except where the asset is classified as an investment property. Impairment losses are accounted in accordance with the accounting policies as set out in Note 4 (m). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 4 (t)(iv).

(i) Intangible assets

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

Estimated Useful Lives of Intangible Assets are as follows	Estimated Useful Lives
Computer Software	5 years
Data Resources	3 years
Others	5-35 years

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

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

(j) Investment properties

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

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

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

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

Investment properties are stated at fair value in the consolidated statement of financial position. The Group does not accrue depreciation or amortization of investment properties. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in the consolidated statement of profit or loss.

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

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

4 Summary of significant accounting policies (continued)

(k) Goodwill

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

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognized immediately in the consolidated statement of profit or loss.

On disposal of the related CGU or a group of CGUs, any attributable amount of the purchased goodwill net of allowance for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted in accordance with the accounting policies as set out in Note 4 (m).

(l) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realization of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported as "other assets" in the consolidated statement of financial position..

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognized at fair value and any taxes that are directly attributable to the assets, and other expenses incurred for collecting the repossessed assets.

When the fair value less costs to sell is lower than a repossessed asset's carrying amount, an impairment loss is recognized in the consolidated statement of profit or loss. Repossessed assets are recognized at the carrying value, net of allowance for impairment losses. The impairment loss is recorded in the consolidated statement of profit and loss.

The repossessed assets are disposed after acquisition and cannot be used without authorisation. The repossessed assets that are transferred to own use are treated as newly purchased property, plant and equipment. Any gain or loss arising from the disposal of the repossessed assets is included in the consolidated statement of profit or loss in the period in which the item is disposed.

(m) Allowance for impairment of non-financial assets

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

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

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

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

4 Summary of significant accounting policies (continued)

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

(ii) Impairment of goodwill

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

(n) Fair value measurement

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

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4 Summary of significant accounting policies (continued)

(o) Employee benefits

(i) Employee salaries

During the accounting period when an employee has rendered service to the Group, the Group will recognize the actual amount of employee wages, bonuses, labor union expenses and employee education expenses, medical insurance, work-related injury insurance, maternity insurance and housing provident funds paid for employees according to the regulated benchmark and ratio, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(ii) Post-employment benefits-Defined contribution plans

Pursuant to the relevant laws and regulations in the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension contributions payable is recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

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

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

(iii) Post-employment benefits: Defined benefit plans

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

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

The Group recognizes the obligation of defined benefit plans in the accounting period in which the employees render the related services. Past-service costs are recognized immediately in the consolidated statement of profit or loss. Re-measurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

4 Summary of significant accounting policies (continued)

(p) Government grants

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

Government grants are recognized when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants. Government grants are measured at the amount received or will be received when recognized as monetary assets. Government grants are measured at fair value when recognized as non-monetary assets.

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is recognized initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses or losses to be incurred in the subsequent periods is recognized initially as deferred income, and recognized in the consolidated statement of profit or loss or offset against related expenses in the same periods in which the expenses are recognized. A grant that compensates the Group for expenses incurred is recognized in the consolidated statement of profit or loss immediately. The Group uses the same statement method for similar government grants.

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates. The interest subsidies directly received from government are recorded as a reduction of interest expenses.

(q) Financial guarantee contracts and loan commitments

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

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit and loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognized as a provision.

4 Summary of significant accounting policies (continued)

(r) Provisions and contingent liabilities

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

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

(s) Fiduciary activities

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

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

(t) Income recognition

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

(i) Interest income

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

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

(ii) Fee and commission income

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

4 Summary of significant accounting policies (continued)

(t) Income recognition (continued)

(iii) Dividend income

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

(iv) Rental income from operating lease

Rental income received under operating leases is recognized as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognized in the consolidated statement of profit or loss as an integral part of the aggregate net lease payments receivable.

(v) Finance income from finance lease and hire purchase contract

Finance income implicit in finance lease and hire purchase payments is recognized as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period.

(u) Income tax

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be recognized.

At the end of the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is recognized or the liability is settled according to the requirements of tax laws. The Group also considers the probability of realization and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reductions are reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and meet the additional conditions that deferred tax assets and liabilities relate to income taxes levied by the same authority on the same taxable entity. Otherwise, deferred tax assets and liabilities and their changes shall be presented separately and not offset each other.

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4 Summary of significant accounting policies (continued)

(v) Cash equivalents

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

(w) Profit distribution

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

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

(x) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

(y) Operating segments

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group considers the business from different perspectives including products and services and geographic areas. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

5 Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit recognition (e. g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 55 (a).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- Management overlay for asset portfolios whose non-linear risk characteristics cannot be adequately reflected through impairment models; and
- Discounted cash flows model is applicable to assets related to corporate client in stage 3.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 55 (a).

(ii) Classification of financial assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include evaluation and reporting of financial asset performance to key management personnel, risks affecting the performance of financial assets and their management methods, and related business management personnel. The way to get paid, etc.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests is only included currency time value, credit risk, other basic borrowing risks, and considerations for costs and profits; whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

5 Critical accounting estimates and judgements (continued)

(iii) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(iv) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements and etc., the Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgment is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

- where the Group neither retains nor transfers substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

(v) Consolidation of structured entities

The Group makes significant judgment to assess whether the Group controls and should consolidate structured entities. When performing this assessment, the Group has comprehensively considered various factors:

- assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

- performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and;

- assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

5 Critical accounting estimates and judgements (continued)

(vi) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be recognized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

6 Net interest income

	Years ended 31 December	
	2024	2023
Interest income arising from (Note (i)):		
Deposits with central banks	**5,842**	6,445
Deposits with banks and non-bank financial institutions	**1,965**	1,756
Placements with and loans to banks and non-bank financial institutions	**10,296**	8,125
Financial assets held under resale agreements	**1,275**	1,029
Loans and advances to customers		
— corporate loans	**123,592**	126,650
— personal loans	**112,330**	116,749
Financial investments		
— at amortised cost	**30,873**	36,759
— at fair value through other comprehensive income	**23,549**	20,117
Others	**69**	62
Subtotal	**309,791**	317,692
Interest expense arising from:		
Borrowings from central banks	**(6,367)**	(4,281)
Deposits from banks and non-bank financial institutions	**(17,832)**	(22,479)
Placements from banks and non-bank financial institutions	**(2,679)**	(2,366)
Financial assets sold under repurchase agreements	**(4,148)**	(3,762)
Deposits from customers	**(103,975)**	(115,734)
Debt securities issued	**(27,608)**	(24,996)
Lease liabilities	**(452)**	(454)
Others	**(51)**	(81)
Subtotal	**(163,112)**	(174,153)
Net interest income	**146,679**	143,539

Note:

(i) Interest income includes interest income accrued on credit-impaired financial assets of RMB760 million for the year ended 31 December 2024 (2023: RMB715 million).

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7 Net fee and commission income

	Years ended 31 December	
	2024	2023
Fee and commission income:		
Bank card fees	**15,557**	16,800
Commission for custodian business and other fiduciary	**7,801**	6,303
Agency fees and commission (Note (i))	**4,981**	5,855
Guarantee and advisory fees	**4,997**	5,216
Settlement and clearance fees	**2,476**	2,261
Others	**1,602**	564
Total	**37,414**	36,999
Fee and commission expense	**(6,312)**	(4,616)
Net fee and commission income	**31,102**	32,383

Note:

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

8 Net trading gain

	Years ended 31 December	
	2024	2023
Debt securities and certificates of interbank deposit	**4,217**	4,110
Foreign currencies	**210**	4,046
Derivatives and related exposures	**2,342**	(1,018)
Total	**6,769**	7,138

9 Net gain from investment securities

	Years ended 31 December	
	2024	2023
Financial investments		
— at fair value through profit or loss	**14,980**	14,794
— at amortised cost	**2,518**	3,806
— at fair value through other comprehensive income	**6,951**	633
— Investments in equity instruments designated at fair value through other comprehensive income	**22**	14
Net gain from bills rediscounting	**1,342**	916
Proceeds from the resale of forfaiting	**805**	549
Others	**493**	391
Total	**27,111**	21,103

10 Operating expenses

	Years ended 31 December	
	2024	2023
Staff costs		
— salaries and bonuses	**28,000**	28,100
— welfare expenses	**1,571**	1,318
— social insurance	**2,208**	1,565
— housing fund	**2,179**	1,982
— labor union expenses and employee education expenses	**915**	786
— post-employment benefits — defined contribution plans	**4,490**	3,990
— other benefits	**321**	342
Subtotal	**39,684**	38,083
Property and equipment related expenses		
— depreciation of right-of-use assets	**3,239**	3,256
— depreciation of property, plant and equipment	**3,189**	2,915
— rent and property management expenses	**1,342**	1,107
— maintenance	**2,045**	1,334
— amortisation expenses	**1,883**	1,953
— electronic equipment operating expenses	**553**	520
— others	**500**	490
Subtotal	**12,751**	11,575
Tax and surcharges	**2,194**	2,185
Other general operating and administrative expenses	**17,309**	17,371
Total	**71,938**	69,214

Note:

(i) Included in other general operating and administrative expenses were audit fees of RMB16 million for the year ended 31 December 2024 (2023: RMB16 million) and non-audit fees of RMB8 million for the year ended 31 December 2024 (2023: RMB3 million).

(a) Individuals with highest emoluments

For the year ended 31 December 2024, of the 5 individuals with the highest emoluments in the Group, there was no director (2023: Nil) and no supervisor (2023: Nil). The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals of the Group were as follows:

	Years ended 31 December	
	2024 RMB'000	2023 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**20,834**	21,163
Discretionary bonuses	**-**	21,856
Contribution to pension scheme	**1,357**	1,217
Total	**22,191**	44,236

The emoluments before individual income tax of the five individuals of the Group with the highest emoluments are within the following bands:

	Years ended 31 December	
	2024	2023
RMB0 – RMB5,000,000	**4**	–
RMB5,000,001 – RMB10,000,000	**1**	5

No inducement fee and compensation for loss of office was paid to the five highest paid individuals for the year ended 31 December 2024 (2023: Nil).

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11 Credit impairment losses

	Years ended 31 December	
	2024	2023
Credit impairment losses		
Impairment reversal of deposits with banks and non-bank financial institutions	**–**	(43)
Impairment losses of placements with and loans to banks and non-bank financial institutions	**42**	1
Impairment (reversals)/losses of financial assets held under resale agreements	**(12)**	99
Impairment losses of loans and advances to customers	**52,699**	49,840
Impairment losses of financial investments		
— at amortised cost	**3,104**	2,282
— at fair value through other comprehensive income	**735**	223
Impairment losses of other financial assets and accrued interest	**5,564**	7,970
Impairment (reversals)/losses of off-balance sheet items	**(1,087)**	1,554
Total	**61,045**	61,926

12 Impairment losses on other assets

	Years ended 31 December	
	2024	2023
Impairment losses of other assets-repossessed assets	**68**	278

13 Income tax

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

		Years ended 31 December	
	Note	**2024**	2023
Current tax			
— Mainland China		**16,017**	5,493
— Hong Kong		**369**	182
— Overseas		**74**	161
Deferred tax	30(c)	**(5,065)**	989
Income tax		**11,395**	6,825

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

	Years ended 31 December	
	2024	2023
Profit before tax	**80,863**	74,887
Income tax calculated at PRC statutory tax rate	**20,216**	18,722
Effect of different tax rates in other regions	**(298)**	(226)
Tax effect of non-deductible expenses	**5,185**	1,424
Tax effect of non-taxable income		
— interest income arising from PRC government bonds and local government bonds	**(8,261)**	(7,767)
— dividend income from investment funds	**(4,058)**	(3,900)
— others	**(1,389)**	(1,428)
Income tax	**11,395**	6,825

14 Other comprehensive income, net of tax

	Years ended 31 December	
	2024	2023
Items that will not be reclassified subsequently to profit or loss		
Changes in defined benefit plan liabilities		
— net changes during the year before tax	**(1)**	–
Fair value changes on financial asset designated at fair value through other comprehensive income, net of tax		
— net changes during the year before tax	**(140)**	(128)
— income tax	**58**	(16)
Subtotal	**(83)**	(144)
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income transferable to profit or loss under equity method		
— net changes during the year	**15**	39
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	**21,151**	7,051
— net amount transferred to profit or loss	**(7,066)**	(734)
— Income tax	**(3,348)**	(1,328)
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note (ii))		
— net changes during the year	**466**	(674)
— Income tax	**(82)**	162
Others		
— net changes during the year before tax	**94**	5
Exchange differences on translation of financial statements	**1,767**	1,198
Subtotal	**12,997**	5,719
Other comprehensive income, net of tax	**12,914**	5,575

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.

15 Earnings per share

Earnings per share information for the years ended 31 December 2024 and 2023 is computed by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the year.

The Bank issued non-cumulative preference shares in 2016 under the terms and conditions as detailed in Note 43 (i). The Bank declared and paid cash dividends of RMB1,428 million of non-cumulative preference shares for the year of 2024 (2023: 1,428 million).

The Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in 2019, and the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in 2021, with terms and conditions disclosed in detail in Note 43(ii) under perpetual Bonds. The Bank declared and paid RMB3,360 million in interests on the perpetual bonds in 2024 (2023: 3,360 million).

15 Earnings per share (continued)

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2024, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation in 2024.

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 year, by dividing the net profit for the year attributable to ordinary shareholders of the Bank after adjustments for the interest expenses of convertible corporate bonds for the year, by the adjusted weighted average number of outstanding ordinary shares for the year.

	Years ended 31 December	
	2024	2023
Profit for the year attributable to equity holders of the Bank	**68,576**	67,016
Less: Equity attributable to holders of other equity instruments of the Bank	**4,788**	4,788
Profit for the year attributable to ordinary shareholders of the Bank	**63,788**	62,228
Weighted average number of shares (in million shares)	**52,389**	48,954
Basic earnings per share (in RMB)	**1.22**	1.27
Diluted earnings per share (in RMB)	**1.20**	1.14

16 Cash and balances with central banks

	Notes	**31 December 2024**	31 December 2023
Cash		**4,737**	4,467
Balances with central banks			
— statutory deposit reserve funds	(i)	**321,339**	356,042
— surplus deposit reserve funds	(ii)	**6,803**	52,473
— fiscal deposits	(iii)	**3,699**	356
— foreign exchange reserve	(iv)	**4,178**	2,926
Accrued interest		**159**	178
Total		**340,915**	416,442

Notes:

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

As at 31 December 2024, the statutory deposit reserve funds placed with the PBOC was calculated at 6% (31 December 2023: 7%) of eligible Renminbi deposits for domestic branches of the Bank and at 6% (31 December 2023: 7%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 4% (31 December 2023: 4%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

As at 31 December 2024, 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 2023: 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.

17 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**31 December 2024**	31 December 2023
In Mainland China			
— banks		**76,247**	52,508
— non-bank financial institutions		**18,880**	6,946
Subtotal		**95,127**	59,454
Outside Mainland China			
— banks		**31,507**	20,390
— non-bank financial institutions		**1,280**	839
Subtotal		**32,787**	21,229
Accrued interest		**335**	448
Gross balance		**128,249**	81,131
Less: Allowances for impairment losses	32	**(56)**	(56)
Net balance		**128,193**	81,075

(b) Analysed by remaining maturity

	Note	**31 December 2024**	31 December 2023
Demand deposits (Note (i))		**97,100**	42,383
Time deposits with remaining maturity			
— within one month		**1,781**	3,800
— between one month and one year		**29,033**	34,500
Subtotal		**127,914**	80,683
Accrued interest		**335**	448
Gross balance		**128,249**	81,131
Less: Allowances for impairment losses	32	**(56)**	(56)
Net balance		**128,193**	81,075

Note:

(i) As at 31 December 2024, within the demand deposits there were pledged deposits of RMB1,542 million (as at 31 December 2023: RMB911 million). These deposits were mainly maintenance margins with a regulatory body.

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

(a) Analysed by types and locations of counterparties

	Note	**31 December 2024**	31 December 2023
In Mainland China			
— banks (Note (i))		**64,651**	23,450
— non-bank financial institutions		**269,520**	148,150
Subtotal		**334,171**	171,600
Outside Mainland China			
— banks		**69,134**	64,997
— non-bank financial institutions		**451**	-
Subtotal		**69,585**	64,997
Accrued interest		**1,230**	1,288
Gross balance		**404,986**	237,885
Less: Allowances for impairment losses	32	**(185)**	(143)
Net balance		**404,801**	237,742

Note:

(i) The leased gold between Banks is included in the Placements with and loans to banks and non-bank financial institutions, measured at fair value through profit or loss. As at 31 December 2024, the carrying amount of leased gold was RMB22,789 million (as at 31 December 2023: RMB7,320 million)

(b) Analysed by remaining maturity

	Note	**31 December 2024**	31 December 2023
Within one month		**93,695**	70,820
Between one month and one year		**251,297**	164,277
Over one year		**58,764**	1,500
Accrued interest		**1,230**	1,288
Gross balance		**404,986**	237,885
Less: Allowances for impairment losses	32	**(185)**	(143)
Net balance		**404,801**	237,742

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19 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.

	31 December 2024			31 December 2023		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging instruments						
— interest rate derivatives	**5,289**	**121**	**29**	716	23	–
Non-Hedging instruments						
— interest rate derivatives	**4,668,484**	**21,023**	**20,762**	3,632,633	14,633	14,360
— currency derivatives	**4,605,533**	**64,282**	**57,090**	3,071,039	29,872	26,748
— precious metal derivatives	**94,871**	**503**	**3,281**	34,448	147	742
Total	**9,374,177**	**85,929**	**81,162**	6,738,836	44,675	41,850

(a) Nominal amount analysed by remaining maturity

	31 December 2024	31 December 2023
Within three months	**3,243,260**	2,606,918
Between three months and one year	**4,318,460**	2,594,719
Between one year and five years	**1,777,322**	1,500,503
Over five years	**35,135**	36,696
Total	**9,374,177**	6,738,836

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with "Regulation Governing Capital of Commercial Banks" promulgated by the National Administration of Financial Regulation in the year of 2023, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 31 December 2024, the total amount of credit risk weighted amount for counterparty was RMB24,307 million (31 December 2023: RMB28,225 million).

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20 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	31 December 2024	31 December 2023
In Mainland China			
— banks		**101,671**	51,038
— non-bank financial institutions		**31,919**	51,124
Subtotal		**133,590**	102,162
Outside Mainland China			
— banks		**972**	2,197
— non-bank financial institutions		**1,759**	478
Subtotal		**2,731**	2,675
Accrued interest		**31**	35
Gross balance		**136,352**	104,872
Less: Allowance for impairment losses	32	**(87)**	(99)
Net balance		**136,265**	104,773

(b) Analysed by types of collateral

	Note	31 December 2024	31 December 2023
Debt securities		**136,321**	103,338
Discounted bills		**–**	1,499
Subtotal		**136,321**	104,837
Accrued interest		**31**	35
Gross balance		**136,352**	104,872
Less: Allowance for impairment losses	32	**(87)**	(99)
Net balance		**136,265**	104,773

(c) Analysed by remaining maturity

	Note	31 December 2024	31 December 2023
Within one month		**135,622**	103,887
Between one month and one year		**699**	950
Accrued interest		**31**	35
Gross balance		**136,352**	104,872
Less: Allowance for impairment losses	32	**(87)**	(99)
Net balance		**136,265**	104,773

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21 Loans and advances to customers

(a) Analysed by nature

	Note	31 December 2024	31 December 2023
Loans and advances to customers at amortised cost			
Corporate loans and advances			
— loans		**2,771,263**	2,586,610
— discounted bills		**2,182**	1,684
— finance lease receivables		**49,579**	46,819
Subtotal		**2,823,024**	2,635,113
Personal loans and advances			
— residential mortgages		**1,067,339**	1,003,321
— credit cards		**488,716**	521,260
— business loans		**488,898**	459,113
— personal consumption		**310,637**	298,561
— finance lease receivables		**6,151**	1,591
Subtotal		**2,361,741**	2,283,846
Accrued interest		**21,715**	19,948
Gross balance		**5,206,480**	4,938,907
Less: Allowances impairment losses on loans	32		
— principal		**(138,691)**	(133,861)
— interest		**(1,702)**	(681)
Loans and advances to customers at amortised cost, net		**5,066,087**	4,804,365
Loans and advances to customers at fair value through other comprehensive income			
— loans		**76,032**	58,163
— discounted bills		**447,719**	515,664
Carrying amount of loans and advances at fair value through other comprehensive income		**523,751**	573,827
— fair value changes through other comprehensive income		**105**	(98)
Carrying amount of loans and advances at fair value through profit or loss		**11,612**	5,558
Total		**5,601,450**	5,383,750
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	32	**(549)**	(656)

21 Loans and advances to customers (continued)

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

	31 December 2024			
	Stage one	**Stage two**	**Stage three (Note (i))**	**Total**
Gross loans and advances to customers at amortised costs	**5,000,518**	**115,459**	**68,788**	**5,184,765**
Accrued interest	**15,835**	**5,087**	**793**	**21,715**
Less: Allowance for impairment losses	**(62,041)**	**(29,453)**	**(48,899)**	**(140,393)**
Carrying amount of loans and advances to customers measured at amortised cost	**4,954,312**	**91,093**	**20,682**	**5,066,087**
Carrying amount of loans and advances to customers at fair value through other comprehensive income	**523,134**	**460**	**157**	**523,751**
Total	**5,477,446**	**91,553**	**20,839**	**5,589,838**
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	**(545)**	**(1)**	**(3)**	**(549)**

	31 December 2023			
	Stage one	Stage two	Stage three (Note (i))	Total
Gross loans and advances to customers at amortised costs	4,755,900	96,023	67,036	4,918,959
Accrued interest	19,039	411	498	19,948
Less: Allowance for impairment losses	(62,976)	(27,105)	(44,461)	(134,542)
Carrying amount of loans and advances to customers measured at amortised cost	4,711,963	69,329	23,073	4,804,365
Carrying amount of loans and advances to customers at fair value through other comprehensive income	573,370	345	112	573,827
Total	5,285,333	69,674	23,185	5,378,192
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	(586)	–	(70)	(656)

21 Loans and advances to customers (continued)

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

Note:

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

	31 December 2024	31 December 2023
Secured portion	**33,296**	33,606
Unsecured portion	**35,649**	33,542
Gross balance	**68,945**	67,148
Allowance for impairment losses	**(48,902)**	(44,531)

As at 31 December 2024, the maximum exposure covered by pledge and collateral held on secured portion is RMB32,890 million (as at 31 December 2023: RMB33,438 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

	31 December 2024				
	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	**29,555**	**13,178**	**2,171**	**380**	**45,284**
Guaranteed loans	**7,497**	**3,683**	**2,899**	**2,678**	**16,757**
Loans with pledged assets					
— loans secured by collateral	**12,846**	**10,965**	**9,216**	**2,071**	**35,098**
— pledged loans	**3,220**	**1,570**	**570**	**137**	**5,497**
Total	**53,118**	**29,396**	**14,856**	**5,266**	**102,636**

	31 December 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	19,859	11,806	2,089	246	34,000
Guaranteed loans	1,544	4,243	2,600	1,018	9,405
Loans with pledged assets					
— loans secured by collateral	15,564	11,757	10,249	1,054	38,624
— pledged loans	3,789	1,084	2,387	137	7,397
Total	40,756	28,890	17,325	2,455	89,426

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

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21 Loans and advances to customers (continued)

(d) Finance lease receivables

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

	31 December 2024	31 December 2023
Within one year (including one year)	**21,545**	15,008
One year to two years (including two years)	**10,651**	12,638
Two years to three years (including three years)	**6,929**	6,647
Over three years	**16,974**	14,117
Gross balance	**56,099**	48,410
Less: Allowance for impairment losses		
— stage one	**(705)**	(798)
— stage two	**(858)**	(691)
— stage three	**(381)**	(365)
Net balance	**54,155**	46,556

22 Financial investments

(a) Analysed by types

	Note	**31 December 2024**	31 December 2023
Financial assets at fair value through profit or loss			
Investment funds		**427,597**	421,154
Debt securities		**153,564**	106,501
Certificates of deposit		**57,626**	75,790
Equity instruments		**5,213**	6,334
Wealth management products		**2,131**	4,045
Trust investment plans		**1,267**	–
Net balance		**647,398**	613,824
Financial assets at amortised cost			
Debt securities		**920,170**	870,087
Trust investment plans		**189,906**	204,840
Investment management products managed by securities companies		**20,162**	22,908
Certificates of deposit and interbank certificates of deposit		**1,095**	1,064
Subtotal		**1,131,333**	1,098,899
Accrued interest		**13,821**	13,004
Less: Allowance for impairment losses	32	**(26,165)**	(26,305)
— principles		**(26,108)**	(26,239)
— accrued interest		**(57)**	(66)
Net balance		**1,118,989**	1,085,598

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22 Financial investments (continued)

(a) Analysed by types (continued)

	Note	31 December 2024	31 December 2023
Financial assets at fair value through other comprehensive income (Note (i))			
Debt securities		**831,495**	877,424
Certificates of deposit		**11,861**	4,922
Subtotal		**843,356**	882,346
Accrued interest		**6,425**	6,331
Net balance		**849,781**	888,677
Allowances for impairment losses on financial investments at fair value through other comprehensive income	32	**(2,558)**	(1,968)
Financial assets designated at fair value through other comprehensive income (Note (i))		**4,702**	4,807
Total		**2,620,870**	2,592,906

Notes:

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

	Note	31 December 2024 Equity instruments	Debt securities instruments	Total
Costs/Amortised cost		**5,390**	**829,405**	**834,795**
Accumulated fair value change in other comprehensive income		**(688)**	**13,951**	**13,263**
Fair value		**4,702**	**843,356**	**848,058**
Allowance for impairment losses	**32**		**(2,558)**	**(2,558)**

	Note	31 December 2023 Equity instruments	Debt securities instruments	Total
Costs/Amortised cost		5,421	882,343	887,764
Accumulated fair value change in other comprehensive income		(614)	3	(611)
Fair value		4,807	882,346	887,153
Allowance for impairment losses	32		(1,968)	(1,968)

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22 Financial investments (continued)

(b) Analysed by location of counterparties

	Note	**31 December 2024**	31 December 2023
In Chinese Mainland			
— governments		**1,406,533**	1,379,382
— policy banks		**29,337**	52,960
— banks and non-bank financial institutions		**831,313**	906,935
— corporates		**130,868**	90,512
Subtotal		**2,398,051**	2,429,789
Outside Chinese Mainland			
— governments		**65,255**	80,515
— banks and non-bank financial institutions		**94,032**	41,467
— corporates		**57,938**	44,182
— public entities		**11,513**	3,923
Subtotal		**228,738**	170,087
Accrued interest		**20,246**	19,335
Total		**2,647,035**	2,619,211
Less: Impairment allowance for financial assets at amortised cost	32	**(26,165)**	(26,305)
Net balance		**2,620,870**	2,592,906
Listed in Hong Kong		**43,954**	43,247
Listed outside Hong Kong		**2,319,126**	2,210,432
Unlisted		**257,790**	339,227
Total		**2,620,870**	2,592,906

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

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22 Financial investments (continued)

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

	31 December 2024			
	Stage one	**Stage two**	**Stage three**	**Total**
Financial assets at amortised costs	**1,077,295**	**8,921**	**45,117**	**1,131,333**
Accrued interest	**12,468**	**1,290**	**63**	**13,821**
Less: Allowance for impairment losses	**(1,901)**	**(1,046)**	**(23,218)**	**(26,165)**
Net balance	**1,087,862**	**9,165**	**21,962**	**1,118,989**
Financial assets at fair value through other comprehensive income	**842,850**	**–**	**506**	**843,356**
Accrued interest	**6,401**	**–**	**24**	**6,425**
Net balance	**849,251**	**–**	**530**	**849,781**
Total carrying amount of financial assets affected by credit risk	**1,937,113**	**9,165**	**22,492**	**1,968,770**
Allowance for impairment losses of other debt instruments included in other comprehensive income	**(1,787)**	**–**	**(771)**	**(2,558)**

	31 December 2023			
	Stage one	Stage two	Stage three	Total
Financial assets at amortised costs	1,046,006	5,447	47,446	1,098,899
Accrued interest	12,455	488	61	13,004
Less: Allowance for impairment losses	(2,676)	(1,361)	(22,268)	(26,305)
Net balance	1,055,785	4,574	25,239	1,085,598
Financial assets at fair value through other comprehensive income	880,873	503	970	882,346
Accrued interest	6,292	–	39	6,331
Net balance	887,165	503	1,009	888,677
Total carrying amount of financial assets affected by credit risk	1,942,950	5,077	26,248	1,974,275
Allowance for impairment losses of other debt instruments included in other comprehensive income	(1,289)	(219)	(460)	(1,968)

23 Investments in associates and joint ventures

	Note	**31 December 2024**	31 December 2023
Investments in joint ventures	(a)	**7,009**	6,572
Investments in associates	(b)	**340**	373
Total		**7,349**	6,945

23 Investments in associates and joint ventures (continued)

(a) Investment in joint ventures

The details of the joint ventures as at 31 December 2024 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 year ended 2024				
Name of Company	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net gain**
CITIC aiBank	**117,290**	**108,245**	**9,045**	**4,626**	**652**
JSC Altyn Bank	**13,937**	**12,024**	**1,913**	**965**	**577**

	As at or for the year ended 2023				
Name of Company	Total assets	Total liabilities	Total net assets	Operating income	Net gain
CITIC aiBank	112,511	104,177	8,334	4,534	855
JSC Altyn Bank	13,849	12,010	1,839	900	519

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

	Year ended 31 December 2024	Year ended 31 December 2023
Initial investment cost	**5,265**	5,265
As at 1 January	**6,572**	5,811
Dividend received	**(137)**	(110)
Other changes in equity	**13**	40
Share of net gain of the joint ventures for the year	**743**	827
Exchange difference	**(182)**	4
As at 31 December	**7,009**	6,572

23 Investments in associates and joint ventures (continued)

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 31 December 2024 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 Assets Trading Center Co., Ltd. ("Tianjin Leasing Asset Trading Center")	Corporation	Tianjin	20%	Services and investment	RMB500 million

Financial statements of the associates are as follow:

	As at or for the year ended 2024				
Name of Company	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net loss**
CIAM	**585**	**39**	**546**	**(14)**	**(64)**
Tianjin Leasing Asset Trading Center	**474**	**35**	**439**	**2**	**(75)**

	As at or for the year ended 2023				
Name of Company	Total assets	Total liabilities	Total net assets	Operating income	Net loss
CIAM	633	46	587	(68)	(161)
Tianjin Leasing Asset Trading Center	552	34	518	45	(10)

Movement of the Group's interests in associates:

	Year ended 31 December 2024	Year ended 31 December 2023
Initial investment cost	**1,058**	1,058
As at 1 January	**373**	530
Changes in investment in associates	**–**	(71)
Share of net (loss) of associates for the year	**(28)**	(91)
Other changes in equity	**2**	(1)
Exchange difference	**(7)**	6
As at 31 December	**340**	373

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24 Investments in subsidiaries

	Notes	31 December 2024	31 December 2023
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 31 December 2024 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 ("CNCBI").

(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.

(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.

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25 Investment properties

	Year ended 31 December 2024	Year ended 31 December 2023
Fair value as at 1 January	**528**	516
Change in fair value	**4**	(1)
Transfers	**27**	–
Exchange difference	**19**	13
Fair value as at 31 December	**578**	528

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties are located and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 31 December 2024.

All investment properties of the Group were revalued at 31 December 2024 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.

26 Property, plant and equipment

	Buildings	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2024	**34,036**	**3,147**	**20,505**	**57,688**
Additions	**2,928**	**-**	**11,460**	**14,388**
Disposals/Transfers	**(107)**	**(2,374)**	**(1,657)**	**(4,138)**
Exchange differences	**17**	**–**	**87**	**104**
As at 31 December 2024	**36,874**	**773**	**30,395**	**68,042**
Accumulated depreciation:				
As at 1 January 2024	**(9,398)**	**–**	**(9,981)**	**(19,379)**
Depreciation charges	**(1,110)**	**–**	**(2,325)**	**(3,435)**
Disposals/Transfers	**79**	**–**	**1,245**	**1,324**
Exchange differences	**(11)**	**–**	**(25)**	**(36)**
As at 31 December 2024	**(10,440)**	**–**	**(11,086)**	**(21,526)**
Net carrying value:				
As at 1 January 2024	**24,638**	**3,147**	**10,524**	**38,309**
As at 31 December 2024 (Note (i))	**26,434**	**773**	**19,309**	**46,516**

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26 Property, plant and equipment (continued)

	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	87	217	6,576	6,880
Disposals	(3)	–	(606)	(609)
Exchange differences	13	–	23	36
As at 31 December 2023	34,036	3,147	20,505	57,688
Accumulated depreciation:				
As at 1 January 2023	(8,336)	–	(8,615)	(16,951)
Depreciation charges	(1,056)	–	(1,859)	(2,915)
Disposals	2	–	512	514
Exchange differences	(8)	–	(19)	(27)
As at 31 December 2023	(9,398)	–	(9,981)	(19,379)
Net carrying value:				
As at 1 January 2023	25,603	2,930	5,897	34,430
As at 31 December 2023 (Note (i))	24,638	3,147	10,524	38,309

Note:

(i) As at 31 December 2024, the registration of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB10,411 million (as at 31 December 2023: RMB10,735 million). The Group believes the incomplete registration does not affect the rights of the Group as the legal successor to these buildings.

27 Right-of-use assets

	Buildings	**Land use right**	**Equipment**	**Vehicles and others**	**Total**
Cost or deemed cost:					
As at 1 January 2024	**20,132**	**1,221**	**72**	**73**	**21,498**
Additions	**3,682**	**–**	**2**	**11**	**3,695**
Disposals	**(2,379)**	**–**	**(8)**	**(6)**	**(2,393)**
Exchange differences	**34**	**–**	**–**	**–**	**34**
As at 31 December 2024	**21,469**	**1,221**	**66**	**78**	**22,834**
Accumulated depreciation:					
As at 1 January 2024	**(10,356)**	**(389)**	**(70)**	**(40)**	**(10,855)**
Accrual	**(3,194)**	**(30)**	**(2)**	**(13)**	**(3,239)**
Disposals	**2,291**	**–**	**8**	**5**	**2,304**
Exchange differences	**(9)**	**–**	**–**	**–**	**(9)**
As at 31 December 2024	**(11,268)**	**(419)**	**(64)**	**(48)**	**(11,799)**
Net carrying value:					
As at 1 January 2024	**9,776**	**832**	**2**	**33**	**10,643**
As at 31 December 2024	**10,201**	**802**	**2**	**30**	**11,035**

27 Right-of-use assets (continued)

	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	3,088	–	2	21	3,111
Disposals	(2,232)	–	(13)	(6)	(2,251)
Exchange differences	40	–	–	–	40
As at 31 December 2023	20,132	1,221	72	73	21,498
Accumulated depreciation:					
As at 1 January 2023	(9,315)	(359)	(68)	(32)	(9,774)
Accrual	(3,200)	(30)	(13)	(13)	(3,256)
Disposals	2,181	–	11	5	2,197
Exchange differences	(22)	–	–	–	(22)
As at 31 December 2023	(10,356)	(389)	(70)	(40)	(10,855)
Net carrying value:					
As at 1 January 2023	9,921	862	15	26	10,824
As at 31 December 2023	9,776	832	2	33	10,643

As at 31 December 2024, the balance of the Group's lease liabilities amounted to RMB10,861 million (31 December 2023: RMB10,245 million), including RMB2,912 million of lease liabilities that will mature within a year (31 December 2023: RMB2,944 million).

As at 31 December 2024, lease payments of the Group's lease contracts signed but to be executed amounted to RMB573 million (31 December 2023: RMB27 million).

For the year ended 31 December 2024, 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 RMB411 million (for the year ended 31 December 2023: RMB209 million).

28 Intangible assets

The Group's intangible assets mainly include computer software and data resources. As of December 31, 2024, in accordance with the Notice on Promulgation of the Interim Provisions on Accounting Treatment for Enterprise Data Resources issued by the Ministry of Finance, the original value of data resources recognized as intangible assets was RMB5.79 million, the accumulated amortization was RMB0.85 million, and the net carrying amount was RMB4.94 million.

29 Goodwill

	Year ended 31 December 2024	Year ended 31 December 2023
As at 1 January	**926**	903
Exchange difference	**33**	23
As at 31 December	**959**	926

Based on the result of impairment test, no impairment losses on goodwill were recognized as at 31 December 2024 (31 December 2023: Nil).

30 Deferred tax assets/(liabilities)

	31 December 2024	31 December 2023
Deferred tax assets	**54,130**	52,480
Deferred tax liabilities	**(39)**	(1)
Net	**54,091**	52,479

(a) Analysed by nature and jurisdiction

	31 December 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— allowance for impairment losses	**221,382**	**55,261**	198,150	49,423
— fair value adjustments	**(26,237)**	**(6,585)**	(9,859)	(2,539)
— employee retirement benefits and salaries payable	**15,830**	**3,957**	17,576	4,394
— others	**5,817**	**1,497**	4,665	1,202
Subtotal	**216,792**	**54,130**	210,532	52,480
Deferred tax liabilities				
— fair value adjustments	**(58)**	**(14)**	(5)	(1)
— others	**(158)**	**(25)**	(2)	–
Subtotal	**(216)**	**(39)**	(7)	(1)
Total	**216,576**	**54,091**	210,525	52,479

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

As at 31 December 2024, the deferred tax assets/liabilities offset by the Group were RMB9,277 million (31 December 2023: RMB5,442 million).

(c) Movement of deferred tax

	Allowance for impairment losses	**Fair value adjustments**	**Employee retirement benefits and accrued staff cost**	**Others**	**Total deferred tax**
As at 1 January 2024	**49,423**	**(2,540)**	**4,394**	**1,202**	**52,479**
Recognized in profit or loss	**5,833**	**(630)**	**(437)**	**299**	**5,065**
Recognized in other comprehensive income	**–**	**(3,434)**	**–**	**(26)**	**(3,460)**
Exchange differences	**5**	**5**	**–**	**(3)**	**7**
As at 31 December 2024	**55,261**	**(6,599)**	**3,957**	**1,472**	**54,091**
As at 1 January 2023	50,766	15	2,924	1,303	55,008
Recognized in profit or loss	(1,350)	(1,010)	1,470	(99)	(989)
Recognized in other comprehensive income	–	(1,551)	–	–	(1,551)
Exchange differences	7	6	–	(2)	11
As at 31 December 2023	49,423	(2,540)	4,394	1,202	52,479

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31 Other assets

	Notes	31 December 2024	31 December 2023
Advanced payments and settlement accounts		**21,439**	12,794
Assets with continuing involvement		**11,582**	11,654
Precious metal leasing		**7,692**	8,525
Fee and commission receivables		**6,807**	6,478
Interest receivables	(i)	**6,545**	5,899
Prepayments for properties and equipment		**6,353**	3,820
Other receivables		**1,552**	1,354
Repossessed assets	(ii)	**1,154**	1,231
Leasehold improvements		**1,047**	938
Prepaid rent		**14**	19
Others	(iii)	**12,548**	12,309
Total		**76,733**	65,021

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 RMB7,019 million (as at 31 December 2023: RMB6,633 million).

(ii) Repossessed assets

	31 December 2024	31 December 2023
Premises	**2,284**	2,367
Others	**2**	2
Gross balance	**2,286**	2,369
Less: Allowance for impairment losses	**(1,132)**	(1,138)
Net balance	**1,154**	1,231

As at 31 December 2024, 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 2023: Nil).

(iii) Others

Others include Deferred expenses, temporary legal fees, advances for cases and risk events, etc.

32 Movements of allowance for impairment losses

	Notes	Year ended 31 December 2024				
		As at 1 January	**Charge/ (Reversal) for the year**	**Write-offs/ transfer out**	**Others Notes (i)**	**As at 31 December**
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	17	**56**	**–**	**–**	**–**	**56**
Placements with and loans to banks and non-bank financial institutions	18	**143**	**42**	**–**	**–**	**185**
Financial assets held under resale agreements	20	**99**	**(12)**	**–**	**–**	**87**
Loans and advances to customers	21	**134,517**	**52,699**	**(60,724)**	**12,748**	**139,240**
Financial investments						
— at amortised cost	22	**26,239**	**3,104**	**(3,205)**	**(30)**	**26,108**
— at fair value through other comprehensive income	22	**1,968**	**735**	**(160)**	**15**	**2,558**
Other financial assets and accrued interest		**11,069**	**5,564**	**(5,848)**	**1,288**	**12,073**
Off balance sheet credit assets	40	**10,520**	**(1,087)**	**(41)**	**329**	**9,721**
Subtotal		**184,611**	**61,045**	**(69,978)**	**14,350**	**190,028**
Allowance for impairment losses on other assets						
Other assets – repossessed assets		**1,138**	**68**	**(74)**	**–**	**1,132**
Subtotal		**1,138**	**68**	**(74)**	**–**	**1,132**

	Notes	Year ended 31 December 2023				
		As at 1 January	Charge/ (Reversal) for the year	Write-offs/ transfer out	Others Notes (i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	17	98	(43)	–	1	56
Placements with and loans to banks and non-bank financial institutions	18	140	1	–	2	143
Financial assets held under resale agreements	20	–	99	–	–	99
Loans and advances to customers	21	131,202	49,840	(60,054)	13,529	134,517
Financial investments						
— at amortised cost	22	28,528	2,282	(4,620)	49	26,239
— at fair value through other comprehensive income	22	2,717	223	(1,009)	37	1,968
Other financial assets and accrued interest		7,349	7,970	(5,076)	826	11,069
Off balance sheet credit assets	40	8,957	1,554	–	9	10,520
Subtotal		178,991	61,926	(70,759)	14,453	184,611
Allowance for impairment losses on other assets						
Other assets – repossessed assets		1,250	278	(395)	5	1,138
Subtotal		1,250	278	(395)	5	1,138

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32 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 year.

33 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2024	31 December 2023
In Mainland China		
— banks	**343,795**	265,621
— non-bank financial institutions	**616,466**	648,556
Subtotal	**960,261**	914,177
Outside Mainland China		
— banks	**5,661**	9,692
— non-bank financial institutions	**238**	260
Subtotal	**5,899**	9,952
Accrued interest	**2,332**	3,758
Total	**968,492**	927,887

34 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2024	31 December 2023
In Mainland China		
— banks	**69,555**	64,848
Subtotal	**69,555**	64,848
Outside Mainland China		
— banks	**18,707**	21,264
— non-bank financial institutions	**271**	50
Subtotal	**18,978**	21,314
Accrued interest	**17**	165
Total	**88,550**	86,327

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35 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	31 December 2024	31 December 2023
In Mainland China		
— PBOC	**196,732**	391,152
— Banks	**66,474**	51,190
Subtotal	**263,206**	442,342
Outside Mainland China		
— Banks	**14,561**	19,790
— Non-bank financial institutions	**–**	693
Subtotal	**14,561**	20,483
Accrued interest	**236**	193
Total	**278,003**	463,018

(b) Analysed by type of collateral

	31 December 2024	31 December 2023
Debt securities	**201,035**	369,613
Discounted bills	**76,732**	93,212
Accrued interest	**236**	193
Total	**278,003**	463,018

The Group did not derecognize financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 31 December 2024, no legal title of the collateral has been transferred to counterparties. The above information of collateral is included in the Note 52.

36 Deposits from customers

Analysed by nature

	31 December 2024	31 December 2023
Demand deposits		
— corporate customers	**1,986,104**	2,168,251
— personal customers	**439,965**	340,432
Subtotal	**2,426,069**	2,508,683
Time and call deposits		
— corporate customers	**2,062,315**	1,745,094
— personal customers	**1,221,680**	1,125,384
Subtotal	**3,283,995**	2,870,478
Outward remittance and remittance payables	**68,167**	19,022
Accrued interest	**86,080**	69,474
Total	**5,864,311**	5,467,657

36 Deposits from customers (continued)

Analysed by nature (continued)

Guarantee deposits included in above deposits:

	31 December 2024	31 December 2023
Bank acceptances	**465,609**	407,634
Guarantees	**21,411**	21,005
Letters of credit	**43,450**	23,736
Others	**30,284**	38,651
Total	**560,754**	491,026

37 Accrued staff costs

	Notes	As at 1 January	Year ended 31 December 2024 Additions during the year	Reductions during the year	As at 31 December
Salaries and bonuses		**21,238**	**28,000**	**(30,147)**	**19,091**
Social insurance		**10**	**2,208**	**(2,208)**	**10**
Welfare expenses		**3**	**1,571**	**(1,569)**	**5**
Housing fund		**7**	**2,179**	**(2,179)**	**7**
Labor union expenses and employee education expenses		**952**	**915**	**(788)**	**1,079**
Post-employment benefits — defined contribution plans	(a)	**18**	**4,490**	**(4,490)**	**18**
Post-employment benefits — defined benefit plans	(b)	**17**	**–**	**–**	**17**
Other benefits		**175**	**321**	**(405)**	**91**
Total		**22,420**	**39,684**	**(41,786)**	**20,318**

	Notes	As at 1 January	Year ended 31 December 2023 Additions during the year	Reductions during the year	As at 31 December
Salaries and bonuses		20,643	28,100	(27,505)	21,238
Social insurance		15	1,565	(1,570)	10
Welfare expenses		4	1,318	(1,319)	3
Housing fund		10	1,982	(1,985)	7
Labor union expenses and employee education expenses		988	786	(822)	952
Post-employment benefits — defined contribution plans	(a)	18	3,990	(3,990)	18
Post-employment benefits — defined benefit plans	(b)	18	–	(1)	17
Other benefits		209	342	(376)	175
Total		21,905	38,083	(37,568)	22,420

37 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 year ended 31 December 2024, the Bank has made annuity contributions at 8% (31 December 2023: 7%) of its employees' gross wages. For year ended 31 December 2024, the Bank made annuity contribution amounted to RMB1,855 million (year ended 31 December 2023: RMB1,690 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 plan. The amount that is recognized as at reporting date presents the discounted value of future obligation.

The present value of the Group's supplementary retirement plan obligations on the date of balance sheet is calculated through projected unit credit method and computed by a qualified professional actuary firm Towers Watson Consulting (Shenzhen) Ltd. Beijing Branch.

The primary assumptions used by the actuary are as follows

	31 December 2024	31 December 2023
Discount rate	**1.75%**	2.50%
Annual withdrawal rate	**5.00%**	5.00%
Normal retirement age	**Male: 60 years old**	Male: 60 years old
	Female: 55 years old	Female: 55 years old
Annual increase rate of social average wage and salary for current active employees	**5.00%**	5.00%
Mortality rate	**Determined by the China Life Insurance Mortality Table**	

In 2023 and 2024, the change amount of supplementary retirement benefits scheme liabilities incurred by the actuarial assumptions variations illustrated above was immaterial.

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

(c) The salaries, bonuses, allowances and subsidies, retirement benefits and other social insurance payable to employees are paid in accordance with relevant laws and regulations within time limit stipulated by the Group.

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38 Taxes payable

	31 December 2024	31 December 2023
Income tax	**3,297**	368
VAT and surcharges	**3,708**	3,448
Others	**640**	720
Total	**7,645**	4,536

39 Debt securities issued

	Notes	31 December 2024	31 December 2023
Long-term debt securities issued	(a)	**207,454**	138,311
Subordinated bonds issued:			
— by the Bank	(b)	**69,992**	69,995
— by CNCBI	(c)	**3,628**	7,086
Certificates of deposit issued	(d)	**1,460**	1,418
Certificates of interbank deposit issued	(e)	**930,954**	705,273
Convertible corporate bonds	(f)	**7,034**	39,794
Accrued interest		**3,516**	4,104
Total		**1,224,038**	965,981

(a) Long-term debt securities issued by the Group as at 31 December 2024:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	31 December 2024 Nominal Value RMB	31 December 2023 Nominal Value RMB
Fixed rate bond	2 February 2021	2 February 2024	0.875%	**–**	1,418
Fixed rate bond	2 February 2021	2 February 2026	1.250%	**2,554**	2,482
Fixed rate bond	10 June 2021	10 June 2024	3.190%	**–**	20,000
Fixed rate bond	17 November 2021	17 November 2024	1.750%	**–**	3,546
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	27 March 2023	27 March 2026	2.790%	**10,000**	10,000
Fixed rate bond	13 April 2023	13 April 2026	2.770%	**30,000**	30,000
Fixed rate bond	26 April 2023	26 April 2024	3.900%	**–**	1,800
Fixed rate bond	16 May 2023	16 May 2026	2.680%	**10,000**	10,000
Fixed rate bond	22 April 2024	17 April 2025	3.400%	**1,335**	–
Floating rate bond	2 July 2024	9 July 2027	SOFR +0.550%	**2,190**	–
Fixed rate bond	12 July 2024	12 July 2027	2.100%	**40,000**	–
Fixed rate bond	8 August 2024	6 August 2025	3.200%	**700**	–
Fixed rate bond	9 August 2024	9 August 2027	1.810%	**20,000**	–
Fixed rate bond	7 November 2024	7 November 2027	2.060%	**25,000**	–
Fixed rate bond	7 November 2024	7 November 2027	2.060%	**5,000**	–
Fixed rate bond	10 December 2024	10 September 2027	3.100%	**700**	–
Total nominal value				**207,479**	139,246
Less: Unamortised issuance cost				**(25)**	(20)
Less: offset				**–**	(915)
Carrying value				**207,454**	138,311

39 Debt securities issued (continued)

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

	Notes	**31 December 2024**	31 December 2023
Subordinated fixed rate bonds maturing:			
— in August 2030	(i)	**39,996**	39,995
— in December 2033	(ii)	**21,496**	21,500
— in December 2038	(iii)	**8,500**	8,500
Total		**69,992**	69,995

Notes:

(i) 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.

(ii) The Bank issued fixed-rate subordinated bonds on 19 December 2023 with a coupon rate of 3.19% per annum. The Bank has the option to redeem the bonds on 19 December 2028. If the Bank does not exercise this option, the coupon rate will remain 3.19% per annum for the next five years.

(iii) The Bank issued fixed-rate subordinated bonds on 19 December 2023 with a coupon rate of 3.25% per annum. The Bank has the option to redeem the bonds on 19 December 2033. If the Bank does not exercise this option, the coupon rate will remain 3.25% per annum for the next five years.

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

	Notes	**31 December 2024**	31 December 2023
Subordinated fixed rate notes maturing:			
— in February 2029	(i)	**–**	3,543
— in December 2033	(ii)	**3,628**	3,543
Total		**3,628**	7,086

Notes:

(i) CNCBI issued USD500 million subordinated notes at a coupon rate of 4.625% per annum on 28 February 2019. CNCBI redeemed the notes on 28 February 2024.

(ii) CNCBI issued USD500 million subordinated notes at a coupon rate of 6.00% per annum on 5 December 2023. CNCBI has an option to redeem these notes on each coupon payment date on and after 5 December 2028. If CNCBI does not exercise the redemption option, the coupon rate per annum will be the 5-year US treasury bond rate on 5 December 2028, plus 1.65%. The notes are listed on the Hong Kong Stock Exchange.

39 Debt securities issued (continued)

(d) These certificates of deposit were issued by CNCBI with interest rate ranging from 4.65% to 4.87% per annum.

(e) As at 31 December 2024, the Bank's outstanding large transferable certificates of interbank deposits amounted to RMB930,759 million (31 December 2023: RMB705,273 million), with reference yields ranging from 1.55% to 2.46% per annum (31 December 2023: 2.16% to 2.75%). 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 11 December 2024, the conversion price of the convertible corporate bonds has been adjusted to RMB5.59 per share. During the conversion period (from 4 March 2019 to 3 March 2025), if the closing price of the Bank's A shares is lower than 80% of the current conversion price for at least 15 trading days in any 30 consecutive trading days, the Board of Directors of the Bank has the right to propose to lower the conversion price and submit the proposal to the shareholders' meeting for deliberation.

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

As at 31 December 2024, convertible corporate bonds of RMB32,965.98 million were converted to 5,462,217,208 A shares.

	Liability	Equity	Total
Issued nominal value of convertible corporate bonds	**36,859**	**3,141**	**40,000**
Direct issuance expenses	**(74)**	**(6)**	**(80)**
Balance at the issuance date	**36,785**	**3,135**	**39,920**
Accumulated amortisation as at 1 January 2024	**3,215**	**–**	**3,215**
Accumulated conversion amount as at 1 January 2024	**(206)**	**(16)**	**(222)**
Balance as at 1 January 2024	**39,794**	**3,119**	**42,913**
Amortisation during this year	**–**	**–**	**–**
Conversion amount during this year	**(32,760)**	**(2,568)**	**(35,328)**
Balance as at 31 December 2024	**7,034**	**551**	**7,585**

40 Provisions

	31 December 2024	31 December 2023
Allowance for impairment losses on off balance sheet items	**9,721**	10,520
Litigation provisions	**269**	326
Total	**9,990**	10,846

The movement of off-balance sheet allowance for impairment losses is included in the Note 32.

Movement of provisions:

	Year ended 31 December 2024	Year ended 31 December 2023
As at 1 January	**326**	779
(Reversal)/Charge	**(19)**	8
Payment	**(38)**	(461)
As at 31 December	**269**	326

41 Other liabilities

	31 December 2024	31 December 2023
Settlement and clearing accounts	**11,711**	14,561
Continuing involvement liabilities	**11,582**	11,654
Other payables	**5,628**	4,401
Advances and deferred expenses	**3,823**	3,839
Dividends payables	**2,523**	–
Payment and collection accounts	**2,409**	2,243
Leasing deposits	**814**	514
Accrued expenses	**279**	329
Others	**7,309**	4,686
Total	**46,078**	42,227

42 Share capital

	Number of shares and Nominal Value (millions)	
	31 December 2024	31 December 2023
Ordinary shares		
Registered, issued and fully paid:		
A-Share	**39,515**	34,085
H-Share	**14,882**	14,882
Total	**54,397**	48,967

	Note	Year ended 31 December 2024	Year ended 31 December 2023
As at 1 January		**48,967**	48,935
Convertible bond settlement	(i)	**5,430**	32
As at 31 December		**54,397**	48,967

Note:

(i) For the year ended 31 December 2024, convertible corporate bonds of RMB32,759,741,000 were converted to 5,430,147,827 A-shares (In 2023, convertible corporate bonds of RMB205,904,000 were converted to 32,022,297 A-shares).

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43 Other equity instruments

	31 December 2024	31 December 2023
Preference shares (Note (i))	**34,955**	34,955
Perpetual bonds (Note (ii))	**69,993**	79,986
Equity of convertible corporate bonds (Note 39(f))	**551**	3,119
Total	**105,499**	118,060

(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 year

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 56). Dividends are non-cumulative and where payable are paid annually. Dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%. During the second dividend period beginning from 26 October 2021, the base rate and fixed premium is 2.78% and 1.30%, respectively, and the coupon rate is 4.08%. The dividend is paid annually.

As authorised by the ordinary shareholders' Annual General Meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents of preference shares are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

Upon occurrence of the triggering events as stipulated in the offering documents of 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 annual statement of financial position; and are qualified as Additional Tier-One capital Instruments in accordance with the NFRA requirements.

43 Other equity instruments (continued)

(ii) Perpetual bonds

The Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 11 December 2019. The Bonds has been redeemed in 11 December 2024.

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.

On 26 April 2024, the Bank issued RMB30 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 2.42%, 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 NFRA, 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 NFRA and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

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

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

Interests attributable to equity instruments' holder:

	31 December 2024	31 December 2023
Total equity attributable to equity holders of the Bank	**789,264**	717,222
Equity attributable to ordinary equity holders of the Bank	**683,765**	599,162
Equity attributable to other equity instruments holders of the Bank	**105,499**	118,060
— Dividend distribution for the year	**4,788**	4,788
Total equity attributable to non-controlling interests	**18,101**	17,453
Equity attribute to non-controlling interests of ordinary shares	**10,411**	9,763
Equity attributable to non-controlling interests of other equity instruments	**7,690**	7,690

During the year ended 31 December 2024, RMB1,428 million was paid to preference shareholders (2023: RMB1,428 million), RMB3,360 million was paid to holders of perpetual bonds (2023: RMB3,360 million).

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44 Capital reserves

	31 December 2024	31 December 2023
Share premium	**88,969**	59,083
Other reserves	**317**	317
Total	**89,286**	59,400

45 Other comprehensive income

Other comprehensive income comprises items that will not be reclassified subsequently to profit or loss, such as net changes on the measurement of defined benefit plans (Note 37) and fair value changes on financial investments designated at fair value through other comprehensive income, and items that may be reclassified subsequently to profit or loss, such as fair value changes on financial assets at fair value through other comprehensive income, credit impairment allowance on financial assets at fair value through other comprehensive income and exchange differences on translation.

46 Surplus reserve

	Year ended 31 December 2024	Year ended 31 December 2023
As at 1 January	**60,992**	54,727
Appropriations	**6,637**	6,265
As at 31 December	**67,629**	60,992

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

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

47 General reserve

	Year ended 31 December 2024	Year ended 31 December 2023
As at 1 January	**105,127**	100,580
Appropriations	**6,596**	4,547
As at 31 December	**111,723**	105,127

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

CITIC Wealth shall draw operational risk reserves on a monthly basis according to the Administrative Measures for Financial Subsidiaries of Commercial Banks. CNCBI Macau shall draw down its regulatory reserves on a monthly basis according to the requirements of the Monetary Authority of Macau, 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 year ended 31 December 2024, a total of RMB3,455 million of corresponding risk provisions was drawn by CIFH and CITIC Wealth (During the year ended 31 December 2024: RMB3,152 million).

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48 Profit appropriations and retained earnings

(a) Profit appropriations and distributions other than dividends declared during the year

	Note	**Year ended 31 December 2024**	Year ended 31 December 2023
Appropriations to			
— surplus reserve	46	**6,637**	6,265
— general reserve	47	**6,596**	4,547
Total		**13,233**	10,812

The Bank appropriated RMB6,637 million to statutory surplus reserve fund for the year of 2024, and appropriated RMB6,596 million to general reserve. The Group's subsidiary, Lin'an rural bank, made appropriations to general reserve in accordance with relevant regulatory requirements.

(b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 20 June 2024, a total amount of approximately RMB17,432 million (RMB3.56 per 10 shares) were distributed in the form of cash dividend to the ordinary shareholders. In acoordance with the resolution approved in the Second Extraordinary Shareholder's Meeting of the Bank on 20 November 2024, a total amount of approximately RMB9,874 million(RMB1.825 per 10 shares) were distributed in the form of cash dividend to the ordinary shareholders.

(c) On 26 March 2025, the Board of Directors proposed a cash dividend of RMB1.722 per 10 shares in respect of the year 2024. Subject to the approval of the ordinary shareholders at the Annual General Meeting, approximately RMB9,582 million will be payable to those on the register of ordinary shareholders as at the relevant record date. This proposal is a non-adjusting event after the reporting period and has not been recognized as liability as at 31 December 2024.

(d) On 11 December 2019, 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 11 December 2024; 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 2024.

(e) In accordance with the resolution approved in the Board of Directors Meeting of the Bank on 28 August 2024, a total amount of approximately RMB1,428million (calculated by the Bank using the agreed dividend rate of 4.08% with RMB4.08 per share) were distributed in the form of cash dividend to the preference shareholders on 28 October 2024.

(f) As at 31 December 2024, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB1,517 million (31 December 2023: RMB1,167 million). Such statutory surplus reserves cannot be distributed.

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49 Non-controlling interests

As at 31 December 2024, 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 RMB7,690 million (31 December 2023: RMB7,690 million) representing other equity instruments issued by CNCBI on 29 July 2021 and 22 April 2022, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier-One capital securities (the "Capital Securities").

Financial instruments in issue	Issue Date	Nominal Value	First Call Date	Coupon Rate	Payment Frequency
Capital Securities	29 July 2021	USD600 million	29 July 2026	3.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus 2.53% per annum	Semi-annually
Capital Securities	22 April 2022	USD600 million	22 April 2027	4.80% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus 2.104% per annum	Semi-annually

CNCBI 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 CNCBI to redeem. These Capital Securities listed above are classified as other equity instruments.

A distribution of RMB348 million was paid to the holders of the Capital Securities mentioned above during the year ended 31 December 2024 (During the year ended 31 December 2023: RMB588 million).

50 Notes to consolidated annual statement of cash flows

Cash and cash equivalents

	31 December 2024	31 December 2023
Cash	**4,737**	4,467
Cash equivalents		
— Surplus deposit reserve funds	**6,803**	52,473
— Deposits with banks and non-bank financial institutions due within three months when acquired	**93,287**	41,673
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**99,734**	59,707
— Investment securities due within three months when acquired	**58,218**	90,682
Subtotal	**258,042**	244,535
Total	**262,779**	249,002

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51 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and acceptances.

Loan commitments and credit card commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantees provided by the Group to guarantee the performance of customers to third parties. Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognized at the reporting date if counterparties failed to perform as contracted.

	31 December 2024	31 December 2023
Contractual amount		
Loan commitments		
— with an original maturity within one year	**16,885**	13,995
— with an original maturity of one year or above	**37,179**	32,773
Subtotal	**54,064**	46,768
Bank acceptances	**854,489**	867,523
Credit card commitments	**812,562**	779,947
Letters of guarantee issued	**273,578**	237,359
Letters of credit issued	**324,861**	256,351
Total	**2,319,554**	2,187,948

(b) Credit commitments analysed by credit risk weighted amount

	31 December 2024	31 December 2023
Credit risk weighted amount of credit commitments	**679,525**	602,231

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

(c) Capital commitments

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

	31 December 2024	31 December 2023
For the purchase of property and equipment		
— contracted for	**1,055**	1,521

51 Commitments and contingent liabilities (continued)

(d) Outstanding contingencies including litigation and disputes

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

As at 31 December 2024, the Group was involved in certain pending litigation as defendant with gross claims of RMB1,326 million (as at 31 December 2023: RMB1,166 million). Such contingencies, including litigation and disputes, are not expected to have material impact on the financial position and operations of the Bank (Note 40).

(e) Bonds redemption obligations

As an underwriting agent of PRC treasury bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	31 December 2024	31 December 2023
Redemption commitment for PRC treasury bonds	**2,615**	2,735

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

(f) Underwriting obligations

As at 31 December 2024 and 2023, the Group did not have unfulfilled commitment in respect of securities underwriting business.

52 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:

	31 December 2024	31 December 2023
Debt securities	**256,705**	744,648
Discounted bills	**76,894**	93,454
Total	**333,599**	838,102

As at 31 December 2024 and 2023, 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.

52 Collateral (continued)

(a) Assets pledged (continued)

(ii) In addition, as at 31 December 2024, the Group pledged deposits with banks and other financial institutions with carrying amount totalling RMB1,542 million (31 December 2023: RMB911 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 and bills as collateral for financial assets held under resale agreements as set out in Note 20. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 31 December 2024, the Group held no collateral that can be resold or re-pledged (31 December 2023: Nil). During the year ended 31 December 2024, the Group did not resell or re-pledge any of these collateral (year ended 31 December 2023: Nil).

53 Transactions on behalf of customers

(a) Entrusted lending business

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

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

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

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

	31 December 2024	31 December 2023
Entrusted loans	**449,034**	425,026
Entrusted funds	**449,035**	425,028

(b) Wealth management services

As at 31 December 2024, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 59(b).

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is recognized in the annual consolidated statement of profit or loss as commission income. The Group has entered into placements transactions at market interest rates with the wealth management products vehicles (Note 59 (b)).

As at 31 December 2024, the total investment of non-principal guaranteed wealth management products managed by the Group that was not included in the Group's consolidated financial statements was disclosed in Note 59(b).

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54 Segment reporting

Measurement of segment assets and liabilities, and segment income and expenses are based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire assets (including both tangible assets and intangible assets) whose estimated useful lives are over one year.

(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.

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54 Segment reporting (continued)

(a) Business segments (continued)

Others and unallocated

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

	Year ended 31 December 2024				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/ (expense)	53,949	80,553	40,181	(28,004)	146,679
Internal net interest income/ (expense)	26,601	(16,526)	(40,916)	30,841	–
Net interest income/ (expense)	80,550	64,027	(735)	2,837	146,679
Net fee and commission income/(expense)	11,429	19,929	(291)	35	31,102
Other net income/(expense) (Note (i))	3,266	1,734	32,999	(2,557)	35,442
Operating income	95,245	85,690	31,973	315	213,223
Operating expenses					
— depreciation and amortisation	(2,422)	(2,048)	(2,931)	(910)	(8,311)
— others	(26,864)	(32,241)	(2,839)	(1,683)	(63,627)
Credit impairment losses	(16,078)	(42,155)	(2,416)	(396)	(61,045)
Impairment losses on other assets	(52)	(16)	–	–	(68)
Revaluation loss on investment properties	–	–	–	(24)	(24)
Share of gains of associates and joint ventures	–	–	–	715	715
Profit/(Loss) before tax	49,829	9,230	23,787	(1,983)	80,863
Income tax					(11,395)
Profit for the year					69,468
Capital expenditure	1,819	1,489	2,182	796	6,286

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54 Segment reporting (continued)

(a) Business segments (continued)

Others and unallocated (continued)

	31 December 2024				
	Corporate Banking	**Personal Banking**	**Treasury Business**	**Others and Unallocated**	**Total**
Segment assets	**3,016,097**	**2,342,470**	**3,554,046**	**558,630**	**9,471,243**
Interest in associates and joint ventures	–	–	–	**7,349**	**7,349**
Deferred tax assets					**54,130**
Total asset					**9,532,722**
Segment liabilities	**4,167,546**	**1,764,899**	**1,198,792**	**1,594,081**	**8,725,318**
Deferred tax liabilities					**39**
Total liabilities					**8,725,357**
Off-balance sheet credit commitments	**1,505,475**	**814,079**	**–**	**–**	**2,319,554**

	Year ended 31 December 2023				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/ (expense)	44,798	87,014	40,396	(28,669)	143,539
Internal net interest income/ (expense)	32,960	(25,165)	(37,720)	29,925	–
Net interest income	77,758	61,849	2,676	1,256	143,539
Net fee and commission income/(expense)	11,440	20,463	5,949	(5,469)	32,383
Other net income (Note (i))	2,359	4,113	17,363	5,813	29,648
Operating income	91,557	86,425	25,988	1,600	205,570
Operating expenses					
— depreciation and amortisation	(2,514)	(2,024)	(2,725)	(978)	(8,241)
— others	(25,154)	(31,499)	(2,577)	(1,743)	(60,973)
Credit impairment losses	(21,709)	(36,967)	(3,405)	155	(61,926)
Impairment losses on other assets	(278)	–	–	–	(278)
Revaluation loss on investment properties	–	–	–	(1)	(1)
Share of profits of associates and joint ventures	–	–	–	736	736
Profit/(Loss) before tax	41,902	15,935	17,281	(231)	74,887
Income tax					(6,825)
Profit for the year					68,062
Capital expenditure	1,804	1,509	2,198	861	6,372

54 Segment reporting (continued)

(a) Business segments (continued)

Others and unallocated (continued)

	31 December 2023				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	2,822,064	2,249,644	3,336,485	584,866	8,993,059
Interest in associates and joint ventures	–	–	–	6,945	6,945
Deferred tax assets					52,480
Total asset					9,052,484
Segment liabilities	3,968,855	1,553,644	1,136,712	1,658,597	8,317,808
Deferred tax liabilities					1
Total liabilities					8,317,809
Off-balance sheet credit commitments	1,407,233	780,715	–	–	2,187,948

Note:

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

(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, Fuzhou, Dongguan, 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;

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(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

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

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

	Year ended 31 December 2024									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	35,402	12,163	3,191	18,960	16,301	762	53,350	6,550	–	146,679
Internal net interest (expense)/income	(4,493)	1,808	20,598	(4,302)	(5,434)	783	(8,977)	17	–	–
Net interest income	30,909	13,971	23,789	14,658	10,867	1,545	44,373	6,567	–	146,679
Net fee and commission income	5,599	1,517	2,402	1,261	782	103	17,752	1,686	–	31,102
Other net income (Note (i))	1,707	737	1,592	734	587	69	28,170	1,846	–	35,442
Operating income	38,215	16,225	27,783	16,653	12,236	1,717	90,295	10,099	–	213,223
Operating expense										
– depreciation and amortisation	(1,069)	(796)	(905)	(666)	(696)	(184)	(3,427)	(568)	–	(8,311)
– others	(11,199)	(6,077)	(8,852)	(6,341)	(5,703)	(1,274)	(20,629)	(3,552)	–	(63,627)
Credit impairment losses	(8,679)	(8,802)	(8,179)	(5,007)	(4,338)	(42)	(22,793)	(3,205)	–	(61,045)
Impairment losses on other assets	–	(11)	(5)	(10)	(22)	(4)	–	(16)	–	(68)
Revaluation loss on investment properties	–	–	–	–	–	–	–	(24)	–	(24)
Share of gains/(loss) of associates and joint ventures	–	–	–	–	–	–	744	(29)	–	715
Profit before tax	17,268	539	9,842	4,629	1,477	213	44,190	2,705	–	80,863
Income tax										(11,395)
Profit for the year										69,468
Capital expenditure	336	247	221	287	257	28	4,481	429	–	6,286

	31 December 2024									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	2,080,747	1,080,806	2,010,887	900,004	750,011	132,623	3,544,471	520,058	(1,548,364)	9,471,243
Interest in associates and joint ventures	–	–	–	–	–	–	7,009	340	–	7,349
Deferred tax assets										54,130
Total assets										9,532,722
Segment liabilities	2,048,244	1,142,811	1,925,658	888,016	762,263	133,944	2,927,282	445,464	(1,548,364)	8,725,318
Deferred tax liabilities										39
Total liabilities										8,725,357
Off-balance sheet credit commitments	399,571	292,758	273,121	307,856	180,892	23,965	801,306	40,085	–	2,319,554

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(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (continued)

(b) Geographical segments (continued)

	Year ended 31 December 2023									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income/(expense)	29,405	10,713	(5,496)	20,028	16,992	1,159	63,807	6,931	–	143,539
Internal net interest income/(expense)	3,609	931	25,902	(1,712)	(3,901)	461	(25,321)	31	–	–
Net interest income	33,014	11,644	20,406	18,316	13,091	1,620	38,486	6,962	–	143,539
Net fee and commission income	5,185	1,674	3,092	1,406	942	154	18,610	1,320	–	32,383
Other net income (Note (i))	1,804	599	722	184	270	40	25,795	234	–	29,648
Operating income	40,003	13,917	24,220	19,906	14,303	1,814	82,891	8,516	–	205,570
Operating expense										
— depreciation and amortisation	(988)	(798)	(1,119)	(653)	(744)	(195)	(3,164)	(580)	–	(8,241)
— others	(9,677)	(5,200)	(7,207)	(5,935)	(5,023)	(1,059)	(23,295)	(3,577)	–	(60,973)
Credit impairment losses	(8,481)	(6,500)	(3,855)	(5,122)	(4,337)	(332)	(30,723)	(2,576)	–	(61,926)
Impairment losses on other assets	(65)	(22)	(34)	(44)	(111)	(2)	–	–	–	(278)
Revaluation loss on investment properties	–	–	–	–	–	–	–	(1)	–	(1)
Share of gains of associates and joint ventures	–	–	–	–	–	–	–	736	–	736
Profit before tax	20,792	1,397	12,005	8,152	4,088	226	25,709	2,518	–	74,887
Income tax										(6,825)
Profit for the year										68,062
Capital expenditure	395	247	238	205	222	34	4,624	407	–	6,372

	31 December 2023									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	2,009,211	994,510	1,889,859	879,067	732,239	126,449	3,436,157	480,095	(1,554,528)	8,993,059
Interest in associates and joint ventures	–	–	–	–	–	–	6,573	372	–	6,945
Deferred tax assets										52,480
Total assets										9,052,484
Segment liabilities	1,995,433	1,041,109	1,884,262	854,890	733,286	132,996	2,817,827	412,405	(1,554,400)	8,317,808
Deferred tax liabilities										1
Total liabilities										8,317,809
Off-balance sheet credit commitments	395,730	255,105	254,314	281,328	175,195	21,048	770,572	34,656	–	2,187,948

Note:

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

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55 Financial risk management

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

–	**Credit risk**	Credit risk represents the potential loss that may arise from the failure of a customer or counterparty to meet its contractual obligations or commitments to the Group.
–	**Market risk**	Market risk arises from unfavorable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance sheet or off-balance sheet business in the Group.
–	**Liquidity risk**	Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.
–	**Operational risk**	Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategic risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorized or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposures of the Group mainly arise from the Group's loans and advances to customers, bonds, interbank business, receivables, lease receivables, other debt investments, and other on-balance sheet assets, and also off-balance sheet items, such as credit commitments.

The Group has standardized management on the entire credit business process including loan application and its investigation, approval and granting of loan, and monitoring of non-performing loans. Through strictly standardized credit business process, strengthening the whole process management of pre-lending investigation, credit rating and credit granting, examination and approval, loan review and post-lending monitoring, improving risk mitigating impact of collateral, accelerating the collection and disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

The Group writes off financial asset when it cannot reasonably expect to recover all or part of the asset. Signs indicating that the recoverable amount cannot be reasonably expected to recover include: (1) the enforcement has been terminated, and (2) the Group's recovery method is to confiscate and dispose of the collateral, but the expected value of the collateral cannot cover the entire principal and interest.

In addition to the credit risk caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee businesses to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL")

The Group adopts the "expected credit loss model" on its debt instruments which are classified as financial assets measured at amortised cost and at fair value through other comprehensive income and off-balance sheet credit assets in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses, the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The impairment model is used to measure their allowances for impairment losses respectively to recognize expected credit losses and their movements:

Stage 1: Financial assets with no significant increase in credit risk since initial recognition will be classified as "Stage 1" and the Group continuously monitors their credit risk. The loss allowance of financial assets in Stage 1 is measured based on the expected credit losses in the next 12 months, which represent the proportion of the lifetime expected credit losses that may arise from possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk from initial recognition but not has been credit-impaired, 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 been credit-impaired, it will be moved to Stage 3. The expected credit losses of financial assets in Stage 3 are measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

The Group measures 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 and product type.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(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.

(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 financial restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(4) Inputs for measurement of expected credit losses

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

- The probability of default ("PD") represents the likelihood of a borrower defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.
- Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of ECL, including the PDs for various maturities and the changes in the values of collateral over time.

The Group classifies exposures with similar risk characteristics into groups and collectively estimates their risk parameters, including PDs, LGDs, and EADs. During 2024, 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.

(5) Forward-looking information

The assessment of significant increases in credit risk and the calculation of expected credit losses both involve forward-looking information. Based on historical analysis, the Group has identified the key economic variables impacting expected credit losses for various risk groups.

These economic variables have different impacts on the probabilities of default and the losses given default of different risk groups. The Group makes, forecasts 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.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(5) Forward-looking information (continued)

Macroeconomic scenario and weighting information

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. Based on comprehensive considerations of internal and external data expert forecasts, and the best estimate of future, outcomes, the Group makes regular forecasts of the macro indicators in three macro-economic scenarios, i. e., the positive, neutral, and negative scenarios, to determine the coefficients for forward-looking adjustments. Neutral is defined as the most likely to happen in the future, as compared to other scenarios. Positive scenario and negative scenario represent the likely scenario that is better off or worse off as compared to the neutral scenario.

The Group reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data. The economic indicators currently applied in the neutral scenario, including consumer price index, narrow money supply and gross domestic product, etc., are basically consistent with the forecasts of research institutions.

Considered different macroeconomic scenarios and the key macroeconomic scenario assumptions used in estimating ECL are set out below:

Variables	Range
Total Retail Sales of Consumer Goods (cumulative year-on-year growth)	0.59%~5.02%
Completed Investment in Fixed Assets (cumulative year-on-year growth)	3.81%~5.60%
Per capita Consumption Expenditure of Urban Residents (cumulative year-on-year growth)	3.13%~6.79%

Currently, the weighting of neutral scenario is equal to the sum of the weightings of other scenarios. Following this assessment, the Group measures ECL as a weighted average probability of ECL in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

Considering the portfolios that cannot be modeled by regression, such as those with extremely low default rate or without appropriate internal rating data, the Group mainly adopts the expected loss ratio of similar portfolios with established regression models, in order to expand the coverage of the existing ECL model.

(6) Sensitivity information and management overlay

Changes to the inputs and forward-looking information used in ECL measurement will affect the assessment of significant increase in credit risk and the measurement expected of credit losses.

As at 31 December 2024, assuming a 10% increase in the weighting of the positive scenario and a 10% decrease in the weighting of the neutral scenario, the Group's credit impairment losses would be reduced by no more than 5% of the current credit impairment losses; assuming a 10% increase in the weighting of the negative scenario and a 10% decrease in the weighting of the neutral scenario, the Group's credit impairment losses would increase by no more than 5% of the current credit impairment losses.

As at 31 December 2024, assuming an overall increase or decrease of 5% in the macroeconomic factors, the change to the impairment loss allowances for the main credit assets of the Group and the Bank would not exceed 10% of the current impairment loss allowances.

For risks in specific areas the impacts of deferred principal also considered and applied management overlays to increase the impairment provisions to further boost its risk mitigation capacity, and the subsequent increase in the impairment loss allowances did not exceed 5% of the current impairment loss allowances.

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the consolidated annual statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	31 December 2024				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	**336,178**	**–**	**–**	**–**	**336,178**
Deposits with bank and non-bank financial institutions	**128,193**	**–**	**–**	**–**	**128,193**
Placements with and loans to banks and non-bank financial institutions	**382,012**	**–**	**–**	**22,789**	**404,801**
Derivative financial assets	**–**	**–**	**–**	**85,929**	**85,929**
Financial assets held under resale agreements	**136,265**	**–**	**–**	**–**	**136,265**
Loans and advances to customers	**5,477,446**	**91,553**	**20,839**	**11,612**	**5,601,450**
Financial investments					
— at fair value through profit or loss	**–**	**–**	**–**	**647,398**	**647,398**
— at amortised cost	**1,087,862**	**9,165**	**21,962**	**–**	**1,118,989**
— at fair value through other comprehensive income	**849,251**	**–**	**530**	**–**	**849,781**
— designated at fair value through other comprehensive income	**–**	**–**	**–**	**4,702**	**4,702**
Other financial assets	**20,221**	**9,813**	**862**	**–**	**30,896**
Subtotal	**8,417,428**	**110,531**	**44,193**	**772,430**	**9,344,582**
Credit commitments	**2,318,250**	**1,209**	**95**	**–**	**2,319,554**
Maximum credit risk exposure	**10,735,678**	**111,740**	**44,288**	**772,430**	**11,664,136**

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(i) Maximum credit risk exposure (continued)

	31 December 2023				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	411,975	–	–	–	411,975
Deposits with bank and non-bank financial institutions	81,075	–	–	–	81,075
Placements with and loans to banks and non-bank financial institutions	230,422	–	–	7,320	237,742
Derivative financial assets	–	–	–	44,675	44,675
Financial assets held under resale agreements	104,773	–	–	–	104,773
Loans and advances to customers	5,285,333	69,674	23,185	5,558	5,383,750
Financial investments					
— at fair value through profit or loss	–	–	–	613,824	613,824
— at amortised cost	1,055,785	4,574	25,239	–	1,085,598
— at fair value through other comprehensive income	887,165	503	1,009	–	888,677
— designated at fair value through other comprehensive income	–	–	–	4,807	4,807
Other financial assets	18,604	9,815	756	–	29,175
Subtotal	8,075,132	84,566	50,189	676,184	8,886,071
Credit commitments	2,186,860	1,032	56	–	2,187,948
Maximum credit risk exposure	10,261,992	85,598	50,245	676,184	11,074,019

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.

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(i) Maximum credit risk exposure (continued)

The following table provides an analysis of loans and advances to customers and financial investments that are included in the ECL assessment according to the credit risk level. The book value of the following financial assets is the Group's maximum exposure to credit risk for these assets.

	31 December 2024						
	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	**3,584,584**	**1,720,473**	**234,430**	**–**	**5,539,487**	**(62,041)**	**5,477,446**
Stage 2	**1,389**	**19,577**	**100,040**	**–**	**121,006**	**(29,453)**	**91,553**
Stage 3	**–**	**–**	**–**	**69,738**	**69,738**	**(48,899)**	**20,839**
Financial investments at amortised cost							
Stage 1	**1,056,949**	**32,325**	**489**	**–**	**1,089,763**	**(1,901)**	**1,087,862**
Stage 2	**637**	**5,488**	**4,086**	**–**	**10,211**	**(1,046)**	**9,165**
Stage 3 (Note (ii))	**–**	**–**	**–**	**45,180**	**45,180**	**(23,218)**	**21,962**
Financial investments at fair value through other comprehensive income							
Stage 1	**848,602**	**649**	**–**	**–**	**849,251**	**(1,787)**	**849,251**
Stage 2	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Stage 3	**–**	**–**	**–**	**530**	**530**	**(771)**	**530**
Maximum credit risk exposure	**5,492,161**	**1,778,512**	**339,045**	**115,448**	**7,725,166**	**(169,116)**	**7,558,608**

	31 December 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	3,989,361	1,198,860	160,088	–	5,348,309	(62,976)	5,285,333
Stage 2	2,663	14,094	80,022	–	96,779	(27,105)	69,674
Stage 3	–	–	–	67,646	67,646	(44,461)	23,185
Financial investments at amortised cost							
Stage 1	1,020,411	37,356	694	–	1,058,461	(2,676)	1,055,785
Stage 2	–	–	5,935	–	5,935	(1,361)	4,574
Stage 3 (Note (ii))	–	–	–	47,507	47,507	(22,268)	25,239
Financial investments at fair value through other comprehensive income							
Stage 1	885,937	1,228	–	–	887,165	(1,289)	887,165
Stage 2	–	503	–	–	503	(219)	503
Stage 3	–	–	–	1,009	1,009	(460)	1,009
Maximum credit risk exposure	5,898,372	1,252,041	246,739	116,162	7,513,314	(162,815)	7,352,467

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55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(i) Maximum credit risk exposure (continued)

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 55(a)(viii)).

(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:

	Year ended 31 December 2024		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2024	**5,348,309**	**96,779**	**67,646**
Movements			
Net transfers out from Stage 1	**(121,079)**	**–**	**–**
Net transfers into Stage 2	**–**	**42,321**	**–**
Net transfers into Stage 3	**–**	**–**	**78,758**
Net transactions incurred during the year (Note(i))	**304,200**	**(19,131)**	**(16,400)**
Write-off	**–**	**–**	**(60,724)**
Others (Note (ii))	**8,057**	**1,037**	**458**
As at 31 December 2024	**5,539,487**	**121,006**	**69,738**

	Year ended 31 December 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	(104,735)	–	–
Net transfers into Stage 2	–	26,544	–
Net transfers into Stage 3	–	–	78,191
Net transactions incurred during the year (Note(i))	443,018	(20,657)	(26,433)
Write-off	–	–	(60,054)
Others (Note (ii))	11,222	(559)	126
As at 31 December 2023	5,348,309	96,779	67,646

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in carrying value of financial investment in current reporting period:

	Year ended 31 December 2024		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2024	**1,945,626**	**6,438**	**48,516**
Movements			
Net transfers out from Stage 1	**(4,812)**	**–**	**–**
Net transfers into Stage 2	**–**	**4,301**	**–**
Net transfers into Stage 3	**–**	**–**	**511**
Net transactions incurred during the year (Note(i))	**(6,687)**	**(1,339)**	**(148)**
Write-off	**–**	**–**	**(3,365)**
Others (Note (ii))	**4,887**	**811**	**196**
As at 31 December 2024	**1,939,014**	**10,211**	**45,710**

	Year ended 31 December 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	(5,334)	–	–
Net transfers into Stage 2	–	3,460	–
Net transfers into Stage 3	–	–	1,874
Net transactions incurred during the year (Note(i))	38,725	(2,366)	(3,020)
Write-off	–	–	(5,629)
Others (Note (ii))	4,194	112	(149)
As at 31 December 2023	1,945,626	6,438	48,516

Notes:

(i) Net transactions during the year mainly include changes in carrying amount due to purchase, origination, or derecognition (excluding write-offs).

(ii) Others include changes in accrued interest receivables and effect of exchange differences during the year.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in allowance for impairment of loans and advances to customers in current reporting period:

	Year ended 31 December 2024		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2024	**63,562**	**27,105**	**44,531**
Movements (Note(i))			
Net transfers out from Stage 1	**(3,136)**	**–**	**–**
Net transfers into Stage 2	**–**	**6,157**	**–**
Net transfers into Stage 3	**–**	**–**	**33,557**
Net transactions incurred during the year (Note(ii))	**7,501**	**(4,995)**	**(6,962)**
Changes in parameters for the year (Note (iii))	**(5,303)**	**131**	**25,749**
Write-off	**–**	**–**	**(60,724)**
Others (Note (iv))	**(38)**	**1,056**	**12,751**
As at 31 December 2024	**62,586**	**29,454**	**48,902**

	Year ended 31 December 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	(3,045)	–	–
Net transfers into Stage 2	–	9,082	–
Net transfers into Stage 3	–	–	34,778
Net transactions incurred during the year (Note(ii))	6,982	(3,989)	(6,742)
Changes in parameters for the year (Note (iii))	(1,171)	(149)	14,094
Write-off	–	–	(60,054)
Others (Note (iv))	69	(363)	14,092
As at 31 December 2023	63,562	27,105	44,531

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in allowance for impairment of financial investment in current reporting period:

	Year ended 31 December 2024		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2024	**3,965**	**1,580**	**22,728**
Movements (Note(i))			
Net transfers out from Stage 1	**(165)**	**–**	**–**
Net transfers out from Stage 2	**–**	**(58)**	**–**
Net transfers into Stage 3	**–**	**–**	**223**
Net transactions incurred during the year (Note(ii))	**203**	**(618)**	**1,386**
Changes in parameters for the year (Note (iii))	**(309)**	**138**	**2,961**
Write-off	**–**	**–**	**(3,365)**
Others (Note (iv))	**(6)**	**4**	**56**
As at 31 December 2024	**3,688**	**1,046**	**23,989**

	Year ended 31 December 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	(177)	–	–
Net transfers into Stage 2	–	650	–
Net transfers into Stage 3	–	–	893
Net transactions incurred during the year (Note(ii))	232	119	2,373
Changes in parameters for the year (Note (iii))	5	(676)	(810)
Write-off	–	–	(5,629)
Others (Note (iv))	6	2	2
As at 31 December 2023	3,965	1,580	22,728

Notes:

(i) Movements in allowance for impairment during the year mainly include the impact of stage changes on the measurement of ECLs.

(ii) Net transactions during the year mainly include changes in allowance for impairment due to financial assets purchased newly originated, 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.

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55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(iii) Loans and advances to customers analysed by industry sector:

	31 December 2024			31 December 2023		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
— rental and business services	**563,951**	**9.8**	**156,726**	531,424	9.6	148,751
— manufacturing	**556,173**	**9.7**	**197,868**	500,002	9.1	177,434
— water, environment and public utility management	**437,242**	**7.6**	**96,817**	434,570	7.9	104,719
— real estate	**285,149**	**5.0**	**196,753**	259,363	4.7	171,880
— wholesale and retail	**226,139**	**3.9**	**93,242**	213,632	3.9	100,650
— transportation, storage and postal services	**148,934**	**2.6**	**62,888**	139,201	2.5	63,159
— production and supply of electric power, heat, gas and water	**118,483**	**2.1**	**46,869**	96,190	1.7	39,998
— construction	**115,613**	**2.0**	**36,822**	116,099	2.1	45,125
— financial industry	**91,514**	**1.6**	**8,896**	78,756	1.4	4,720
— Information transmission, software and information technology services	**66,479**	**1.2**	**22,681**	54,705	1.0	21,882
— others	**298,440**	**5.2**	**84,905**	273,208	5.0	82,093
Subtotal	**2,908,117**	**50.7**	**1,004,467**	2,697,150	48.9	960,411
Personal loans	**2,362,110**	**41.1**	**1,593,382**	2,283,846	41.3	1,510,757
Discounted bills	**449,901**	**7.8**	**–**	517,348	9.4	–
Accrued interest	**21,715**	**0.4**	**–**	19,948	0.4	–
Gross loans and advances to customers	**5,741,843**	**100.0**	**2,597,849**	5,518,292	100.0	2,471,168

(iv) Loans and advances to customers analysed by geographical sector:

	31 December 2024			31 December 2023		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Yangtze River Delta	**1,647,237**	**28.8**	**760,263**	1,538,269	27.9	723,947
Bohai Rim (including Head Office)	**1,455,154**	**25.3**	**465,582**	1,423,026	25.8	431,641
Pearl River Delta and West Strait	**812,116**	**14.1**	**482,490**	782,231	14.2	459,753
Central	**804,731**	**14.0**	**402,389**	790,477	14.3	379,773
Western	**696,388**	**12.1**	**343,939**	669,589	12.1	328,307
Northeastern	**84,343**	**1.5**	**46,712**	85,037	1.5	52,682
Outside Mainland China	**220,159**	**3.8**	**96,474**	209,715	3.8	95,065
Accrued interest	**21,715**	**0.4**	**–**	19,948	0.4	–
Total	**5,741,843**	**100.0**	**2,597,849**	5,518,292	100.0	2,471,168

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(v) Loans and advances to customers analysed by type of security

	31 December 2024	31 December 2023
Unsecured loans	**1,625,741**	1,546,536
Guaranteed loans	**1,046,637**	963,292
Secured loans	**2,597,849**	2,471,168
— loans secured by collateral	**2,197,326**	2,057,869
— pledged loans	**400,523**	413,299
Subtotal	**5,270,227**	4,980,996
Discounted bills	**449,901**	517,348
Accrued interest	**21,715**	19,948
Gross loans and advances to customers	**5,741,843**	5,518,292

(vi) Rescheduled loans and advances to customers

	31 December 2024		31 December 2023	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**29,601**	**0.52%**	17,477	0.32%
— rescheduled loans and advances overdue more than 3 months	**1, 626**	**0.03%**	3,147	0.06%

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 31 December 2024, 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.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (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 31 December 2024 and 2023, debt instruments investments analysed by rating as at the end of the reporting period are as follows:

	31 December 2024					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
— governments	**909,891**	**532,386**	**41,824**	**240**	**–**	**1,484,341**
— policy banks	**24,475**	**–**	**–**	**5,192**	**–**	**29,667**
— public entities	**–**	**–**	**11,705**	**–**	**–**	**11,705**
— banks and non-bank financial institutions	**20,305**	**211,989**	**16,377**	**45,594**	**8,514**	**302,779**
— corporates	**20,254**	**83,324**	**23,093**	**20,474**	**13,020**	**160,165**
Investment management products managed by securities companies	**16,712**	**–**	**–**	**–**	**–**	**16,712**
Trust investment plans	**175,858**	**–**	**–**	**–**	**–**	**175,858**
Total	**1,167,495**	**827,699**	**92,999**	**71,500**	**21,534**	**2,181,227**

	31 December 2023					
	Unrated (Note (i))	AAA	AA	A	Below A	Total
Debt securities issued by:						
— governments	898,954	512,419	59,173	2,270	–	1,472,816
— policy banks	23,606	24,039	–	5,859	–	53,504
— public entities	–	–	3,987	–	–	3,987
— banks and non-bank financial institutions	7,545	260,681	13,116	20,840	2,189	304,371
— corporates	21,349	64,269	13,208	8,838	5,314	112,978
Investment management products managed by securities companies	19,176	–	–	–	–	19,176
Trust investment plans	189,733	–	–	–	–	189,733
Total	1,160,363	861,408	89,484	37,807	7,503	2,156,565

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.

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55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(viii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	31 December 2024	31 December 2023
Investment management products managed by securities companies and trust investment plans — credit assets	**210,068**	227,748
Total	**210,068**	227,748

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.

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.

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55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The following tables summarise the average interest rates, and the next re-pricing dates or contractual maturity date whichever is earlier for the assets and liabilities as at the end of each reporting date.

		31 December 2024					
	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	1.63%	340,915	15,890	325,025	–	–	–
Deposits with banks and non-bank financial institutions	2.22%	128,193	335	108,521	19,337	–	–
Placements with and loans to banks and non-bank financial institutions	3.14%	404,801	1,230	170,143	175,035	58,393	–
Financial assets held under resale agreements	1.81%	136,265	31	136,234	–	–	–
Loans and advances to customers (Note (ii))	4.24%	5,601,450	20,013	3,880,345	1,356,402	310,160	34,530
Financial investment							
— at fair value through profit or loss		647,398	434,941	69,204	70,241	13,200	59,812
— at amortised cost	2.93%	1,118,989	13,764	78,013	182,951	591,096	253,165
— at fair value through other comprehensive income	2.80%	849,781	6,425	71,374	102,832	482,857	186,293
— designated at fair value through other comprehensive income		4,702	4,702	–	–	–	–
Others		300,228	300,228	–	–	–	–
Total assets		9,532,722	797,559	4,838,859	1,906,798	1,455,706	533,800

		31 December 2024					
	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	2.48%	124,151	1,544	57,836	64,771	–	–
Deposits from banks and non-bank financial institutions	2.01%	968,492	4,404	894,161	69,927	–	–
Placements from banks and non-bank financial institutions	3.15%	88,550	17	49,378	35,528	3,627	–
Financial liabilities at fair value through profit or loss		1,719	1	–	15	1,652	51
Financial assets sold under repurchase agreements	2.10%	278,003	236	232,354	45,413	–	–
Deposits from customers	1.89%	5,864,311	166,440	3,563,608	1,100,317	1,033,946	–
Debt securities issued	2.42%	1,224,038	3,516	266,626	734,854	149,050	69,992
Lease liabilities	4.37%	10,861	–	790	2,122	6,595	1,354
Others		165,232	163,559	1,673	–	–	–
Total liabilities		8,725,357	339,717	5,066,426	2,052,947	1,194,870	71,397
Interest rate gap		807,365	457,842	(227,567)	(146,149)	260,836	462,403

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55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

				31 December 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	1.60%	416,442	10,592	405,850	–	–	–
Deposits with banks and non-bank financial institutions	2.07%	81,075	2,651	53,098	25,326	–	–
Placements with and loans to banks and non-bank financial institutions	3.18%	237,742	1,288	86,813	148,141	1,500	–
Financial assets held under resale agreements	1.61%	104,773	35	104,738	–	–	–
Loans and advances to customers (Note (ii))	4.56%	5,383,750	19,267	3,560,330	1,527,678	261,492	14,983
Financial investment							
— at fair value through profit or loss		613,824	421,787	79,060	87,297	10,806	14,874
— at amortised cost	3.16%	1,085,598	12,920	65,996	184,679	630,192	191,811
— at fair value through other comprehensive income	2.73%	888,677	6,419	130,264	132,711	426,617	192,666
— designated at fair value through other comprehensive income		4,807	4,807	–	–	–	–
Others		235,796	235,796	–	–	–	–
Total assets		9,052,484	715,562	4,486,149	2,105,832	1,330,607	414,334

				31 December 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	2.61%	273,226	2,026	53,857	217,243	100	–
Deposits from banks and non-bank financial institutions	2.12%	927,887	4,808	779,154	143,925	–	–
Placements from banks and non-bank financial institutions	3.00%	86,327	165	44,843	40,319	1,000	–
Financial liabilities at fair value through profit or loss		1,588	–	519	–	8	1,061
Financial assets sold under repurchase agreements	2.13%	463,018	193	458,439	4,386	–	–
Deposits from customers	2.12%	5,467,657	99,191	3,600,066	681,129	1,087,271	–
Debt securities issued	2.62%	965,981	4,104	271,275	466,722	153,885	69,995
Lease liabilities	4.46%	10,245	–	832	2,112	5,998	1,303
Others		121,880	121,880	–	–	–	–
Total liabilities		8,317,809	232,367	5,208,985	1,555,836	1,248,262	72,359
Interest rate gap		734,675	483,195	(722,836)	549,996	82,345	341,975

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

Notes:

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category includes overdue amounts (net of allowance for impairment losses) of RMB42,178 million as at 31 December 2024 (as at 31 December 2023: RMB39,762 million).

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and Other comprehensive income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 31 December 2024 and 2023.

	31 December 2024		31 December 2023	
	Net interest Income	**Other comprehensive income**	Net interest Income	Other comprehensive income
+100 basis points	**(3,372)**	**(6,403)**	(3,103)	(7,681)
– 100 basis points	**3,372**	**6,403**	3,103	7,681

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.

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

The exposures at the reporting date were as follows:

	31 December 2024				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	**327,032**	**12,720**	**907**	**256**	**340,915**
Deposits with banks and non-bank financial institutions	**85,607**	**36,476**	**2,009**	**4,101**	**128,193**
Placements with and loans to banks and non-bank financial institutions	**309,905**	**42,845**	**48,040**	**4,011**	**404,801**
Financial assets held under resale agreements	**133,855**	**2,410**	**–**	**–**	**136,265**
Loans and advances to customers	**5,311,058**	**144,969**	**113,703**	**31,720**	**5,601,450**
Financial investments					
— at fair value through profit or loss	**630,378**	**12,648**	**3,146**	**1,226**	**647,398**
— at amortised cost	**1,111,220**	**7,342**	**–**	**427**	**1,118,989**
— at fair value through other comprehensive income	**666,480**	**133,849**	**33,473**	**15,979**	**849,781**
— designated at fair value through other comprehensive income	**4,417**	**217**	**68**	**–**	**4,702**
Others	**266,000**	**14,684**	**15,910**	**3,634**	**300,228**
Total assets	**8,845,952**	**408,160**	**217,256**	**61,354**	**9,532,722**
Liabilities					
Borrowings from central banks	**124,151**	**–**	**–**	**–**	**124,151**
Deposits from banks and non-bank financial institutions	**943,456**	**23,967**	**778**	**291**	**968,492**
Placements from banks and non-bank financial institutions	**61,494**	**25,745**	**896**	**415**	**88,550**
Financial liabilities at fair value through profit or loss	**313**	**215**	**1,191**	**–**	**1,719**
Financial assets sold under repurchase agreements	**263,688**	**10,752**	**–**	**3,563**	**278,003**
Deposits from customers	**5,360,385**	**258,715**	**197,147**	**48,064**	**5,864,311**
Debt securities issued	**1,201,622**	**17,335**	**2,165**	**2,916**	**1,224,038**
Lease liability	**9,968**	**36**	**784**	**73**	**10,861**
Others	**76,685**	**24,483**	**60,297**	**3,767**	**165,232**
Total liabilities	**8,041,762**	**361,248**	**263,258**	**59,089**	**8,725,357**
Net on-balance sheet position	**804,190**	**46,912**	**(46,002)**	**2,265**	**807,365**
Credit commitments	**2,201,100**	**92,517**	**12,648**	**13,289**	**2,319,554**
Derivatives (Note (i))	**51,373**	**(44,569)**	**45,529**	**(2,111)**	**50,222**

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

	31 December 2023				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	404,812	10,786	587	257	416,442
Deposits with banks and non-bank financial institutions	51,017	23,943	1,737	4,378	81,075
Placements with and loans to banks and non-bank financial institutions	161,314	43,837	32,132	459	237,742
Financial assets held under resale agreements	102,194	2,579	–	–	104,773
Loans and advances to customers	5,102,314	133,675	117,147	30,614	5,383,750
Financial investments					
— at fair value through profit or loss	598,687	10,160	3,716	1,261	613,824
— at amortised cost	1,074,428	10,817	–	353	1,085,598
— at fair value through other comprehensive income	733,213	98,491	42,191	14,782	888,677
— designated at fair value through other comprehensive income	4,565	174	68	–	4,807
Others	202,586	15,316	16,640	1,254	235,796
Total assets	8,435,130	349,778	214,218	53,358	9,052,484
Liabilities					
Borrowings from central banks	273,226	–	–	–	273,226
Deposits from banks and non-bank financial institutions	888,524	37,999	479	885	927,887
Placements from banks and non-bank financial institutions	58,438	22,989	2,595	2,305	86,327
Financial liabilities at fair value through profit or loss	519	8	1,061	–	1,588
Financial assets sold under repurchase agreements	442,491	19,779	–	748	463,018
Deposits from customers	5,050,568	237,047	151,310	28,732	5,467,657
Debt securities issued	940,714	20,962	3,330	975	965,981
Lease liability	9,219	40	888	98	10,245
Others	92,886	12,279	11,619	5,096	121,880
Total liabilities	7,756,585	351,103	171,282	38,839	8,317,809
Net on-balance sheet position	678,545	(1,325)	42,936	14,519	734,675
Credit commitments	2,076,747	92,982	5,101	13,118	2,187,948
Derivatives (Note (i))	17,877	1,176	(164)	(15,443)	3,446

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.

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 31 December 2024 and 2023, the results of the Group's foreign exchange rate sensitivity analysis.

	31 December 2024		31 December 2023	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**93**	**8**	2,095	(10)
5% depreciation	**(93)**	**(8)**	(2,095)	10

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, forward foreign exchange exposure and options, 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.

(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.

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities

	31 December 2024							
	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Assets								
Cash and balances with central banks	11,699	–	–	4,178	–	–	325,038	340,915
Deposits with banks and non-bank financial institutions	97,144	4,488	7,117	19,444	–	–	–	128,193
Placements with and loans to banks and non-bank financial institutions	–	94,012	76,768	175,217	58,804	–	–	404,801
Financial assets held under resale agreements	–	135,562	703	–	–	–	–	136,265
Loans and advances to customers (Note (ii))	13,537	578,960	522,345	1,161,484	1,502,071	1,798,422	24,631	5,601,450
Financial investments								
— at fair value through profit or loss	–	28,832	41,228	70,247	24,108	59,508	423,475	647,398
— at amortised cost	–	16,626	38,226	184,878	597,173	254,872	27,214	1,118,989
— at fair value through other comprehensive income	–	18,768	32,693	105,146	505,293	187,351	530	849,781
— designated at fair value through other comprehensive income	–	–	–	–	–	–	4,702	4,702
Others	47,570	20,694	21,806	42,262	77,435	8,949	81,512	300,228
Total assets	169,950	897,942	740,886	1,762,856	2,764,884	2,309,102	887,102	9,532,722

	31 December 2024							
	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Liabilities								
Borrowings from central banks	–	31,605	27,775	64,771	–	–	–	124,151
Deposits from banks and non-bank financial institutions	505,294	165,422	227,196	70,580	–	–	–	968,492
Placements from banks and non-bank financial institutions	–	8,352	41,339	35,403	3,158	298	–	88,550
Financial liabilities at fair value through profit or loss	–	–	–	15	1,652	52	–	1,719
Financial assets sold under repurchase agreements	–	113,633	118,957	45,413	–	–	–	278,003
Deposits from customers	2,588,659	473,087	667,866	1,100,725	1,033,974	–	–	5,864,311
Debt securities issued	–	32,991	233,913	735,791	150,723	70,620	–	1,224,038
Lease liabilities	–	319	471	2,122	6,595	1,354	–	10,861
Others	43,700	21,203	17,570	35,415	24,376	9,986	12,982	165,232
Total liabilities	3,137,653	846,612	1,335,087	2,090,235	1,220,478	82,310	12,982	8,725,357
(Short)/Long position	(2,967,703)	51,330	(594,201)	(327,379)	1,544,406	2,226,792	874,120	807,365

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

	31 December 2023							
	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Assets								
Cash and balances with central banks	57,118	–	–	2,926	–	–	356,398	416,442
Deposits with banks and non-bank financial institutions	45,927	3,873	5,052	26,031	–	–	192	81,075
Placements with and loans to banks and non-bank financial institutions	–	71,175	16,314	148,752	1,501	–	–	237,742
Financial assets held under resale agreements	–	103,819	954	–	–	–	–	104,773
Loans and advances to customers (Note (ii))	14,349	589,646	531,721	1,095,556	1,367,925	1,749,012	35,541	5,383,750
Financial investments								
— at fair value through profit or loss	–	41,014	42,530	87,306	11,725	15,021	416,228	613,824
— at amortised cost	–	17,486	29,524	186,182	634,834	191,911	25,661	1,085,598
— at fair value through other comprehensive income	–	57,884	60,515	134,949	440,219	194,134	976	888,677
— designated at fair value through other comprehensive income	–	–	–	–	–	–	4,807	4,807
Others	45,184	19,410	18,472	13,658	63,270	1,797	74,005	235,796
Total assets	162,578	904,307	705,082	1,695,360	2,519,474	2,151,875	913,808	9,052,484

	31 December 2023							
	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Liabilities								
Borrowings from central banks	–	20,000	35,883	217,343	–	–	–	273,226
Deposits from banks and non-bank financial institutions	496,771	118,600	168,140	144,376	–	–	–	927,887
Placements from banks and non-bank financial institutions	–	23,417	20,136	39,739	3,035	–	–	86,327
Financial liabilities at fair value through profit or loss	–	–	519	–	8	1,061	–	1,588
Financial assets sold under repurchase agreements	–	401,980	56,652	4,386	–	–	–	463,018
Deposits from customers	2,638,317	599,263	461,262	681,532	1,087,283	–	–	5,467,657
Debt securities issued	–	53,569	217,730	467,229	156,830	70,623	–	965,981
Lease liabilities	–	358	474	2,112	5,998	1,303	–	10,245
Others	46,096	10,790	10,954	12,983	24,205	4,512	12,340	121,880
Total liabilities	3,181,184	1,227,977	971,750	1,569,700	1,277,359	77,499	12,340	8,317,809
(Short)/Long position	(3,018,606)	(323,670)	(266,668)	125,660	1,242,115	2,074,376	901,468	734,675

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55 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group's financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow:

	31 December 2024							
	Repayable on demand	Within one month	One month and 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	11,699	–	1,324	8,302	–	–	325,038	346,363
Deposits with banks and non-bank financial institutions	97,144	4,559	7,401	20,284	–	–	–	129,388
Placements with and loans to banks and non-bank financial institutions	–	94,145	76,887	175,483	59,417	–	–	405,932
Financial assets held under resale agreements	–	135,580	703	–	–	–	–	136,283
Loans and advances to customers (Note (ii))	13,537	589,458	555,519	1,273,664	1,806,400	2,159,588	29,495	6,427,661
Financial investments								
— at fair value through profit or loss	–	28,876	41,308	71,222	26,697	61,577	423,475	653,155
— at amortised cost	–	18,669	44,336	207,281	662,182	274,729	27,769	1,234,966
— at fair value through other comprehensive income	–	19,863	34,737	119,731	557,246	213,611	530	945,718
— designated at fair value through other comprehensive income	–	–	–	–	–	–	4,702	4,702
Others	47,570	20,694	21,806	42,262	77,435	8,949	81,512	300,228
Total assets	169,950	911,844	784,021	1,918,229	3,189,377	2,718,454	892,521	10,584,396

	31 December 2024							
	Repayable on demand	Within one month	One month and three months	Three months and one year	One and five years	More than five years	Undated (Note (i))	Total
Liabilities								
Borrowings from central banks	–	32,368	28,459	66,060	–	–	–	126,887
Deposits from banks and non-bank financial institutions	505,294	165,815	230,735	77,803	–	–	–	979,647
Placements from banks and non-bank financial institutions	–	8,358	41,352	35,485	3,158	507	–	88,860
Financial liabilities at fair value through profit or loss	–	–	–	15	1,658	74	–	1,747
Financial assets sold under repurchase agreements	–	113,809	119,124	45,485	–	–	–	278,418
Deposits from customers	2,588,659	480,649	684,519	1,160,859	1,120,928	–	–	6,035,614
Debt securities issued	–	32,991	234,323	742,810	166,662	77,398	–	1,254,184
Lease liability	–	319	474	2,173	7,612	1,649	–	12,227
Others	43,700	21,203	17,570	35,415	24,376	9,986	12,982	165,232
Total liabilities	3,137,653	855,512	1,356,556	2,166,105	1,324,394	89,614	12,982	8,942,816
(Short)/Long position	(2,967,703)	56,332	(572,535)	(247,876)	1,864,983	2,628,840	879,539	1,641,580
Derivative cash flow								
Derivative financial instrument settled on a net basis	–	527	2,079	(2,600)	345	28	–	379
Derivative financial instruments settled on a gross basis	–	(909)	(1,532)	645	314	–	–	(1,482)
— cash inflow	–	1,090,891	903,359	2,342,900	211,124	1,114	–	4,549,388
— cash outflow	–	(1,091,800)	(904,891)	(2,342,255)	(210,810)	(1,114)	–	(4,550,870)

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

	31 December 2023							
	Repayable on demand	Within one month	One month and 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	57,118	–	1,459	7,565	–	–	356,398	422,540
Deposits with banks and non-bank financial institutions	45,927	3,956	5,251	26,809	–	–	192	82,135
Placements with and loans to banks and non-bank financial institutions	–	71,256	17,223	151,343	1,550	–	–	241,372
Financial assets held under resale agreements	–	103,852	954	–	–	–	–	104,806
Loans and advances to customers (Note (ii))	14,349	600,023	563,673	1,197,943	1,733,077	2,107,869	35,541	6,252,475
Financial investments								
— at fair value through profit or loss	–	41,016	42,822	89,353	13,114	17,256	416,228	619,789
— at amortised cost	–	17,623	31,546	210,463	702,595	212,508	26,811	1,201,546
— at fair value through other comprehensive income	–	57,894	61,511	150,851	494,372	222,304	976	987,908
— designated at fair value through other comprehensive income	–	–	–	–	–	–	4,807	4,807
Others	45,184	19,410	18,472	13,658	63,270	1,797	74,006	235,797
Total assets	162,578	915,030	742,911	1,847,985	3,007,978	2,561,734	914,959	10,153,175

	31 December 2023							
	Repayable on demand	Within one month	One month and three months	Three months and one year	One and five years	More than five years	Undated (Note (i))	Total
Liabilities								
Borrowings from central banks	–	20,000	36,040	222,765	–	–	–	278,805
Deposits from banks and non-bank financial institutions	496,771	119,468	172,987	153,100	–	–	–	942,326
Placements from banks and non-bank financial institutions	–	23,577	22,504	40,415	3,302	–	–	89,798
Financial liabilities at fair value through profit or loss	–	–	519	–	17	2,121	–	2,657
Financial assets sold under repurchase agreements	–	402,340	56,916	4,490	–	–	–	463,746
Deposits from customers	2,638,318	607,021	471,849	808,372	1,224,844	–	–	5,750,404
Debt securities issued	–	53,769	222,310	486,317	175,649	79,910	–	1,017,955
Lease liability	-	359	477	2,163	6,745	1,567	-	11,311
Others	46,096	10,790	10,954	12,983	24,205	4,512	12,340	121,880
Total liabilities	3,181,185	1,237,324	994,556	1,730,605	1,434,762	88,110	12,340	8,678,882
(Short)/Long position	(3,018,607)	(322,294)	(251,645)	117,380	1,573,216	2,473,624	902,619	1,474,293
Derivative cash flow								
Derivative financial instrument settled on a net basis	–	49	78	(45)	261	25	–	368
Derivative financial instruments settled on a gross basis	–	(211)	(1,263)	(1,958)	19	(17)	–	(3,430)
— cash inflow	–	804,403	800,588	1,251,430	217,411	1,281	–	3,075,113
— cash outflow	–	(804,614)	(801,851)	(1,253,388)	(217,392)	(1,298)	–	(3,078,543)

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Credit Commitments include bank acceptances, credit card commitments, guarantees, loan commitments and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	31 December 2024			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank acceptances	**854,489**	**–**	**–**	**854,489**
Credit card commitments	**812,562**	**–**	**–**	**812,562**
Guarantees	**163,520**	**109,710**	**348**	**273,578**
Loan commitments	**8,509**	**17,002**	**28,553**	**54,064**
Letters of credit	**323,768**	**1,093**	**–**	**324,861**
Total	**2,162,848**	**127,805**	**28,901**	**2,319,554**

	31 December 2023			
	Less than 1 year	1-5 years	Over 5 years	Total
Bank acceptances	867,523	–	–	867,523
Credit card commitments	779,947	–	–	779,947
Guarantees	154,927	81,806	626	237,359
Loan commitments	4,288	11,889	30,591	46,768
Letters of credit	255,478	873	–	256,351
Total	2,062,163	94,568	31,217	2,187,948

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 and investment funds 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.

(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 deeply applying the three major tools of operational risk management by establishing a sound mechanism of operational risk management in order to identify, evaluate, measure, monitor, control, mitigate and report operational risks. Internal control, as an effective means of operational risk management, mainly includes the following aspects:

– 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;

55 Financial risk management (continued)

(d) Operational risk (continued)

– 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, measure, monitor, control, mitigate 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, monitoring key risk indicators, supporting operational risk capital measurement, as well as providing operational risk management report content.

56 Capital Adequacy Ratio

Capital adequacy ratio reflects the Group's operational and risk management capability and it is the core of capital management. The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio. The Group's capital management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

From 1 January 2024, the Group commenced the computation of its capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks and other relevant regulations promulgated by the NFRA in the year of 2023. According to the requirements, for credit risk, the capital requirement was measured using the weighting method. The market and operational risk were measured by adopting the standardised approach. 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 NFRA. The required information is filed with the NFRA by the Group and the Bank regularly.

56 Capital Adequacy Ratio (continued)

As at 31 December 2024, the core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio, and capital adequacy ratio computed by the Group in accordance with the Regulation Governing Capital of Commercial Banks and other relevant regulations are listed as below:

	31 December 2024
Core Tier-One capital adequacy ratio	**9.72%**
Tier-One capital adequacy ratio	**11.26%**
Capital adequacy ratio	**13.36%**
Components of capital base	
Core Tier-One capital:	
Share capital	**54,397**
Capital reserve	**89,282**
Other comprehensive income and qualified portion of other equity instruments	**16,553**
Surplus reserve	**67,606**
General reserve	**111,723**
Retained earnings	**343,599**
Qualified portion of non-controlling interests	**8,604**
Total core Tier-One capital	**691,764**
Core Tier-One capital deductions:	
Goodwill (net of related deferred tax liability)	**(1,060)**
Other intangible assets other than land use right (net of related deferred tax liability)	**(3,566)**
Unrealized gains and losses resulting from changes in the fair value of its liabilities due to changes in its own credit risk	**(4)**
Net core Tier-One capital	**687,134**
Other Tier-One capital (Note (i))	**108,619**
Tier-One capital	**795,753**
Tier-Two capital:	
Qualified portion of Tier-Two capital instruments issued and share premium	**69,992**
Surplus allowance for loan impairment	**75,939**
Qualified portion of non-controlling interests	**2,476**
Net capital base	**944,160**
Total risk-weighted assets	**7,068,736**

56 Capital Adequacy Ratio (continued)

As at 31 December 2023, the core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio, and capital adequacy ratio computed by the Group in accordance with the Regulation Governing Capital of Commercial Banks (Trial) issued by the former China Banking and Insurance Regulatory Commission in 2012 are listed as below:

	31 December 2023
Core Tier-One capital adequacy ratio	8.99%
Tier-One capital adequacy ratio	10.75%
Capital adequacy ratio	12.93%
Components of capital base	
Core Tier-One capital:	
Share capital	48,967
Capital reserve	59,410
Other comprehensive income and qualified portion of other equity instruments	7,224
Surplus reserve	60,992
General reserve	105,127
Retained earnings	320,802
Qualified portion of non-controlling interests	8,287
Total core Tier-One capital	610,809
Core Tier-One capital deductions:	
Goodwill (net of related deferred tax liability)	(926)
Other intangible assets other than land use right (net of related deferred tax liability)	(4,727)
Net core Tier-One capital	605,156
Other Tier-One capital (Note (i))	118,313
Tier-One capital	723,469
Tier-Two capital:	
Qualified portion of Tier-Two capital instruments issued and share premium	69,995
Surplus allowance for impairment	73,674
Qualified portion of non-controlling interests	2,715
Net capital base	869,853
Total risk-weighted assets	6,727,713

Note:

(i) As at 31 December 2024 and 31 December 2023, the Group's other Tier-One capital included preference shares, perpetual bonds issued by the Bank (Note 43) and non-controlling interests (Note 49).

57 Fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity instruments and debt instruments on exchanges and exchange-traded derivatives.

Level 2: Inputs other than quoted prices included within Level 1 are observable for assets or liabilities, either directly or indirectly. The assets classified into the level 2 include bond investment without active market quotation, 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. The bonds are determined according to the valuation results of China Central Depository & Clearing Corporate Limited or Bloomberg; Foreign exchange forward and swaps, interest rate swap use discount cash flow evaluation method; Foreign exchange options use 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.

For the year ended 31 December 2024, 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	
	31 December 2024	31 December 2023	**31 December 2024**	31 December 2023
Financial assets:				
Financial investments				
— at amortised cost	**1,118,989**	1,085,598	**1,143,541**	1,093,861
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**1,470**	1,430	**1,480**	1,430
— debt securities issued	**210,029**	140,599	**212,115**	141,123
— subordinated bonds issued	**74,264**	77,781	**77,097**	78,722
— certificates of interbank deposit issued	**931,004**	705,316	**932,348**	694,130
— convertible corporate bonds	**7,271**	40,855	**7,690**	44,666

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57 Fair value (continued)

(a) Financial assets and financial liabilities not measured at fair value (continued)

Fair value of financial assets and liabilities above at fair value hierarchy is as follows:

	31 December 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial investments				
— at amortised cost	**2,444**	**949,679**	**191,418**	**1,143,541**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**–**	**–**	**1,480**	**1,480**
— debt securities issued	**4,784**	**204,554**	**2,777**	**212,115**
— subordinated bonds issued	**3,781**	**73,316**	**–**	**77,097**
— certificates of interbank deposit issued	**29,663**	**902,685**	**–**	**932,348**
— convertible corporate bonds issued	**–**	**–**	**7,690**	**7,690**

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial investments				
— at amortised cost	8,885	871,585	213,391	1,093,861
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	–	–	1,430	1,430
— debt securities issued	4,671	136,452	–	141,123
— subordinated bonds issued	7,255	71,467	–	78,722
— certificates of interbank deposit issued	–	694,130	–	694,130
— convertible corporate bonds issued	–	–	44,666	44,666

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57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 2024				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	–	76,032	–	76,032
— discounted bills	–	447,719	–	447,719
Loans and advances to customers at fair value through current profit or loss	–	–	11,612	11,612
Financial investments at fair value through profit or loss				
— investment funds	128,148	291,036	8,413	427,597
— debt securities	2,317	145,632	5,615	153,564
— certificates of deposit	–	57,626	–	57,626
— wealth management	41	688	1,402	2,131
— trust investment plans	–	–	1,267	1,267
— equity instruments	449	–	4,764	5,213
Financial investments at fair value through other comprehensive income				
— debt securities	134,051	697,228	216	831,495
— certificates of deposit	1,766	10,095	–	11,861
Financial investments designated at fair value through other comprehensive income				
— equity instruments	216	–	4,486	4,702
Derivative financial assets				
— interest rate derivatives	1	21,143	–	21,144
— currency derivatives	–	64,282	–	64,282
— precious metals derivatives	–	503	–	503
Total financial assets measured at fair value	266,989	1,811,984	37,775	2,116,748
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	94	–	–	94
— structured products	–	–	1,625	1,625
Derivative financial liabilities				
— interest rate derivatives	3	20,788	–	20,791
— currency derivatives	–	57,090	–	57,090
— precious metals derivatives	–	3,281	–	3,281
Total financial liabilities measured at fair value	97	81,159	1,625	82,881

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57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 2023				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	–	58,163	–	58,163
— discounted bills	–	515,664	–	515,664
Loans and advances to customers at fair value through current profit or loss	–	–	5,558	5,558
Financial investments at fair value through profit or loss				
— investment funds	105,538	271,297	44,319	421,154
— debt securities	19,608	81,428	5,465	106,501
— certificates of deposit	–	75,790	–	75,790
— wealth management	514	2,098	1,433	4,045
— equity instruments	892	14	5,428	6,334
Financial investments at fair value through other comprehensive income				
— debt securities	139,599	737,350	475	877,424
— certificates of deposit	1,117	3,805	–	4,922
Financial investments designated at fair value through other comprehensive income				
— equity instruments	173	–	4,634	4,807
Derivative financial assets				
— interest rate derivatives	15	14,641	–	14,656
— currency derivatives	27	29,845	–	29,872
— precious metals derivatives	–	147	–	147
Total financial assets measured at fair value	267,483	1,790,242	67,312	2,125,037
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	8	519	–	527
— structured products	–	–	1,061	1,061
Derivative financial liabilities				
— interest rate derivatives	18	14,342	–	14,360
— currency derivatives	148	26,600	–	26,748
— precious metals derivatives	–	742	–	742
Total financial liabilities measured at fair value	174	42,203	1,061	43,438

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at 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 advances to customers	Total	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2024	**56,645**	**475**	**4,634**	**5,558**	**67,312**	**(1,061)**	**(1,061)**
Total gains or losses							
— in profit or loss	**2,169**	**–**	**–**	**87**	**2,256**	**–**	**–**
— in comprehensive income	**–**	**(415)**	**(158)**	**–**	**(573)**	**–**	**–**
Purchases	**9,208**	**255**	**–**	**6,339**	**15,802**	**(525)**	**(525)**
Settlements	**(1,689)**	**(102)**	**–**	**(624)**	**(2,415)**	**–**	**–**
Transfer out	**(45,122)**	**–**	**–**	**–**	**(45,122)**	**–**	**–**
Exchange effect	**250**	**3**	**10**	**252**	**515**	**(39)**	**(39)**
As at 31 December 2024	**21,461**	**216**	**4,486**	**11,612**	**37,775**	**(1,625)**	**(1,625)**

	Assets					Liabilities	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets designated at fair value through other comprehensive income	Loans and advances to customers	Total	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2023	38,348	406	4,836	3,881	47,471	(1,034)	(1,034)
Total gains or losses							
— in profit or loss	770	–	–	25	795	–	–
— in comprehensive income	–	397	61	–	458	–	–
Purchases	18,523	333	91	1,612	20,559	–	–
Settlements	(2,020)	(678)	(359)	(72)	(3,129)	–	–
Transfer out	806	13	–	–	819	–	–
Exchange effect	218	4	5	112	339	(27)	(27)
As at 31 December 2023	56,645	475	4,634	5,558	67,312	(1,061)	(1,061)

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.

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58 Related parties

(a) Relationship of related parties

(i) The Group is controlled by CITIC Financial Holding Co., Ltd (incorporated in Mainland China), which owns 65.69% 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 enterprises controlled, jointly controlled and exerting significant influence by CITIC Group, and enterprises controlled by China National Tobacco Corporation and Quzhou Industrial Holding Group Co., Ltd.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 Quzhou Xin'an Development 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:

	Year ended 31 December 2024		
	Ultimate holding company and affiliates	The ultimate parent company and its subsidiaries of other important holding companies Notes (i)	Associates and joint ventures
Profit and loss			
Interest income	**3,646**	**1,091**	**232**
Fee and commission income and other operating income/expense	**289**	**40**	**2**
Interest expense	**(1,945)**	**(3,398)**	**(27)**
Net trading gains	**58**	**42**	**–**
Other service fees	**(3,358)**	**(717)**	**(65)**

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58 Related parties (continued)

(b) Related party transactions (continued)

	Year ended 31 December 2023		
	Ultimate holding company and affiliates	The ultimate parent company and its subsidiaries of other important holding companies Notes (i)	Associates and joint ventures
Profit and loss			
Interest income	5,063	837	315
Fee and commission income and other operating income/expense	335	134	2
Interest expense	(2,278)	(2,887)	(25)
Net trading gains/(losses)	111	(18)	–
Other service fees	(2,214)	(863)	(89)

	31 December 2024		
	Ultimate holding company and affiliates	**The ultimate parent company and its subsidiaries of other important holding companies Notes (i)**	**Associates and joint ventures**
Assets			
Gross loans and advances to customers	**48,915**	**20,794**	**–**
Less: allowance for impairment losses on loans and advances	**(545)**	**(9)**	**–**
Loans and advances to customers (net)	**48,370**	**20,785**	**–**
Deposits with banks and non-bank financial institutions	**100**	**–**	**25,500**
Placements with and loans to banks and non-bank financial institutions	**56,865**	**–**	**–**
Derivative financial assets	**1,275**	**–**	**–**
Financial assets held under resale agreement	**1,601**	**–**	**–**
Investment in financial assets			
— at fair value through profit or loss	**4,267**	**–**	**–**
— at amortised cost	**18,187**	**2,625**	**–**
— at fair value through other comprehensive income	**5,410**	**1,942**	**–**
— designated at fair value through other comprehensive income	**453**	**–**	**–**
Investments in associates and joint ventures	**–**	**–**	**7,349**
Property, plant and equipment	**39**	**2**	**–**
Right-of-use assets	**76**	**–**	**–**
Intangible assets	**367**	**–**	**40**
Other assets	**581**	**1**	**–**
Liabilities			
Deposits from banks and non-bank financial institutions	**47,214**	**853**	**305**
Placements with and loans to banks and non-bank financial institutions	**348**	**–**	**–**
Derivative financial liabilities	**1,132**	**–**	**–**
Deposits from customers	**72,909**	**199,703**	**1**
Lease liabilities	**77**	**–**	**–**
Other liabilities	**707**	**–**	**23**
Off-balance sheet items			
Guarantees and letters of credit	**8,404**	**12,395**	**–**
Acceptances	**2,692**	**–**	**–**
Nominal amount of derivatives financial instruments	**255,460**	**–**	**–**

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58 Related parties (continued)

(b) Related party transactions (continued)

	Ultimate holding company and affiliates	31 December 2023 The ultimate parent company and its subsidiaries of other important holding companies Notes (i)	Associates and joint ventures
Assets			
Gross loans and advances to customers	45,584	17,512	–
Less: allowance for impairment losses on loans and advances	(989)	(70)	–
Loans and advances to customers (net)	44,595	17,442	–
Deposits with banks and non-bank financial institutions	–	–	29,506
Placements with and loans to banks and non-bank financial institutions	33,850	–	–
Derivative financial assets	546	–	–
Financial assets held under resale agreement	3,000	–	–
Investment in financial assets			
— at fair value through profit or loss	3,255	–	–
— at amortised cost	17,435	2,325	–
— at fair value through other comprehensive income	4,360	1,223	–
— designated at fair value through other comprehensive income	460	–	–
Investments in associates and joint ventures	–	–	6,942
Other assets	709	2	3
Liabilities			
Deposits from banks and non-bank financial institutions	53,424	1,307	125
Derivative financial liabilities	424	–	–
Deposits from customers	75,466	157,974	1
Lease liabilities	73	2	–
Other liabilities	93	–	23
Off-balance sheet items			
Guarantees and letters of credit	5,187	8,821	–
Acceptances	1,913	–	–
Nominal amount of derivatives financial instruments	160,188	–	–

Note:

(i) Other major equity holders include CNTC and Quzhou Xin'an Development Co., Ltd.

The related party transactions and balances between the Group and CNTC, Quzhou Industrial Holding Group Co., Ltd. and its controlled enterprises disclosed above fell into the period when related party relationship exists. During the year ended 31 December 2024, the transactions between the Group and the subsidiaries of CNTC were not significant.

58 Related parties (continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

The aggregate amount of relevant loans outstanding as at 31 December 2024 to directors, supervisors and executive officers is Nil (as at 31 December 2023: RMB0.57 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank during the year ended 31 December 2024 amounted to RMB24.58 million (year ended 31 December 2023: RMB27.14 million).

(d) Supplementary defined contribution plan

The Group has established a supplementary defined contribution plan for its qualified employees which is administered by CITIC Group (Note 37(b)).

(e) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "state-owned entities").

Transactions with state-owned entities, including CNTC's indirect subsidiaries and its controlled enterprises, include but are not limited to the following:

- lending and deposit taking;
- taking and placing of inter-bank balances;
- derivative transactions;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by state-owned entities;
- purchase, sale and leases of property and other assets; and
- rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. The Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

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59 Structured entities

(a) Consolidated structured entities

Structured entities consolidated by the Group include certain asset management plans, issued, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has right to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

(b) Unconsolidated structured entities sponsored and managed by third parties

The Group invests in unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 2024 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated annual statement of financial position under which relevant assets are recognized:

	31 December 2024				
	Carrying amount				
	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**	**Maximum loss exposure**
Wealth management product	**2,131**	**–**	**–**	**2,131**	**2,131**
Investment management products managed by securities companies	**–**	**20,162**	**–**	**20,162**	**20,162**
Trust investment plans	**1,267**	**189,906**	**–**	**191,173**	**191,173**
Asset-backed securities	**840**	**76,613**	**34,056**	**111,509**	**111,509**
Investment funds	**427,597**	**–**	**–**	**427,597**	**427,597**
Total	**431,835**	**286,681**	**34,056**	**752,572**	**752,572**

	31 December 2023				
	Carrying amount				
	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	Maximum loss exposure
Wealth management product	4,045	–	–	4,045	4,045
Investment management products managed by securities companies	–	22,908	–	22,908	22,908
Trust investment plans	–	204,840	–	204,840	204,840
Asset-backed securities	912	123,158	19,666	143,736	143,736
Investment funds	421,154	–	–	421,154	421,154
Total	426,111	350,906	19,666	796,683	796,683

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.

59 Structured entities (continued)

(c) 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 31 December 2024, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB1,992,675 million (31 December 2023: RMB1,728,406 million).

During the year ended 31 December 2024, the Group's interest in these wealth management products included fee and commission income of RMB4,871 million (year ended 31 December 2023: RMB3,462 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 year ended 31 December 2024, net interest income which related to repo transactions entered into by the Group with these wealth management products were RMB216 million (year ended 31 December 2023: RMB149 million)

In order to achieve a smooth transition and steady development of the wealth management business, in 2024, 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 31 December 2024, assets of these wealth management products amounting to RMB291,631 million (31 December 2023: RMB187,083 million) were invested in investments in which certain subsidiaries and associates of the CITIC Group acted as trustees.

60 Transfers of financial assets

For the year ended 31 December 2024, the Group entered into transactions which involved securitisation transactions and transfers of non-performing financial assets.

These transactions were entered into in the normal course of business by which recognized financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial derecognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 35. Details of securitisation transactions and non-performing financial assets transfer transactions conducted by the Group for the year ended 31 December 2024 totaled RMB40,658 million (year ended 31 December 2023: RMB45,172 million) are set forth below.

Securitisation transactions

During the year ended 31 December 2024, the Group, through securitisation, transferred financial assets at the original cost of RMB28,760 million, which qualified for full de-recognition (year ended 31 December 2023:RMB17,510 million, which qualified for full de-recognition).

60 Transfers of financial assets (continued)

Loan and other Financial assets transfers

During the year ended 31 December 2024, the Group also transferred loan and other financial assets of book value before impairment of RMB11,898 million through other types of transactions (year ended 31 December 2023: RMB27,662 million). RMB8,434 million of this balance (year ended 31 December 2023: RMB19,272 million) was non-performing loans. RMB3,362 million of this balance (year ended 31 December 2023: RMB7,990 million) was non-performing financial investments. No bond financing was carried out this year (year ended 31 December 2023: RMB400 million). 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.

During the year ended 31 December 2024, the Group transferred loans and other financial assets of book value before impairment of RMB2,920 million to China CITIC Financial Asset Management Co., Ltd. (formerly China Huarong Asset Management Co., Ltd.) through other types of transactions. RMB1,400 million of this balance was non-performing loans. RMB1,520 million of this balance was non-performing financial investments. All of the above-mentioned financial assets are qualified for full de-recognition.

61 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated annual statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

As at 31 December 2024, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

62 Annual statements of financial position and changes in equity of the Bank

Statement of financial position

	31 December 2024	31 December 2023
Assets		
Cash and balances with central banks	**336,954**	413,366
Deposits with banks and non-bank financial institutions	**116,952**	67,014
Precious metals	**13,580**	11,674
Placements with and loans to banks and non-bank financial institutions	**339,015**	187,695
Derivative financial assets	**66,224**	25,120
Financial assets held under resale agreements	**129,437**	97,780
Loans and advances to customers	**5,315,869**	5,114,597
Financial investments		
— at fair value through profit or loss	**641,043**	606,972
— at amortised cost	**1,118,313**	1,086,156
— at fair value through other comprehensive income	**706,869**	762,773
— designated at fair value through other comprehensive income	**3,869**	4,102
Investments in subsidiaries and joint ventures	**34,258**	33,821
Property, plant and equipment	**33,363**	34,316
Right-of-use assets	**10,192**	9,707
Intangible assets	**2,725**	4,071
Deferred tax assets	**52,618**	50,781
Other assets	**61,984**	55,300
Total assets	**8,983,265**	8,565,245

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

62 Annual statements of financial position and changes in equity of the Bank (continued)

Statement of financial position (continued)

	31 December 2024	31 December 2023
Liabilities		
Borrowings from central banks	**124,090**	273,126
Deposits from banks and non-bank financial institutions	**967,785**	930,090
Placements from banks and non-bank financial institutions	**4,942**	24,216
Financial liabilities at fair value through profit or loss	**–**	519
Derivative financial liabilities	**62,536**	22,436
Financial assets sold under repurchase agreements	**262,164**	442,491
Deposits from customers	**5,512,990**	5,155,140
Accrued staff costs	**19,634**	21,297
Taxes payable	**6,918**	4,046
Debt securities issued	**1,215,952**	952,909
Lease liabilities	**9,895**	9,219
Provisions	**9,897**	10,759
Other liabilities	**35,781**	35,377
Total liabilities	**8,232,584**	7,881,625
Equity		
Share capital	**54,397**	48,967
Preference shares	**105,499**	118,060
Capital reserve	**91,676**	61,790
Other comprehensive income	**11,895**	1,867
Surplus reserve	**67,629**	60,992
General reserve	**107,205**	101,140
Retained earnings	**312,380**	290,804
Total equity	**750,681**	683,620
Total liabilities and equity	**8,983,265**	8,565,245

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

62 Annual 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 2024	**48,967**	**118,060**	**61,790**	**1,867**	**60,992**	**101,140**	**290,804**	**683,620**
(i) Profit for the year	–	–	–	–	–	–	**66,372**	**66,372**
(ii) Other comprehensive income	–	–	–	**10,028**	–	–	–	**10,028**
Total comprehensive income	–	–	–	**10,028**	–	–	**66,372**	**76,400**
(iii) Investor capital								
— Capital injection by issuing convertible corporate bonds	**5,430**	**(2,568)**	**29,897**	–	–	–	–	**32,759**
— Issuance of perpetual bonds	–	**30,000**	**(4)**	–	–	–	–	**29,996**
— Redemption of perpetual bonds	–	**(39,993)**	**(7)**	–	–	–	–	**(40,000)**
(iv) Profit appropriations								
— Appropriations to surplus reserve	–	–	–	–	**6,637**	–	**(6,637)**	–
— Appropriations to general reserve	–	–	–	–	–	**6,065**	**(6,065)**	–
— Dividend distribution to ordinary shareholders of the Bank	–	–	–	–	–	–	**(27,306)**	**(27,306)**
— Dividend distribution to preference shareholders	–	–	–	–	–	–	**(1,428)**	**(1,428)**
— Interest paid to holders of perpetual bonds	–	–	–	–	–	–	**(3,360)**	**(3,360)**
As at 31 December 2024	**54,397**	**105,499**	**91,676**	**11,895**	**67,629**	**107,205**	**312,380**	**750,681**

	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 year	–	–	–	–	–	–	62,651	62,651
(ii) Other comprehensive income	–	–	–	3,361	–	–	–	3,361
Total comprehensive income	–	–	–	3,361	–	–	62,651	66,012
(iii) Investor capital								–
— Capital injection by issuing convertible corporate bonds	32	(16)	192	–	–	–	–	208
(iv) Profit appropriations								
— Appropriations to surplus reserve	–	–	–	–	6,265	–	(6,265)	–
— Appropriations to general reserve	–	–	–	–	–	4,234	(4,234)	–
— Dividend distribution to ordinary shareholders of the Bank	–	–	–	–	–	–	(16,110)	(16,110)
— Dividend distribution to preference shareholders	–	–	–	–	–	–	(1,428)	(1,428)
— Interest paid to holders of perpetual bonds	–	–	–	–	–	–	(3,360)	(3,360)
(v) Transfers within the owners' equity								
— Other comprehensive income transferred to retained earnings	–	–	–	242	–	–	(242)	–
As at 31 December 2023	48,967	118,060	61,790	1,867	60,992	101,140	290,804	683,620

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors

(a) Relationship of related parties

For the year ended 31 December 2024

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Executive directors									
Fang Heying Note (i)	–	–	–	–	–	–	–	–	–
Liu Cheng	–	1,804	600	–	69	273	–	–	2,746
Hu Gang	–	1,548	372	–	69	273	–	–	2,262
Non-executive directors									
Cao Guoqiang Note (i)	–	–	–	–	–	–	–	–	–
Huang Fang Note (i)	–	–	–	–	–	–	–	–	–
Wang Yankang Note (i)	–	–	–	–	–	–	–	–	–
Independent non- executive directors									
Liu Tsz Bun Bennett	310	–	–	–	–	–	–	–	310
Song FangXiu	280	–	–	–	–	–	–	–	280
Wang Huacheng	300	–	–	–	–	–	–	–	300
Zhou Bowen	270	–	–	–	–	–	–	–	270

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Supervisors									
Li Rong	–	434	810	–	69	273	–	–	1,586
Cheng Pusheng	–	424	820	–	69	273	–	–	1,586
Zeng Yufang	–	345	620	–	73	243	–	–	1,281
Zhang Chun	–	332	670	–	69	273	–	–	1,344
Wei Guobin	260	-	-	-	-	-	-	-	260
Sun Qi Xiang	260	-	-	-	-	-	-	-	260
Former Directors and Supervisors resigned in 2024									
Chen Panwu (Note (ii))	–	33	60	–	23	23	–	–	139
Liu Guoling (Note (ii))	257	-	-	-	-	-	-	-	257

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors (continued)

(a) Relationship of related parties (continued)

For the year ended 31 December 2023

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Executive directors									
Fang Heying Note (i)	–	–	–	–	–	–	–	–	–
Liu Cheng	–	1,624	420	–	47	261	–	–	2,352
Non-executive directors									
Cao Guoqiang Note (i)	–	–	–	–	–	–	–	–	–
Huang Fang Note (i)	–	–	–	–	–	–	–	–	–
Wang Yankang Note (i)	–	–	–	–	–	–	–	–	–
Independent non-executive directors									
Liu Tsz Bun Bennett	299	–	–	–	–	–	–	–	299
Song FangXiu	52	–	–	–	–	–	–	–	52
Wang Huacheng	70	–	–	–	–	–	–	–	70
Zhou Bowen	90	–	–	–	–	–	–	–	90

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Supervisors									
Li Rong	–	434	810	–	47	261	–	–	1,552
Cheng Pusheng	–	424	820	–	47	261	–	–	1,552
Chen Panwu	–	414	1,271	–	47	261	–	–	1,993
Zeng Yufang	–	345	620	–	53	245	–	–	1,263
Wei Guobin	260	–	–	–	–	–	–	–	260
Sun Qi Xiang	260	–	–	–	–	–	–	–	260
Liu Guoling	260	–	–	–	–	–	–	–	260
Former Directors and Supervisors resigned in 2023									
Guo Danghuai	–	1,293	310	–	47	175	–	–	1,825
Zhu Hexin	–	–	–	–	–	–	–	–	–
He Cao	200	–	–	–	–	–	–	–	200
Chen Lihua	215	–	–	–	–	–	–	–	215
Qian Jun	253	–	–	–	–	–	–	–	253

For the year ended 31 December 2024
(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors (continued)

(a) Relationship of related parties (continued)

Notes:

(i) Mr. Fang Heying, Mr. Cao Guoqiang, Ms. Huang Fang, and Mr. Wang Yankang did not receive any emoluments from the Bank in 2024. Their salary is borne by the main common shareholders of the Bank.Two of the four directors are appointed by CITIC Limited and CITIC Group ("Parent Companies"). Their emoluments were paid by the Parent Companies in 2024. The other two directors are appointed respectively by Quzhou Industrial Holding Group Co. Ltd and CNTC. Their emolument allocations are not disclosed due to the difficulty to apportion the services provided by the directors to the Bank.

(ii) Mr. Chen Panwu resigned in January 2024, Mr. Liu Guoling resigned in December 2024.

(b) Other benefits and interests

No direct or indirect retirement benefits and termination benefits were paid to directors as at 31 December 2024 (as at December 2023: Nil).

For the year ended 31 December 2024 and 31 December 2023, the balance of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors was not significant.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 2024 (2023: Nil).

64 Events after the reporting period

On 4 March 2025, the Bank redeemed all unconverted convertible bonds from investors at the price of 111% of the par value of the issued convertible bonds (including the annual interest of the last period) totalling RMB56.85 million. On the same day, the convertible bonds was delisted in the Shanghai Stock Exchange.

65 Comparative figures

Certain comparative data has been restated to conform to the presentation of the current year.

To the Board of Directors of China CITIC Bank Corporation Limited

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

Opinion

We have audited the consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 196 to 323, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including significant accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of expected credit losses for loans and advances to customers and financial assets at amortised costs

See Note 4(c), Note 5(i), Note 21 and Note 22 to the consolidated financial statements.

The Key Audit Matter

As at 31 December 2023, the gross balance of loans and advances to customers and accrued interest included for the purpose of expected credit loss assessment in the Group's consolidated statement of financial position, amounted to RMB5,512,734 million, for which management recognized an impairment allowance of RMB135,198 million; the gross balance of financial assets at amortised costs and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,111,903 million, for which management recognized an impairment allowance of RMB26,305million.

The Group uses an expected credit loss ("ECL") model to measure the loss allowance for loans and advances to customers and financial assets at amortised costs in accordance with International Financial Reporting Standard 9, Financial instruments.

The determination of ECL allowance of loans and advances to customers and financial assets at amortised costs is subject to the application of a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Extensive management judgment is involved in the selection of those parameters and the application of the assumptions.

How the matter was addressed in our audit

Our audit procedures to assess ECL for loans and advances to customers and financial assets at amortised costs included the following:

- With the assistance of KPMG's IT audit specialists, understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers and financial assets at amortised costs, the credit risk staging process and the measurement of ECL for loans and advances to customers and financial assets at amortised costs.

- With the assistance of KPMG's financial risk specialists, assessing the appropriateness of the ECL model in determining the loss allowance of loans and advances to customers and financial assets at amortised costs and the appropriateness of the key parameters and assumptions in the model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other adjustments, and assessing the appropriateness of related key management judgement.

- Assessing the completeness and accuracy of key data used in the ECL model. We compared the total balance of the loans and advances to customers and financial assets at amortised costs used by management to assess the ECL allowance with the general ledger to check the completeness of the data. We also selected samples to compare information of individual loan and advance to customers and financial assets at amortised costs with the underlying agreements and other related documentation. In addition, we checked the accuracy of key external data used by management by comparing them with public sources.

- For key parameters used in the ECL model which were derived from system generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved KPMG's IT audit specialists to assess the accuracy of the loans and advances' overdue information on a sample basis.

Measurement of expected credit losses for loans and advances to customers and financial investments (continued)

See Note 4(c), Note 5(i), Note 21 and Note 22 to the consolidated financial statements.

The Key Audit Matter

The amount of impairment of the loans and advances to customers and financial assets at amortised costs is significant, and the measurement has a high degree of estimation uncertainty. The measurement of ECL applied significant management judgments and assumptions, and involved significant inherent risk. In view of these reasons, we identified this as a key audit matter.

How the matter was addressed in our audit

- Evaluating the reasonableness of management's assessment on whether the credit risk of the loans and advances customers and financial assets at amortised costs have, or have not, increased significantly since initial recognition and whether the loans and advances to customers and financial assets at amortised costs are credit-impaired by selecting risk-based samples. We analyzed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. For selected samples, we checked loans and advances to customers and financial assets at amortised costs overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses, to check the credit risk status of the borrower, and the reasonableness of credit risk stage.

- For corporate loans and advances and financial assets at amortised costs that are credit-impaired, we selected samples to evaluate the forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, collateral valuations, other available information and possible future factors together with discount rates in supporting the computation of loss allowance.

- Based on our procedures performed, we selected samples and assessed the accuracy of calculation for loans and advances to customers and financial assets at amortised costs' credit losses by using the ECL model.

- Performing retrospective review of ECL model components and significant assumptions to assess whether the results indicate possible management bias on loss estimation.

- Assessing the reasonableness of the disclosures in the financial statements in relation to ECL for loans and advances to customers and financial assets at amortised costs against prevailing accounting standards.

Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products

See Note 4(a), Note 5(v) and Note 58 to the consolidated financial statements.

The Key Audit Matter

As at 31 December 2023, all of non-principal guaranteed wealth management products ("WMPs") issued and managed by the Group are structured entities that are not included in the scope of consolidation.

In determining whether the Group retains any partial interests in a structured entity for non-principal guaranteed WMPs or should consolidate it, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.

We have identified this as a key audit matter due to the material balance and significant management judgements were involved in assessing the consolidation of the structured entities for non-principal guaranteed WMPs.

How the matter was addressed in our audit

Our audit procedures related to consolidation of structured entities for non-principal guaranteed WMPs included the following:

- understanding and assessing the design, implementation, and operating effectiveness of key internal controls of financial reporting over measurement of interests in and consolidation of structured entities for non-principal guaranteed WMPs.
- selecting samples of structured entities for non-principal guaranteed WMPs and performing the following procedures:
  - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity for non-principal guaranteed WMPs and the involvement the Group has with the structured entity for non-principal guaranteed WMPs and to assess management's judgement over whether the Group can exercise power over the structured entity for non-principal guaranteed WMPs;
  - performed independent analysis and tests on the variable returns from the structured entities for non-principal guaranteed WMPs, including but not limited to commission income and asset management fees earned, gain from investments, retention of residual income, and, if any, liquidity, and other support provided to the structured entities for non-principal guaranteed WMPs, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;

Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products (continued)

See Note 4(a), Note 5(v) and Note 58 to the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
	– inspecting management's analysis of the structured entity for non-principal guaranteed WMPs, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity for non-principal guaranteed WMPs, to assess management's judgement over the Group's ability to affect its variable returns from the structured entity for non-principal guaranteed WMPs; – assessing management's judgement over whether the structured entity for non-principal guaranteed WMPs should be consolidated or not. • assessing the reasonableness of the disclosures in the financial statements in relation to the measurement of interests in and consolidation of structured entities for non-principal guaranteed WMPs against prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Wong Yuen Shan.

Certified Public Accountants

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

21 March 2024

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

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Years ended 31 December 2023	2022
Interest income		**317,692**	313,609
Interest expense		**(174,153)**	(162,962)
Net interest income	6	**143,539**	150,647
Fee and commission income		**36,999**	41,051
Fee and commission expense		**(4,616)**	(3,959)
Net fee and commission income	7	**32,383**	37,092
Net trading gain	8	**7,138**	4,881
Net gain from investment securities	9	**21,103**	17,771
Other operating income		**1,407**	718
Operating income		**205,570**	211,109
Operating expenses	10	**(69,214)**	(66,838)
Operating profit before impairment		**136,356**	144,271
Credit impairment losses	11	**(61,926)**	(71,359)
Impairment losses on other assets	12	**(278)**	(45)
Revaluation losses on investment properties		**(1)**	(74)
Share of profit of associates and joint ventures		**736**	623
Profit before tax		**74,887**	73,416
Income tax expense	13	**(6,825)**	(10,466)
Profit for the year		**68,062**	62,950
Net profit attributable to:			
Equity holders of the Bank		**67,016**	62,103
Non-controlling interests		**1,046**	847

	Notes	Years ended 31 December 2023	2022
Profit for the year		**68,062**	62,950
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		**(144)**	237
Items that may be reclassified subsequently to profit or loss (net of tax):			
— Other comprehensive income transferable to profit or loss under equity method		**39**	(28)
— Fair value changes on financial assets at fair value through other comprehensive income		**4,989**	(8,191)
— Impairment allowance on financial assets at fair value through other comprehensive income		**(512)**	145
— Exchange difference on translation of financial statements		**1,198**	4,132
— Others		**5**	4
Other comprehensive income, net of tax	14	**5,575**	(3,701)
Total comprehensive income for the year		**73,637**	59,249
Total comprehensive income attribute to:			
Equity holders of the Bank		**72,508**	58,681
Non-controlling interests		**1,129**	568
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	15	**1.27**	1.17
Diluted earnings per share (RMB)	15	**1.14**	1.06

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

Chapter 9 Consolidated Annual Statement of Financial Position

As at 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	31 December 2023	31 December 2022
Assets			
Cash and balances with central banks	16	**416,442**	477,381
Deposits with banks and non-bank financial institutions	17	**81,075**	78,834
Precious metals		**11,674**	5,985
Placements with and loans to banks and non-bank financial institutions	18	**237,742**	218,164
Derivative financial assets	19	**44,675**	44,383
Financial assets held under resale agreements	20	**104,773**	13,730
Loans and advances to customers	21	**5,383,750**	5,038,967
Financial investments	22		
— at fair value through profit or loss		**613,824**	557,594
— at amortised cost		**1,085,598**	1,135,452
— at fair value through other comprehensive income		**888,677**	804,695
— designated at fair value through other comprehensive income		**4,807**	5,128
Investments in associates and joint ventures	23	**6,945**	6,341
Investment properties	25	**528**	516
Property, plant and equipment	26	**38,309**	34,430
Right-of-use assets	27	**10,643**	10,824
Intangible assets		**4,595**	3,715
Goodwill	28	**926**	903
Deferred tax assets	29	**52,480**	55,011
Other assets	30	**65,021**	55,490
Total assets		**9,052,484**	8,547,543
Liabilities			
Borrowings from central banks		**273,226**	119,422
Deposits from banks and non-bank financial institutions	32	**927,887**	1,143,776
Placements from banks and non-bank financial institutions	33	**86,327**	70,741
Financial liabilities at fair value through profit or loss		**1,588**	1,546
Derivative financial liabilities	19	**41,850**	44,265
Financial assets sold under repurchase agreements	34	**463,018**	256,194
Deposits from customers	35	**5,467,657**	5,157,864
Accrued staff costs	36	**22,420**	21,905
Taxes payable	37	**3,843**	8,487
Debt securities issued	38	**965,981**	975,206
Lease liabilities	27	**10,245**	10,272
Provisions	39	**10,846**	9,736
Deferred tax liabilities	29	**1**	3
Other liabilities	40	**42,920**	42,296
Total liabilities		**8,317,809**	7,861,713

	Notes	**31 December 2023**	31 December 2022
Equity			
Share capital	41	**48,967**	48,935
Other equity instruments	42	**118,060**	118,076
Capital reserve	43	**59,400**	59,216
Other comprehensive income	44	**4,057**	(1,621)
Surplus reserve	45	**60,992**	54,727
General reserve	46	**105,127**	100,580
Retained earnings	47	**320,619**	285,505
Total equity attributable to equity holders of the Bank		**717,222**	665,418
Non-controlling interests	48	**17,453**	20,412
Total equity		**734,675**	685,830
Total liabilities and equity		**9,052,484**	8,547,543

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

Approved and recognized for issue by the board of directors on 21 March 2024.

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

Chapter 9 Consolidated Annual Statement of Changes in Equity

For the year ended 31 December 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
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) Net profit		–	–	–	–	–	–	67,016	458	588	68,062
(ii) Other comprehensive income	14	–	–	–	5,492	–	–	–	83	–	5,575
Total comprehensive income		–	–	–	5,492	–	–	67,016	541	588	73,637
(iii) Investor capital											
— Conversion of convertible corporate bonds to equity		32	(16)	192	–	–	–	–	–	–	208
— Reduction of capital by other equity instruments holders		–	–	(4)	–	–	–	–	–	(3,502)	(3,506)
— Reduction of capital by Non-controlling interests		–	–	–	–	–	–	–	(2)	–	(2)
(iv) Profit appropriations											
— Appropriations to surplus reserve	46	–	–	–	–	6,265	–	(6,265)	–	–	–
— Appropriations to general reserve	47	–	–	–	–	–	4,547	(4,547)	–	–	–
— Dividend distribution to ordinary shareholders of the Bank		–	–	–	–	–	–	(16,110)	–	–	(16,110)
— Dividend distribution to non-controlling interests	47/48	–	–	–	–	–	–	–	(6)	–	(6)
— Dividend distribution to preference shareholders		–	–	–	–	–	–	(1,428)	–	–	(1,428)
— Interest paid to holders of perpetual bonds		–	–	–	–	–	–	(3,360)	–	(588)	(3,948)
(v) Transfers within the owners' equity											
— Other comprehensive income transferred to retained earnings		–	–	–	186	–	–	(186)	–	–	–
— Reduction of capital by Non-controlling interests		–	–	(4)	–	–	–	(6)	10	–	–
As at 31 December 2023		48,967	118,060	59,400	4,057	60,992	105,127	320,619	9,763	7,690	734,675

		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	45	–	–	–	–	5,790	–	(5,790)	–	–	–
— Appropriations to general reserve	46	–	–	–	–	–	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 annual financial statements.

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

	Years ended 31 December	
	2023	2022
Operating activities		
Profit before tax	**74,887**	73,416
Adjustments for:		
— revaluation gains on investments, derivatives and investment properties	**(521)**	(964)
— investment gains	**(19,843)**	(14,287)
— net gain on disposal of property, plant and equipment, intangible assets and other assets	**(9)**	32
— unrealised foreign exchange (gains)/losses	**(3,013)**	52
— credit impairment losses	**61,926**	71,359
— impairment losses on other assets	**278**	45
— depreciation and amortisation	**4,868**	4,110
— interest expense on debt securities issued	**24,996**	27,082
— dividend income from equity investment	**(169)**	(102)
— depreciation of right-of-use assets and interest expense on lease liabilities	**3,710**	3,731
— income tax paid	**(13,523)**	(18,043)
Subtotal	**133,587**	146,431
Changes in operating assets and liabilities:		
Decrease/(Increase) in balances with central banks	**8,361**	(3,363)
Decrease in deposits with banks and non-bank financial institutions	**1,760**	8,921
Decrease/(Increase) in placements with and loans to banks and non-bank financial institutions	**6,115**	(85,386)
(Increase)/Decrease in financial assets held under resale agreements	**(90,988)**	77,922
Increase in loans and advances to customers	**(380,326)**	(347,961)
(Increase)/Decrease at fair value through the profit or loss in financial assets	**(79,755)**	2,550
Increase/(Decrease) in borrowings from central banks	**152,670**	(69,087)
Decrease in deposits from banks and non-bank financial institutions	**(215,881)**	(30,317)
Increase/(Decrease) in placements from banks and non-bank financial institutions	**17,387**	(8,820)
Increase/(Decrease) in financial liabilities at fair value through profit or loss	**5**	(680)
Increase in financial assets sold under repurchase agreements	**206,389**	157,583
Increase in deposits from customers	**286,207**	340,067
Increase in other operating assets	**(46,723)**	(17,411)
(Decrease)/Increase in other operating liabilities	**274**	24,617
Subtotal	**(134,505)**	48,635
Net cash flows (used in)/from operating activities	**(918)**	195,066

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Years ended 31 December 2023	2022
Investing activities			
Proceeds from disposal and redemption of investments		**2,768,331**	2,580,725
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**83**	127
Cash received from equity investment income		**653**	507
Cash received from disposal of associates		**70**	39
Payments on acquisition of investments		**(2,753,726)**	(2,690,472)
Payments on acquisition of property, plant and equipment, land use rights and other assets		**(13,524)**	(6,799)
Net cash flows from/(used in) investing activities		**1,887**	(115,873)
Financing activities			
Cash received from issuing other equity instruments		**–**	3,990
Cash received from debt securities issued		**1,096,139**	850,086
Cash paid for redemption of other equity instruments		**(3,516)**	–
Cash paid for redemption of debt securities issued		**(1,106,000)**	(836,677)
Interest paid on debt securities issued		**(24,724)**	(26,513)
Cash paid for dividends		**(21,492)**	(20,035)
Cash paid in connection with other financing activities		**(3,509)**	(3,390)
Net cash flows used in financing activities		**(63,102)**	(32,539)
Net decrease in cash and cash equivalents		**(62,133)**	46,654
Cash and cash equivalents as at 1 January		**307,871**	252,818
Effect of exchange rate changes on cash and cash equivalents		**3,264**	8,399
Cash and cash equivalents as at 31 December	49	**249,002**	307,871
Cash flows from operating activities include:			
Interest received		**318,778**	320,205
Interest paid		**(136,150)**	(131,295)

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

For the year ended 31 December 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 Financial Regulatory Administration (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 31 December 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 annual 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 annual financial statements were approved by the Board of Directors of the Bank on 21 March 2024.

2 Basis of preparation

These consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements for the year ended 31 December 2023 comprise the Bank and its subsidiaries, associates and joint ventures.

(a) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(b) Functional currency and presentation currency

The functional currency of the Bank is Renminbi ("RMB"). The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the consolidated financial statements according to Note 4 (b)(ii). The consolidated financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

3 Principal accounting policies

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

(a) Standards and amendments effective in 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 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies
- 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.

(b) Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2023

Effective date	New accounting standards or amendments
1 January 2024	Non-current Liabilities with Covenants-Amendments to IAS 1 and Classification of Liabilities as Current or Non-current-Amendments to IAS 1
1 January 2024	Lease Liability in a Sale and Leaseback-Amendments to IFRS 16
1 January 2024	Supplier Finance Arrangements-Amendments to IAS 7 and IFRS 7
1 January 2025	Lack of Exchangeability-Amendments to IAS 21
Available for optional adoption/ effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(Amendments to IFRS 10 and IAS 28)

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies

(a) Consolidated financial statements

(i) Business combinations involving enterprises under common control

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

(ii) Business combinations not involving entities under common control

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

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

(iii) Consolidated financial statements

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

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

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

4 Summary of significant accounting policies (continued)

(a) Consolidated financial statements (continued)

(iii) Consolidated financial statements (continued)

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

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

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

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

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognized assets, liabilities, non-controlling interests and other related items in equity holders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognized as investment income for the current period when the control is lost.

If there is a difference between the accounting entity of the Group and the accounting entity of the Bank or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (continued)

(b) Foreign currency translations

(i) Translation of foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated into Renminbi by applying the spot exchange rates at the dates of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the reporting date. The resulting exchange differences are recognized in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rate at the date the fair value is determined. The differences arising from the translation of financial assets at fair value through other comprehensive income is recognized in other comprehensive income. Changes in the fair value of monetary assets denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognized in the consolidated statement of profit or loss, and other changes in the carrying amount are recognized in other comprehensive income. The translation differences resulting from other monetary assets and liabilities are recognized in the consolidated statement of profit or loss.

(ii) Translation of financial statements denominated in foreign currency

Financial statements denominated in foreign currency are translated into Renminbi for the preparation of consolidated financial statements. The assets and liabilities in the financial statements denominated in foreign currency are translated into Renminbi at the spot exchange rates prevailing at the reporting date. The equity items, except for "retained earnings", are translated to Renminbi at the spot exchange rates at the dates on which such items arose. Income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction.

The resulting exchange differences are recognized in other comprehensive income.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognized in equity holders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows.

4 Summary of significant accounting policies (continued)

(c) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

(i) Initial recognition and classification of financial instruments

Financial assets

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

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

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

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

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

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

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

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

Debt Instruments

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

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

- Amortised cost: Assets that are held for collection of contractual cashflows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost.

- Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

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

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

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

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

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

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

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

(ii) Measurement of financial assets

Initial measurement

At initial recognition, the Group measures a financial asset or financial liability at its fair value. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognized in profit or loss. For other financial asset or liability, transaction costs are recognized in the initial measurement.

Subsequent measurement

Subsequent measurement of financial instruments depends on the categories:

Financial assets and financial liabilities measured at amortised cost

The amortised cost is the amount at which the financial asset is measured at initial recognition: i) minus the principal; ii) plus or minus the cumulative recognized using the effective interest method of any difference between that initial amount and maturity amount; iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses ('ECL') and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of this gross carrying amount and incorporates the impact of ECL in estimated future cash flows.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Measurement of financial assets (continued)

Financial assets and financial liabilities measured at amortised cost (continued)

Interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, except for:

i) a POCI financial asset, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to its amortised cost; and

ii) a financial asset that is not a POCI financial asset but has subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to its amortised cost. If, in a subsequent period, the financial asset improves its quality so that it is no longer credit-impaired and the improvement in credit quality can be related objectively to a certain event occurring after the application of the above-mentioned rule, then the interest income can again be calculated by applying the effective interest rate to its gross carrying amount. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

For floating-rate financial assets and floating-rate financial liabilities, periodic re-estimation of cash flows to reflect the movements in the market rates of interest alters the effective interest rate. If a floating rate financial asset or a floating rate financial liability is recognized initially at an amount equal to the principal receivable or payable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or the liability.

If the Group revises its estimates of payments or receipts, the difference between the gross carrying amount of the financial asset or amortised cost of a financial liability calculated from revised estimated contractual cash flows and the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate should be recognized in profit or loss.

Financial assets at fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognized in profit or loss.

When the financial assets is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity instruments

Where an investment in an equity investment not held for trading is designated as a financial asset measured at fair value through other comprehensive income, the fair value changes of the financial asset is derecognized in the other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to retained earnings. The dividends on the investment are recognized in profit or loss only when the Group's right to receive payment of the dividends is established.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Measurement of financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on the financial assets that is measured at fair value should be recognized in profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and
- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period.

(iii) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with exposure arising from loan commitments, financial guarantee contracts and lease receivables.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, i. e. all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

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

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

Detailed information about ECL is set out in note 54 (a).

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

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

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

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4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Modification of loans

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

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

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(v) Derivatives and hedges

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Derivatives and hedges (continued)

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognized assets or liabilities or firm commitments for fair value hedges.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

(vi) Derecognition of financial assets

Financial assets

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

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

– the carrying amount of the financial asset transferred;

– the sum of the consideration received from the transfer and the cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognized an associated liability.

Financial liabilities

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. An agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of profit and loss.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(vii) Securitization

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

(viii) Sales of assets on condition of repurchase

De-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognize the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognize the financial asset.

(ix) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the consolidated statement of financial position and are not offset. However, financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only if the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by recognizing the asset and settling the liability simultaneously.

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

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

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

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

(xi) Equity instruments

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

4 Summary of significant accounting policies (continued)

(d) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals acquired by the Group for trading purposes and precious metals leasing are initially measured at fair value and subsequent changes in fair value are recorded in the consolidated statement of profit or loss.

(e) Interests in subsidiaries

In the Bank's consolidated statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (see Note 4 (m)). Cost includes direct attributable costs of investment. Dividends declared by subsidiaries are recognized in investment income.

Determination of investment cost

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

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

(f) Interests in associates and joint ventures

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

When acquiring associates and joint ventures, the Group recognizes as initial investment cost in the principle which: for the investments obtained by making payment in cash, the Group recognizes the purchase cost which is actually paid as initial investment costs; for the investments obtained by equity securities, the Group recognizes the fair value of the equity securities issued as initial investment cost.

An investment in an associate or a joint venture is accounted for using the equity method, unless the investment is classified as held for sale.

The Group adopts the following accounting treatments when using the equity method:

- Where the initial investment cost of an associate or joint venture exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

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

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4 Summary of significant accounting policies (continued)

(f) Interests in associates and joint ventures (continued)

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

– The Group discontinues recognition of its share of net losses of investees after the carrying amount of investment in the associates and joint ventures and any long-term interest that in substance forms part of the Group's net interest in the associates and joint ventures are reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate. Where profits are subsequently made by the associates and joint ventures, the Group resumes the recognition of its share of those profits only after its share of the profits equals the share of losses not recognized.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

The Group makes provisions for impairment of interests in associates and joint ventures in accordance with the principles described in Note 4 (m).

(g) Property, plant and equipment

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

(i) Cost

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

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

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

(ii) Subsequent costs

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

4 Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

(iii) Depreciation

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

The estimated useful lives are as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Buildings	30-35 years	0%~5%	2.71%-3.17%
Computer equipment and others	3-10 years	0%~5%	9.50%-31.67%

No depreciation is provided in respect of construction in progress.

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

(iv) Impairment

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

(v) Disposal and retirement

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

(h) Lease

A lease is a contract under which the lessor conveys to the lessee the right to use an asset for a period of time in exchange for consideration.

The Group as the lessee

The Group recognises the right-of-use assets on the commencement date of the lease term and recognises the lease liability at the present value of the lease payments that have not been paid yet. Each lease payment is allocated between the liability and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease payments include fixed payments and payments to be made in the event that it is reasonably determined that the purchase option will be exercised or the lease option is terminated. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used.

The Group's right-of-use assets include leased buildings, land use right, equipment, vehicles and others. The right of- use assets are initially measured at cost, which includes the initial measurement of the lease liability, the lease payments paid on or before the lease commencement date, and the initial direct costs, less any lease incentives received. If the Group can reasonably expect to obtain the ownership of the leased asset at the expiration of the lease term, it is depreciated over the remaining useful life of the leased asset on a straight-line basis; if it is not possible to reasonably determine whether the ownership of the leased asset can be obtained at the expiration of the lease term, it is depreciated over the shorter period of the lease term and the remaining useful life of the leased assets on a straight-line basis. When the recoverable amount is lower than the carrying amount of an right-of-use asset, the Group writes down the carrying amount to the recoverable amount.

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4 Summary of significant accounting policies (continued)

(h) Lease (continued)

The Group as the lessee (continued)

For short-term leases with a lease term of no more than 12 months and leases of assets with low values when new, the Group chooses not to recognise the right-of-use assets and lease liabilities. Instead, it recognises in each period the relevant rental payments in profit or loss or relevant asset costs on a straight-line basis over the lease term.

Land use rights are amortised on a straight-line basis over the respective periods of grant. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property, plant and equipment.

Impairment loss on land use rights is accounted for in accordance with the accounting policies as set out in Note 4 (m).

The Group as the lessor

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(i) Finance leases

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receipts and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the "net lease investment"), is included in "loans and advances to customers" on consolidated statement of financial position as a finance lease receivable. At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the net lease investment and the aggregate of their present value is recognised as unearned finance income which is included in "loans and advances to customers" as well. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses are accounted in accordance with the accounting policies as set out in Note 4 (c)(iii).

(ii) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 4 (g) except where the asset is classified as an investment property. Impairment losses are accounted in accordance with the accounting policies as set out in Note 4 (m). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 4 (t)(iv).

(iii) Intangible assets

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

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

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

4 Summary of significant accounting policies (continued)

(j) Investment properties

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

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

- There is an active property market in the location in which the investment property is situated;
- The Group can obtain the market price and other relevant information regarding the same type of or similar properties from the property market, so as to reasonably estimate the fair value of the investment property.

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

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

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

(k) Goodwill

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

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognized immediately in the consolidated statement of profit or loss.

On disposal of the related CGU or a group of CGUs, any attributable amount of the purchased goodwill net of allowance for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted in accordance with the accounting policies as set out in Note 4 (m).

(l) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realization of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognized at fair value and any taxes that are directly attributable to the assets, and other expenses incurred for collecting the repossessed assets.

When the fair value less costs to sell is lower than a repossessed asset's carrying amount, an impairment loss is recognized in the consolidated statement of profit or loss. Repossessed assets are recognized at the carrying value, net of allowance for impairment losses.

4 Summary of significant accounting policies (continued)

(l) Repossessed assets (continued)

The repossessed assets are disposed after acquisition and cannot be used without authorisation. The repossessed assets that are transferred to own use are treated as newly purchased property, plant and equipment.

Any gain or loss arising from the disposal of the repossessed assets is included in the consolidated statement of profit or loss in the period in which the item is disposed.

(m) Allowance for impairment of non-financial assets

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

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

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

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

(ii) Impairment of goodwill

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

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

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

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

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

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(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (continued)

(n) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i. e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique (Note 56).

(o) Employee benefits

(i) Employee salaries

During the accounting period when an employee has rendered service to the Group, the Group recognizes the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses, labor union expenses and employee education expenses, social insurance such as medical insurance, work-related injury insurance and maternity insurance, as well as housing provident funds, which are all calculated based on the regulated benchmark and ratio.

(ii) Post-employment benefits: Defined contribution plans

Pursuant to the relevant laws and regulations in the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension contributions are charged to profit or loss when the related services are rendered by the employees.

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

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

(iii) Post-employment benefits: Defined benefit plans

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

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

The Group recognizes the obligation of defined benefit plans in the accounting period in which the employees render the related services. Past-service costs are recognized immediately in the consolidated statement of profit or loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Re-measurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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4 Summary of significant accounting policies (continued)

(p) Government grants

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

Government grants are recognized when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants. Government grants are measured at the amount received or will be received when recognized as monetary assets. Government grants are measured at fair value when recognized as non-monetary assets.

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is recognized initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognized initially as deferred income and recognized in the consolidated statement of profit or loss in the same periods in which the expenses are recognized. A grant that compensates the Group for expenses incurred is recognized in the consolidated statement of profit or loss immediately. The Group uses the same statement method for similar government grants.

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates. The interest subsidies directly received from government are recorded as a reduction of interest expenses.

(q) Financial guarantee contracts and loan commitments

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

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit and loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognized as a provision.

4 Summary of significant accounting policies (continued)

(r) Provisions and contingent liabilities

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

A contingent liability is (a) a possible obligation that arises from past events and whose existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or (b) a present obligation that arises from past events and it is not probable that an outflow of economic benefits is required to settle the obligation; or the amount of the obligation cannot be measured reliably. Such liability is disclosed as contingent liabilities under Note 50.

(s) Fiduciary activities

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

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

(t) Income recognition

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

(i) Interest income

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

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

(ii) Fee and commission income

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

(iii) Dividend income

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

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(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (continued)

(t) Income recognition (continued)

(iv) Rental income from operating lease

Rental income received under operating leases is recognized as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognized in the consolidated statement of profit or loss as an integral part of the aggregate net lease payments receivable.

(v) Finance income from finance lease and hire purchase contract

Finance income implicit in finance lease and hire purchase payments is recognized as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period.

(u) Income tax

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be recognized.

At the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is recognized or the liability is settled according to the requirements of tax laws. The Group also considers the probability of realization and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and meet the additional conditions that deferred tax assets and liabilities relate to income taxes levied by the same authority on the same taxable entity.

(v) Cash equivalents

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

4 Summary of significant accounting policies (continued)

(w) Profit distribution

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

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

(x) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

(y) Operating segments

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group considers the business from different perspectives including products and services and geographic areas. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

5 Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit recognition (e. g. the likelihood of ustomers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 54 (a).

5 Critical accounting estimates and judgements (continued)

(i) Measurement of the expected credit loss allowance (continued)

A number of significant judgements are also required in applying the accounting equirements for measuring ECL, such as:

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- Management overlay for asset portfolios whose non-linear risk characteristics cannot be adequately reflected through impairment models; and
- Discounted cash flows model is applicable to assets related to corporate client in stage 3.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 54 (a).

(ii) Classification of financial assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include evaluation and reporting of financial asset performance to key management personnel, risks affecting the performance of financial assets and their management methods, and related business management personnel. The way to get paid, etc.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests is only included currency time value, credit risk, other basic borrowing risks, and considerations for costs and profits; whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

(iii) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

5 Critical accounting estimates and judgements (continued)

(iv) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements and etc., the Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

– whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

– the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgment is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

– where the Group neither retains nor transfers substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

(v) Consolidation of structured entities

The Group makes significant judgment to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

– assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

– performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and;

– assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

(vi) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be recognized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

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6 Net interest income

	Years ended 31 December	
	2023	2022
Interest income arising from (Note (i)):		
Deposits with central banks	**6,445**	6,100
Deposits with banks and non-bank financial institutions	**1,756**	1,569
Placements with and loans to banks and non-bank financial institutions	**8,125**	6,378
Financial assets held under resale agreements	**1,029**	1,092
Loans and advances to customers		
— corporate loans	**126,650**	119,218
— personal loans	**116,749**	120,438
Financial investments		
— at amortised cost	**36,759**	40,207
— at fair value through other comprehensive income	**20,117**	18,580
Others	**62**	27
Subtotal	**317,692**	313,609
Interest expense arising from:		
Borrowings from central banks	**(4,281)**	(4,974)
Deposits from banks and non-bank financial institutions	**(22,479)**	(23,818)
Placements from banks and non-bank financial institutions	**(2,366)**	(1,686)
Financial assets sold under repurchase agreements	**(3,762)**	(1,935)
Deposits from customers	**(115,734)**	(102,997)
Debt securities issued	**(24,996)**	(27,082)
Lease liabilities	**(454)**	(442)
Others	**(81)**	(28)
Subtotal	**(174,153)**	(162,962)
Net interest income	**143,539**	150,647

Note:

(i) Interest income includes interest income accrued on credit-impaired financial assets of RMB715 million for the year ended 31 December 2023 (2022: RMB462 million).

7 Net fee and commission income

	Years ended 31 December	
	2023	2022
Fee and commission income:		
Bank card fees	**16,800**	16,480
Commission for custodian business and other fiduciary	**6,303**	11,269
Agency fees and commission (Note (i))	**5,855**	5,692
Guarantee and advisory fees	**5,216**	5,357
Settlement and clearance fees	**2,261**	2,143
Others	**564**	110
Total	**36,999**	41,051
Fee and commission expense	**(4,616)**	(3,959)
Net fee and commission income	**32,383**	37,092

Note:

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

For the year ended 31 December 2023
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8 Net trading gain

	Years ended 31 December	
	2023	2022
Debt securities and certificates of interbank deposit	**4,110**	2,022
Foreign currencies	**4,046**	(1,909)
Derivatives and related exposures	**(1,018)**	4,768
Total	**7,138**	4,881

9 Net gain from investment securities

	Years ended 31 December	
	2023	2022
Financial investments		
— at fair value through profit or loss	**14,794**	12,728
— at amortised cost	**3,806**	360
— at fair value through other comprehensive income	**(130)**	(278)
— Investments in financial assets designated at fair value through other comprehensive income	**14**	41
Revaluation gain on transfer out of equity at disposal	**763**	2,846
Net gain from bills rediscounting	**916**	1,197
Proceeds from the resale of forfaiting	**549**	836
Others	**391**	41
Total	**21,103**	17,771

10 Operating expenses

	Years ended 31 December	
	2023	2022
Staff costs		
— salaries and bonuses	**28,100**	28,102
— welfare expenses	**1,318**	1,352
— social insurance	**1,565**	2,027
— housing fund	**1,982**	1,758
— labor union expenses and employee education expenses	**786**	888
— post-employment benefits – defined contribution plans	**3,990**	3,579
— post-employment benefits – defined benefit plans	**–**	1
— other benefits	**342**	375
Subtotal	**38,083**	38,082
Property and equipment related expenses		
— depreciation of right-of-use assets	**3,256**	3,289
— depreciation of property, plant and equipment	**2,915**	2,558
— rent and property management expenses	**1,107**	991
— maintenance	**1,334**	1,072
— amortisation expenses	**1,953**	1,552
— electronic equipment operating expenses	**520**	422
— others	**490**	444
Subtotal	**11,575**	10,328
Tax and surcharges	**2,185**	2,122
Other general operating and administrative expenses	**17,371**	16,306
Total	**69,214**	66,838

Notes:

(i) Included in other general operating and administrative expenses were audit fees of RMB16 million for the year ended 31 December 2023 (2022: RMB19 million) and non-audit fees of RMB3 million for the year ended 31 December 2023 (2022: RMB7 million).

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10 Operating expenses (continued)

(a) Individuals with highest emoluments

For the year ended 31 December 2023, of the X individuals with the highest emoluments in the Group, there was no director (2022: Nil) and no supervisor (2022: Nil). The aggregate of the emoluments before individual income tax in respect of the five (2022: five) highest paid individuals of the Group were as follows:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**21,163**	20,683
Discretionary bonuses	**21,856**	19,058
Contribution to pension scheme	**1,217**	979
Total	**44,236**	40,720

The emoluments before individual income tax of the five individuals of the Group with the highest emoluments are within the following bands:

	Years ended 31 December	
	2023	2022
RMB5,000,001 – RMB10,000,000	**5**	4
RMB10,000,001 – RMB15,000,000	**–**	1

No inducement fee and compensation for loss of office was paid to the five highest paid individuals for the year ended 31 December 2023 (2022: Nil).

11 Credit impairment losses

	Years ended 31 December	
	2023	2022
Credit impairment losses		
Impairment reversal of deposits with banks and non-bank financial institutions	**(43)**	(48)
Impairment losses of placements with and loans to banks and non-bank financial institutions	**1**	50
Impairment losses/(reversals) of financial assets held under resale agreements	**99**	(47)
Impairment losses of loans and advances to customers	**49,840**	55,786
Impairment losses of financial investments		
— at amortised cost	**2,282**	1,542
— at fair value through other comprehensive income	**223**	269
Impairment losses of other financial assets and accrued interest	**7,970**	5,220
Impairment losses of off-balance sheet items	**1,554**	8,587
Total	**61,926**	71,359

12 Impairment losses on other assets

	Years ended 31 December	
	2023	2022
Impairment losses of other assets-repossessed assets	**278**	45

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13 Income tax

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

		Years ended 31 December	
	Note	**2023**	2022
Current tax			
— Mainland China		**5,493**	16,032
— Hong Kong		**182**	57
— Overseas		**161**	32
Deferred tax	29(c)	**989**	(5,655)
Income tax		**6,825**	10,466

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

	Years ended 31 December	
	2023	2022
Profit before tax	**74,887**	73,416
Income tax calculated at PRC statutory tax rate	**18,722**	18,354
Effect of different tax rates in other regions	**(226)**	(213)
Tax effect of non-deductible expenses	**1,424**	3,456
Tax effect of non-taxable income		
— interest income arising from PRC government bonds and local government bonds	**(7,767)**	(7,121)
— dividend income from investment funds	**(3,900)**	(2,680)
— others	**(1,428)**	(1,330)
Income tax	**6,825**	10,466

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14 Other comprehensive income, net of tax

	Years ended 31 December	
	2023	2022
Items that will not be reclassified subsequently to profit or loss		
Changes in defined benefit plan liabilities		
— net changes during the year before tax	**–**	–
Fair value changes on financial asset designated at fair value through other comprehensive income, net of tax		
— net changes during the year before tax	**(128)**	345
— income tax	**(16)**	(108)
Subtotal	**(144)**	237
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income transferable to profit or loss under equity method		
— net changes during the year	**39**	(28)
Fair value changes on financial assets at fair value through other comprehensive income, net of tax (Note (i))		
— net changes during the year before tax	**7,051**	(7,530)
— net amount transferred to profit or loss	**(734)**	(2,862)
— Income tax	**(1,328)**	2,201
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note (ii))		
— net changes during the year	**(674)**	167
— Income tax	**162**	(22)
Others		
— net changes during the year before tax	**5**	4
Exchange differences on translation of financial statements	**1,198**	4,132
Subtotal	**5,719**	(3,938)
Other comprehensive income, net of tax	**5,575**	(3,701)

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.

15 Earnings per share

Earnings per share information for the years ended 31 December 2023 and 2022 is computed by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the year.

The Bank issued non-cumulative preference shares in 2016 under the terms and conditions as detailed in Note 42 (i). The Bank declared and paid cash dividends of RMB1,428 million of non-cumulative preference shares for the year of 2022 (2022: 1,428 million).

The Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in 2019, and the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in 2021, with terms and conditions disclosed in detail in Note 42(ii) under perpetual Bonds. The Bank declared and paid RMB3,360 million in interests on the perpetual bonds in 2023.

15 Earnings per share (continued)

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 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 year, by dividing the net profit for the year attributable to ordinary shareholders of the Bank after adjustments for the interest expenses of convertible corporate bonds for the year, by the adjusted weighted average number of outstanding ordinary shares for the year.

	Years ended 31 December	
	2023	2022
Profit for the year attributable to equity holders of the Bank	**67,016**	62,103
Less: Equity attributable to holders of other equity instruments of the Bank	**4,788**	4,788
Profit for the year attributable to ordinary shareholders of the Bank	**62,228**	57,315
Weighted average number of shares (in million shares)	**48,954**	48,935
Basic earnings per share (in RMB)	**1.27**	1.17
Diluted earnings per share (in RMB)	**1.14**	1.06

16 Cash and balances with central banks

	Notes	**31 December 2023**	31 December 2022
Cash		**4,467**	5,532
Balances with central banks			
— statutory deposit reserve funds	(i)	**356,042**	365,362
— surplus deposit reserve funds	(ii)	**52,473**	104,315
— fiscal deposits	(iii)	**356**	298
— foreign exchange reserve	(iv)	**2,926**	1,693
Accrued interest		**178**	181
Total		**416,442**	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 31 December 2023, the statutory deposit reserve funds placed with the PBOC was calculated at 7% (31 December 2022: 7.5%) of eligible Renminbi deposits for domestic branches of the Bank and at 7% (31 December 2022: 7.5%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 4% (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.

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17 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**31 December 2023**	31 December 2022
In Mainland China			
— banks		**52,508**	49,930
— non-bank financial institutions		**6,946**	6,734
Subtotal		**59,454**	56,664
Outside Mainland China			
— banks		**20,390**	18,836
— non-bank financial institutions		**839**	2,995
Subtotal		**21,229**	21,831
Accrued interest		**448**	437
Gross balance		**81,131**	78,932
Less: Allowances for impairment losses	31	**(56)**	(98)
Net balance		**81,075**	78,834

(b) Analysed by remaining maturity

	Note	**31 December 2023**	31 December 2022
Demand deposits (Note (i))		**42,383**	36,373
Time deposits with remaining maturity			
— within one month		**3,800**	4,883
— between one month and one year		**34,500**	37,239
Subtotal		**80,683**	78,495
Accrued interest		**448**	437
Gross balance		**81,131**	78,932
Less: Allowances for impairment losses	31	**(56)**	(98)
Net balance		**81,075**	78,834

Note:

(i) As at 31 December 2023, within the demand deposits there were pledged deposits of RMB9.11 million (as at 31 December 2022: RMB555 million). These deposits were mainly maintenance margins with a regulatory body.

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

(a) Analysed by types and locations of counterparties

	Note	31 December 2023	31 December 2022
In Mainland China			
— banks (Note (i))		**23,450**	15,215
— non-bank financial institutions		**148,150**	160,739
Subtotal		**171,600**	175,954
Outside Mainland China			
— banks		**64,997**	41,302
Subtotal		**64,997**	41,302
Accrued interest		**1,288**	1,048
Gross balance		**237,885**	218,304
Less: Allowances for impairment losses	31	**(143)**	(140)
Net balance		**237,742**	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 31 December 2023, the carrying amount of leased gold was RMB7,320 million (as at 31 December 2022: RMB8,739 million)

(b) Analysed by remaining maturity

	Note	31 December 2023	31 December 2022
Within one month		**70,820**	43,800
Between one month and one year		**164,277**	131,706
Over one year		**1,500**	41,750
Accrued interest		**1,288**	1,048
Gross balance		**237,885**	218,304
Less: Allowances for impairment losses	31	**(143)**	(140)
Net balance		**237,742**	218,164

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19 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.

	31 December 2023			31 December 2022		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging instruments						
— interest rate derivatives	**716**	**23**	**–**	600	9	–
Non-Hedging instruments						
— interest rate derivatives	**3,632,633**	**14,633**	**14,360**	3,083,202	14,950	14,887
— currency derivatives	**3,071,039**	**29,872**	**26,748**	2,506,299	29,173	28,780
— precious metal derivatives	**34,448**	**147**	**742**	35,523	250	598
— credit derivatives	**–**	**–**	**–**	30	1	–
Total	**6,738,836**	**44,675**	**41,850**	5,625,654	44,383	44,265

(a) Nominal amount analysed by remaining maturity

	31 December 2023	31 December 2022
Within three months	**2,606,918**	2,257,129
Between three months and one year	**2,594,719**	1,910,625
Between one year and five years	**1,500,503**	1,425,950
Over five years	**36,696**	31,950
Total	**6,738,836**	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 31 December 2023, the total amount of credit risk weighted amount for counterparty was RMB28,225 million (31 December 2022: RMB24,579 million).

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20 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	**31 December 2023**	31 December 2022
In Mainland China			
— banks		**51,038**	11,100
— non-bank financial institutions		**51,124**	848
Subtotal		**102,162**	11,948
Outside Mainland China			
— banks		**2,197**	149
— non-bank financial institutions		**478**	1,628
Subtotal		**2,675**	1,777
Accrued interest		**35**	5
Gross balance		**104,872**	13,730
Less: Allowance for impairment losses	31	**(99)**	–
Net balance		**104,773**	13,730

(b) Analysed by types of collateral

	Note	**31 December 2023**	31 December 2022
Debt securities		**103,338**	13,725
Discounted bills		**1,499**	–
Subtotal		**104,837**	13,725
Accrued interest		**35**	5
Gross balance		**104,872**	13,730
Less: Allowance for impairment losses	31	**(99)**	–
Net balance		**104,773**	13,730

(c) Analysed by remaining maturity

	Note	**31 December 2023**	31 December 2022
Within one month		**103,887**	13,403
Between one month and one year		**950**	322
Accrued interest		**35**	5
Gross balance		**104,872**	13,730
Less: Allowance for impairment losses	31	**(99)**	–
Net balance		**104,773**	13,730

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21 Loans and advances to customers

(a) Analysed by nature

	Note	31 December 2023	31 December 2022
Loans and advances to customers at amortised cost			
Corporate loans and advances			
— loans		**2,586,610**	2,418,718
— discounted bills		**1,684**	3,704
— finance lease receivables		**46,819**	46,566
Subtotal		**2,635,113**	2,468,988
Personal loans and advances			
— residential mortgages		**1,003,321**	975,807
— credit cards		**521,260**	511,101
— business loans		**459,113**	378,819
— personal consumption		**298,561**	250,813
— finance lease receivables		**1,591**	370
Subtotal		**2,283,846**	2,116,910
Accrued interest		**19,948**	17,180
Gross balance		**4,938,907**	4,603,078
Less: Allowances impairment losses on loans	31		
— principal		**(133,861)**	(130,573)
— interest		**(681)**	(412)
Loans and advances to customers at amortised cost, net		**4,804,365**	4,472,093
Loans and advances to customers at fair value through other comprehensive income			
— loans		**58,163**	54,851
— discounted bills		**515,664**	508,142
Carrying amount of loans and advances at fair value through other comprehensive income		**573,827**	562,993
— fair value changes through other comprehensive income		**(98)**	(547)
Loans and advances to customers at fair value through profit or loss			
— loans		**5,558**	3,881
Total		**5,383,750**	5,038,967
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	31	**(656)**	(629)

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21 Loans and advances to customers (continued)

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

	31 December 2023			
	Stage one	**Stage two**	**Stage three (Note (i))**	**Total**
Gross loans and advances to customers at amortised costs	**4,755,900**	**96,023**	**67,036**	**4,918,959**
Accrued interest	**19,039**	**411**	**498**	**19,948**
Less: Allowance for impairment losses	**(62,976)**	**(27,105)**	**(44,461)**	**(134,542)**
Carrying amount of loans and advances to customers measured at amortised cost	**4,711,963**	**69,329**	**23,073**	**4,804,365**
Carrying amount of loans and advances to customers at fair value through other comprehensive income	**573,370**	**345**	**112**	**573,827**
Total	**5,285,333**	**69,674**	**23,185**	**5,378,192**
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	**(586)**	**–**	**(70)**	**(656)**

	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)

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21 Loans and advances to customers (continued)

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

Note:

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

	31 December 2023	31 December 2022
Secured portion	**33,606**	43,044
Unsecured portion	**33,542**	32,059
Gross balance	**67,148**	75,103
Allowance for impairment losses	**(44,531)**	(48,363)

As at 31 December 2023, the maximum exposure covered by pledge and collateral held on secured portion is RMB33,438 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

	31 December 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	**19,859**	**11,806**	**2,089**	**246**	**34,000**
Guaranteed loans	**1,544**	**4,243**	**2,600**	**1,018**	**9,405**
Loans with pledged assets					
— loans secured by collateral	**15,564**	**11,757**	**10,249**	**1,054**	**38,624**
— pledged loans	**3,789**	**1,084**	**2,387**	**137**	**7,397**
Total	**40,756**	**28,890**	**17,325**	**2,455**	**89,426**

	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.

21 Loans and advances to customers (continued)

(d) Finance lease receivables

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

	31 December 2023	31 December 2022
Within one year (including one year)	**15,008**	14,247
One year to two years (including two years)	**12,638**	10,568
Two years to three years (including three years)	**6,647**	7,503
Over three years	**14,117**	14,618
Gross balance	**48,410**	46,936
Less: Allowance for impairment losses		
— stage one	**(798)**	(960)
— stage two	**(691)**	(499)
— stage three	**(365)**	(419)
Net balance	**46,556**	45,058

22 Financial investments

(a) Analysed by types

	Note	**31 December 2023**	31 December 2022
Financial assets at fair value through profit or loss			
Investment funds		**421,154**	431,958
Debt securities		**106,501**	80,690
Certificates of deposit		**75,790**	35,543
Equity instruments		**6,334**	7,887
Wealth management products		**4,045**	1,516
Net balance		**613,824**	557,594
Financial assets at amortised cost			
Debt securities		**870,087**	887,763
Trust investment plans		**204,840**	222,819
Investment management products managed by securities companies		**22,908**	39,628
Certificates of deposit and interbank certificates of deposit		**1,064**	3,424
Subtotal		**1,098,899**	1,153,634
Accrued interest		**13,004**	10,384
Less: Allowance for impairment losses	31	**(26,305)**	(28,566)
— principles		**(26,239)**	(28,528)
— accrued interest		**(66)**	(38)
Net balance		**1,085,598**	1,135,452

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22 Financial investments (continued)

(a) Analysed by types (continued)

	Note	**31 December 2023**	31 December 2022
Financial assets at fair value through other comprehensive income (Note (i))			
Debt securities		**877,424**	777,438
Certificates of deposit		**4,922**	21,501
Subtotal		**882,346**	798,939
Accrued interest		**6,331**	5,756
Net balance		**888,677**	804,695
Allowances for impairment losses on financial investments at fair value through other comprehensive income	31	**(1,968)**	(2,717)
Financial assets designated at fair value through other comprehensive income (Note (i))		**4,807**	5,128
Total		**2,592,906**	2,502,869

Notes:

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

	Note	**Equity instruments**	**31 December 2023 Debt securities instruments**	**Total**
Costs/Amortised cost		**5,421**	**882,343**	**887,764**
Accumulated fair value change in other comprehensive income		**(614)**	**3**	**(611)**
Fair value		**4,807**	**882,346**	**887,153**
Allowance for impairment losses	31		**(1,968)**	**(1,968)**

	Note	Equity instruments	31 December 2022 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	31		(2,717)	(2,717)

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22 Financial investments (continued)

(b) Analysed by location of counterparties

	Note	31 December 2023	31 December 2022
In Chinese Mainland			
— governments		**1,379,382**	1,097,552
— policy banks		**52,960**	88,726
— banks and non-bank financial institutions		**906,935**	1,097,864
— corporates		**90,512**	99,992
Subtotal		**2,429,789**	2,384,134
Outside Chinese Mainland			
— governments		**80,515**	57,946
— banks and non-bank financial institutions		**41,467**	32,736
— corporates		**44,182**	39,171
— public entities		**3,923**	1,308
Subtotal		**170,087**	131,161
Accrued interest		**19,335**	16,140
Total		**2,619,211**	2,531,435
Less: Impairment allowance for financial assets at amortised cost	31	**(26,305)**	(28,566)
Net balance		**2,592,906**	2,502,869
Listed in Hong Kong		**43,247**	50,959
Listed outside Hong Kong		**2,210,432**	2,074,660
Unlisted		**339,227**	377,250
Total		**2,592,906**	2,502,869

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

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22 Financial investments (continued)

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

	31 December 2023			
	Stage one	**Stage two**	**Stage three**	**Total**
Financial assets at amortised costs	**1,046,006**	**5,447**	**47,446**	**1,098,899**
Accrued interest	**12,455**	**488**	**61**	**13,004**
Less: Allowance for impairment losses	**(2,676)**	**(1,361)**	**(22,268)**	**(26,305)**
Net balance	**1,055,785**	**4,574**	**25,239**	**1,085,598**
Financial assets at fair value through other comprehensive income	**880,873**	**503**	**970**	**882,346**
Accrued interest	**6,292**	**–**	**39**	**6,331**
Net balance	**887,165**	**503**	**1,009**	**888,677**
Total carrying amount of financial assets affected by credit risk	**1,942,950**	**5,077**	**26,248**	**1,974,275**
Allowance for impairment losses of other debt instruments included in other comprehensive income	**(1,289)**	**(219)**	**(460)**	**(1,968)**

	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)

23 Investments in associates and joint ventures

	Note	**31 December 2023**	31 December 2022
Investments in joint ventures	(a)	**6,572**	5,811
Investments in associates	(b)	**373**	530
Total		**6,945**	6,341

23 Investments in associates and joint ventures (continued)

(a) Investment in joint ventures

The details of the joint ventures as at 31 December 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 year ended 2023				
Name of Company	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net gain**
CITIC aiBank	**112,511**	**104,177**	**8,334**	**4,534**	**855**
JSC Altyn Bank	**13,849**	**12,010**	**1,839**	**900**	**519**

	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

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

	Year ended 31 December 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	**40**	(20)
Share of net gain/(loss) of the joint ventures for the year	**827**	611
Exchange difference	**4**	–
As at 31 December	**6,572**	5,811

23 Investments in associates and joint ventures (continued)

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 31 December 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 Assets Trading Center Co Ltd ("Tianjin Leasing Asset Trading Center") (Note (i))	Corporation	Tianjin	20%	Services and investment	RMB500 million

Note:

(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.

Financial statements of the associates are as follow:

	As at or for the year ended 2023				
Name of Company	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net gain**
CIAM	**633**	**46**	**587**	**(68)**	**(161)**
Tianjin Leasing Asset Trading Center	**552**	**34**	**518**	**45**	**(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:

	Year ended 31 December 2023	Year ended 31 December 2022
Initial investment cost	**1,058**	1,129
As at 1 January	**530**	533
Changes in investment in associates	**(71)**	(39)
Share of net loss of associates for the year	**(91)**	12
Other changes in equity	**(1)**	(8)
Exchange difference	**6**	32
As at 31 December	**373**	530

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24 Investments in subsidiaries

	Notes	31 December 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 31 December 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").

(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.

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25 Investment properties

	Year ended 31 December 2023	Year ended 31 December 2022
Fair value as at 1 January	**516**	547
Change in fair value	**(1)**	(74)
Exchange difference	**13**	43
Fair value as at 31 December	**528**	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 31 December 2023.

All investment properties of the Group were revalued at 31 December 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.

26 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	**87**	**217**	**6,576**	**6,880**
Disposals	**(3)**	**–**	**(606)**	**(609)**
Exchange differences	**13**	**–**	**23**	**36**
As at 31 December 2023	**34,036**	**3,147**	**20,505**	**57,688**
Accumulated depreciation:				
As at 1 January 2023	**(8,336)**	**–**	**(8,615)**	**(16,951)**
Depreciation charges	**(1,056)**	**–**	**(1,859)**	**(2,915)**
Disposals	**2**	**–**	**512**	**514**
Exchange differences	**(8)**	**–**	**(19)**	**(27)**
As at 31 December 2023	**(9,398)**	**–**	**(9,981)**	**(19,379)**
Net carrying value:				
As at 1 January 2023	**25,603**	**2,930**	**5,897**	**34,430**
As at 31 December 2023 (Note (i))	**24,638**	**3,147**	**10,524**	**38,309**

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26 Property, plant and equipment (continued)

	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

Note:

(i) As at 31 December 2023, the registration of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB10,735 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.

27 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	**3,088**		**2**	**21**	**3,111**
Disposals	**(2,232)**		**(13)**	**(6)**	**(2,251)**
Exchange differences	**40**		**–**	**–**	**40**
As at 31 December 2023	**20,132**	**1,221**	**72**	**73**	**21,498**
Accumulated depreciation:					
As at 1 January 2023	**(9,315)**	**(359)**	**(68)**	**(32)**	**(9,774)**
Accrual	**(3,200)**	**(30)**	**(13)**	**(13)**	**(3,256)**
Disposals	**2,181**		**11**	**5**	**2,197**
Exchange differences	**(22)**		**–**	**–**	**(22)**
As at 31 December 2023	**(10,356)**	**(389)**	**(70)**	**(40)**	**(10,855)**
Net carrying value:					
As at 1 January 2023	**9,921**	**862**	**15**	**26**	**10,824**
As at 31 December 2023	**9,776**	**832**	**2**	**33**	**10,643**

27 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 31 December 2023, the balance of the Group's lease liabilities amounted to RMB10,245million (31 December 2022: RMB10,272 million), including RMB2,944million of lease liabilities that will mature within a year (31 December 2022: RMB5,701 million).

As at 31 December 2023, lease payments relating to lease contracts signed but to be executed amounted to RMB27 million (31 December 2022: RMB68 million).

For the year ended 31 December 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 RMB209 million (for the year ended 31 December 2022: RMB167 million).

28 Goodwill

	Year ended 31 December 2023	Year ended 31 December 2022
As at 1 January	**903**	833
Exchange difference	**23**	70
As at 31 December	**926**	903

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

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29 Deferred tax assets/(liabilities)

	31 December 2023	31 December 2022
Deferred tax assets	**52,480**	55,011
Deferred tax liabilities	**(1)**	(3)
Net	**52,479**	55,008

(a) Analysed by nature and jurisdiction

	31 December 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	**198,150**	**49,423**	203,539	50,766
— fair value adjustments	**(9,859)**	**(2,539)**	64	16
— employee retirement benefits and salaries payable	**17,576**	**4,394**	11,685	2,924
— others	**4,665**	**1,202**	5,095	1,305
Subtotal	**210,532**	**52,480**	220,383	55,011
Deferred tax liabilities				
— fair value adjustments	**(5)**	**(1)**	(5)	(1)
— others	**(2)**	**–**	(14)	(2)
Subtotal	**(7)**	**(1)**	(19)	(3)
Total	**210,525**	**52,479**	220,364	55,008

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

As at 31 December 2023, the deferred tax assets/liabilities offset by the Group were RMB5,442 million (31 December 2022: RMB3,131 million).

(c) Movement of deferred tax

	Allowance for impairment losses	**Fair value adjustments**	**Employee retirement benefits and accrued staff cost**	**Others**	**Total deferred tax**
As at 1 January 2023	**50,766**	**15**	**2,924**	**1,303**	**55,008**
Recognized in profit or loss	**(1,350)**	**(1,010)**	**1,470**	**(99)**	**(989)**
Recognized in other comprehensive income	**–**	**(1,551)**	**–**	**–**	**(1,551)**
Exchange differences	**7**	**6**	**–**	**(2)**	**11**
As at 31 December 2023	**49,423**	**(2,540)**	**4,394**	**1,202**	**52,479**
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

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30 Other assets

	Notes	31 December 2023	31 December 2022
Advanced payments and settlement accounts		**12,794**	11,286
Fee and commission receivables		**6,478**	9,861
Assets with continuing involvement		**11,654**	11,114
Precious metal leasing		**8,525**	5,101
Interest receivables	(i)	**5,899**	4,488
Repossessed assets	(ii)	**1,231**	1,478
Prepayments for properties and equipment		**3,820**	2,125
Leasehold improvements		**938**	801
Prepaid rent		**19**	12
Others	(iii)	**13,663**	9,224
Total		**65,021**	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 RMB6,633 million (as at 31 December 2022: RMB5,415 million).

(ii) Repossessed assets

	31 December 2023	31 December 2022
Premises	**2,367**	2,722
Others	**2**	6
Gross balance	**2,369**	2,728
Less: Allowance for impairment losses	**(1,138)**	(1,250)
Net balance	**1,231**	1,478

As at 31 December 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 income tax, deferred expense, etc.

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31 Movements of allowance for impairment losses

	Notes	Year ended 31 December 2023				
		As at 1 January	Charge/ (Reversal) for the year	Write-offs/ transfer out	Others Notes (i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	17	**98**	**(43)**	**–**	**1**	**56**
Placements with and loans to banks and non-bank financial institutions	18	**140**	**1**	**–**	**2**	**143**
Financial assets held under resale agreements	20	**–**	**99**	**–**	**–**	**99**
Loans and advances to customers	21	**131,202**	**49,840**	**(60,054)**	**13,529**	**134,517**
Financial investments						
— at amortised cost	22	**28,528**	**2,282**	**(4,620)**	**49**	**26,239**
— at fair value through other comprehensive income	22	**2,717**	**223**	**(1,009)**	**37**	**1,968**
Other financial assets and accrued interest		**7,349**	**7,970**	**(5,076)**	**826**	**11,069**
Off balance sheet credit assets	39	**8,957**	**1,554**	**–**	**9**	**10,520**
Subtotal		**178,991**	**61,926**	**(70,759)**	**14,453**	**184,611**
Allowance for impairment losses on other assets						
Other assets – repossessed assets		**1,250**	**278**	**(395)**	**5**	**1,138**
Subtotal		**1,250**	**278**	**(395)**	**5**	**1,138**

	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	17	145	(48)	–	1	98
Placements with and loans to banks and non-bank financial institutions	18	89	50	–	1	140
Financial assets held under resale agreements	20	47	(47)	–	–	–
Loans and advances to customers	21	121,471	55,786	(57,791)	11,736	131,202
Financial investments						
— at amortised cost	22	26,624	1,542	(1,530)	1,892	28,528
— at fair value through other comprehensive income	22	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	39	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

31 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 year.

32 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2023	31 December 2022
In Mainland China		
— banks	**265,621**	310,409
— non-bank financial institutions	**648,556**	822,110
Subtotal	**914,177**	1,132,519
Outside Mainland China		
— banks	**9,692**	7,085
— non-bank financial institutions	**260**	70
Subtotal	**9,952**	7,155
Accrued interest	**3,758**	4,102
Total	**927,887**	1,143,776

33 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2023	31 December 2022
In Mainland China		
— banks	**64,848**	51,186
Subtotal	**64,848**	51,186
Outside Mainland China		
— banks	**21,264**	18,684
— non-bank financial institutions	**50**	709
Subtotal	**21,314**	19,393
Accrued interest	**165**	162
Total	**86,327**	70,741

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34 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	31 December 2023	31 December 2022
In Mainland China		
— PBOC	**391,152**	217,858
— Banks	**51,190**	33,779
Subtotal	**442,342**	251,637
Outside Mainland China		
— Banks	**19,790**	4,427
— Non-bank financial institutions	**693**	55
Subtotal	**20,483**	4,482
Accrued interest	**193**	75
Total	**463,018**	256,194

(b) Analysed by type of collateral

	31 December 2023	31 December 2022
Debt securities	**369,613**	186,765
Discounted bills	**93,212**	69,354
Accrued interest	**193**	75
Total	**463,018**	256,194

The Group did not derecognize financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 31 December 2023, no legal title of the collateral has been transferred to counterparties. The above information of collateral is included in the Note 51.

35 Deposits from customers

Analysed by nature

	31 December 2023	31 December 2022
Demand deposits		
— corporate customers	**2,168,251**	1,937,135
— personal customers	**340,432**	349,013
Subtotal	**2,508,683**	2,286,148
Time and call deposits		
— corporate customers	**1,745,094**	1,855,977
— personal customers	**1,125,384**	942,803
Subtotal	**2,870,478**	2,798,780
Outward remittance and remittance payables	**19,022**	14,420
Accrued interest	**69,474**	58,516
Total	**5,467,657**	5,157,864

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35 Deposits from customers (continued)

Guarantee deposits included in above deposits:

	31 December 2023	31 December 2022
Bank acceptances	**407,634**	348,926
Guarantees	**21,005**	17,091
Letters of credit	**23,736**	25,132
Others	**38,651**	55,709
Total	**491,026**	446,858

36 Accrued staff costs

	Notes	Year ended 31 December 2023			
		As at 1 January	**Additions during the year**	**Reductions during the year**	**As at 31 December**
Salaries and bonuses		**20,643**	**28,100**	**(27,505)**	**21,238**
Social insurance		**15**	**1,565**	**(1,570)**	**10**
Welfare expenses		**4**	**1,318**	**(1,319)**	**3**
Housing fund		**10**	**1,982**	**(1,985)**	**7**
Labor union expenses and employee education expenses		**988**	**786**	**(822)**	**952**
Post-employment benefits — defined contribution plans	(a)	**18**	**3,990**	**(3,990)**	**18**
Post-employment benefits — defined benefit plans	(b)	**18**	**–**	**(1)**	**17**
Other benefits		**209**	**342**	**(376)**	**175**
Total		**21,905**	**38,083**	**(37,568)**	**22,420**

	Notes	Year ended 31 December 2022			
		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
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		198	375	(364)	209
Total		19,253	38,082	(35,430)	21,905

36 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 year ended 31 December 2023, the Bank has made annuity contributions at 7% (31 December 2022: 7%) of its employees' gross wages. For year ended 31 December 2023, the Bank made annuity contribution amounted to RMB1,690 million (year ended 31 December 2022: RMB1,544 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 plan. The amount that is recognized as at reporting date presents the discounted value of future obligation.

The present value of the Group's supplementary retirement plan obligations on the date of balance sheet is calculated through projected unit credit method and computed by a qualified professional actuary firm Towers Watson Consulting (Shenzhen) Ltd. Beijing Branch.

The primary assumptions used by the actuary are as follows

	31 December 2023	31 December 2022
Discount rate	**2.50%**	2.75%
Annual withdrawal rate	**5.00%**	5.00%
Normal retirement age	**Male: 60 years old**	Female: 55 years old
Annual increase rate of social average wage and salary for current active employees	**5.00%**	5.00%
Mortality rate	**Determined by the China Life Insurance Mortality Table**	

In 2022 and 2023, the change amount of supplementary retirement benefits scheme liabilities incurred by the actuarial assumptions variations illustrated above was immaterial.

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

(c) The salaries, bonuses, allowances and subsidies, retirement benefits and other social insurance payable to employees are paid in accordance with relevant laws and regulations within time limit stipulated by the Group.

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37 Taxes payable

	31 December 2023	31 December 2022
Income tax	**368**	4,415
VAT and surcharges	**3,448**	4,060
Others	**27**	12
Total	**3,843**	8,487

38 Debt securities issued

	Notes	31 December 2023	31 December 2022
Long-term debt securities issued	(a)	**138,311**	116,344
Subordinated bonds issued:			
— by the Bank	(b)	**69,995**	89,987
— by CBI	(c)	**7,086**	3,444
Certificates of deposit issued	(d)	**1,418**	1,035
Certificates of interbank deposit issued	(e)	**705,273**	720,431
Convertible corporate bonds	(f)	**39,794**	39,977
Accrued interest		**4,104**	3,988
Total		**965,981**	975,206

(a) Long-term debt securities issued by the Group as at 31 December 2023:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	31 December 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%	**1,418**	1,381
Fixed rate bond	2 February 2021	2 February 2026	1.250%	**2,482**	2,417
Fixed rate bond	17 November 2021	17 November 2024	1.750%	**3,546**	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	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%	**1,800**	–
Total nominal value				**139,246**	117,251
Less: Unamortised issuance cost				**(20)**	(24)
Less: offset				**(915)**	(883)
Carrying value				**138,311**	116,344

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38 Debt securities issued (continued)

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

	Notes	31 December 2023	31 December 2022
Subordinated fixed rate bonds maturing:			
— in September 2028	(i)	–	29,993
— in October 2028	(ii)	–	20,000
— in August 2030	(iii)	**39,995**	39,994
— in December 2033	(iv)	**21,500**	–
— in December 2038	(v)	**8,500**	–
Total		**69,995**	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 redeemed the bonds on 13 September 2023.

(ii) The Bank issued fixed-rate subordinated bonds on 22 October 2018 with a coupon rate of 4.80% per annum. The Bank redeemed the bonds on 22 October 2023.

(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.

(iv) The Bank issued fixed-rate subordinated bonds on 19 December 2023 with a coupon rate of 3.19% per annum. The Bank has the option to redeem the bonds on 19 December 2028. If the Bank does not exercise this option, the coupon rate will remain 3.19% per annum for the next five years.

(v) The Bank issued fixed-rate subordinated bonds on 19 December 2023 with a coupon rate of 3.25% per annum. The Bank has the option to redeem the bonds on 19 December 2033. If the Bank does not exercise this option, the coupon rate will remain 3.25% per annum for the next five years.

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

	Notes	31 December 2023	31 December 2022
Subordinated fixed rate notes maturing:			
— in February 2029	(i)	**3,543**	3,444
— in December 2033	(ii)	**3,543**	–
Total		**7,086**	3,444

Notes:

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

(ii) CBI issued USD500 million subordinated notes at a coupon rate of 6.00% per annum on 5 December 2023. CBI has an option to redeem these notes on each coupon payment date on and after 5 December 2028. If CBI does not exercise the redemption option, the coupon rate per annum will be the 5-year US treasury bond rate on 5 December 2028, plus 1.65%. The notes are listed on the Hong Kong Stock Exchange.

38 Debt securities issued (continued)

(d) These certificates of deposit were issued by CBI with interest rate ranging from 5.85% to 5.90% per annum.

(e) As at 31 December 2023, the Bank's outstanding large transferable certificates of interbank deposits amounted to RMB705,273 million (31 December 2022: RMB720,431 million), with reference yields ranging from 2.16% 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.

As at 31 December 2023, convertible corporate bonds of RMB206,236 million 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 year		**23**	**–**	**23**
Conversion amount during this year		**(206)**	**(16)**	**(222)**
Balance as at 31 December 2023		**39,794**	**3,119**	**42,913**

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39 Provisions

	31 December 2023	31 December 2022
Allowance for impairment losses on off balance sheet items	**10,520**	8,957
Litigation provisions	**326**	779
Total	**10,846**	9,736

The movement of off-balance sheet allowance for impairment losses is included in the Note 31.

Movement of provisions:

	Year ended 31 December 2023	Year ended 31 December 2022
As at 1 January	**779**	499
Accruals	**8**	280
Payment	**(461)**	–
As at 31 December	**326**	779

40 Other liabilities

	31 December 2023	31 December 2022
Settlement and clearing accounts	**12,795**	13,134
Continuing involvement liabilities	**11,654**	11,114
Advances and deferred expenses	**3,839**	4,391
Payment and collection accounts	**4,702**	4,500
Leasing deposits	**514**	521
Accrued expenses	**329**	841
Others	**9,087**	7,795
Total	**42,920**	42,296

41 Share capital

	31 December 2023 and 2022	
	Number of shares (millions)	Nominal Value
Ordinary shares		
Registered, issued and fully paid:		
A-Share	34,085	34,053
H-Share	14,882	14,882
Total	48,967	48,935

	Note	Year ended 31 December 2023	Year ended 31 December 2022
As at 1 January		**48,935**	48,935
Convertible bond settlement	(i)	**32**	–
As at 31 December		**48,967**	48,935

Note:

(i) For the year ended 31 December 2023, convertible corporate bonds of RMB205,904,000 were converted to 32,022,297 A-shares (In 2022, convertible corporate bonds of RMB8,000 were converted to 1,188 A-shares).

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42 Other equity instruments

	31 December 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 38(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 year

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 55). Dividends are non-cumulative and where payable are paid annually. Dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

As authorised by the ordinary shareholders' Annual General Meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents of preference shares are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No.56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB7.07 per share, partially or entirely. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalisation of reserves and new issuances of ordinary shares below market price, subject to terms and formulae provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary shareholders.

These preference shares are classified as equity instruments and presented as equity in the consolidated annual statement of financial position; and are qualified as Additional Tier-One capital Instruments in accordance with the former CBIRC requirements.

42 Other equity instruments (continued)

(ii) Perpetual bonds

The Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 11 December 2019. 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.

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:

	31 December 2023	31 December 2022
Total equity attributable to equity holders of the Bank	**717,222**	665,418
Equity attributable to ordinary equity holders of the Bank	**599,162**	547,342
Equity attributable to other equity instruments holders of the Bank	**118,060**	118,076
— Dividend distribution for the year	**4,788**	4,788
Total equity attributable to non-controlling interests	**17,453**	20,412
Equity attribute to non-controlling interests of ordinary shares	**9,763**	9,220
Equity attributable to non-controlling interests of other equity instruments	**7,690**	11,192

During the year ended 31 December 2023, RMB1,428 million was paid to preference shareholders (2022: RMB1,428 million), RMB3,360 million was paid to holders of perpetual bonds (2022: RMB3,360 million).

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43 Capital reserves

	31 December 2023	31 December 2022
Share premium	**59,083**	58,896
Other reserves	**317**	320
Total	**59,400**	59,216

44 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 36) 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.

45 Surplus reserve

	Year ended 31 December 2023	Year ended 31 December 2022
As at 1 January	**54,727**	48,937
Appropriations	**6,265**	5,790
As at 31 December	**60,992**	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.

46 General reserve

	Year ended 31 December 2023	Year ended 31 December 2022
As at 1 January	**100,580**	95,490
Appropriations	**4,547**	5,090
As at 31 December	**105,127**	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.

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 year ended 31 December 2023, a total of RMB3,152 million of corresponding risk provisions was drawn.

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47 Profit appropriations and retained earnings

(a) Profit appropriations and distributions other than dividends declared during the year

	Note	**Year ended 31 December 2023**	Year ended 31 December 2022
Appropriations to			
— surplus reserve	45	**6,265**	5,790
— general reserve	46	**4,547**	5,090
As at 31 December		**10,812**	10,880

The Bank appropriated RMB6,265 million to statutory surplus reserve fund for the year of 2023, and appropriated RMB4,234 million to general reserve. The Group's subsidiary, Lin'an rural bank, made appropriations to general reserve in accordance with relevant regulatory requirements.

(b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 21 June 2023, a total amount of approximately RMB16,110 million (RMB3.29 per 10 shares) were distributed in the form of cash dividend to the ordinary shareholders on 20 July 2023.

(c) On 21 March 2024, the Board of Directors proposed a cash dividend of RMB3.56 per 10 shares in respect of the year 2023. Subject to the approval of the ordinary shareholders at the Annual General Meeting, approximately RMB17,432 million will be payable to those on the register of ordinary shareholders as at the relevant record date. This proposal is a non-adjusting event after the reporting period and has not been recognized as liability as at 31 December 2023.

(d) 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.

(e) In accordance with the resolution approved in the Board of Directors Meeting of the Bank on 25 August 2023, a total amount of approximately RMB1,428million (calculated by the Bank using the agreed dividend rate of 4.08% with RMB4.08 per share) were distributed in the form of cash dividend to the preference shareholders on 26 October 2023.

(f) As at 31 December 2023, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB1,167 million (31 December 2022: RMB846 million). Such statutory surplus reserves cannot be distributed.

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48 Non-controlling interests

As at 31 December 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 RMB7,690 million (31 December 2022: RMB11,192 million) representing other equity instruments issued by CBI on 29 July 2021 and 22 April 2022, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier-One capital securities (the "Capital Securities").

Financial instruments in issue	Issue Date	Nominal Value	First Call Date	Coupon Rate	Payment Frequency
Capital Securities	29 July 2021	USD600 million	29 July 2026	3.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus 2.53% per annum	Semi-annually
Capital Securities	22 April 2022	USD600 million	22 April 2027	4.80% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus 2.104% per annum	Semi-annually

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

A distribution of RMB588 million was paid to the holders of the Capital Securities mentioned above during the year ended 31 December 2023 (During the year ended 31 December 2022: RMB463 million).

49 Notes to consolidated annual statement of cash flows

Cash and cash equivalents

	Year ended 31 December	
	2023	2022
Cash	**4,467**	5,532
Cash equivalents		
— Surplus deposit reserve funds	**52,473**	104,315
— Deposits with banks and non-bank financial institutions due within three months when acquired	**41,673**	36,024
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**59,707**	36,219
— Investment securities due within three months when acquired	**90,682**	125,781
Subtotal	**244,535**	302,339
Total	**249,002**	307,871

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50 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and acceptances.

Loan commitments and credit card commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantees provided by the Group to guarantee the performance of customers to third parties. Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognized at the reporting date if counterparties failed to perform as contracted.

	31 December 2023	31 December 2022
Contractual amount		
Loan commitments		
— with an original maturity within one year	**13,995**	16,319
— with an original maturity of one year or above	**32,773**	41,642
Subtotal	**46,768**	57,961
Bank acceptances	**867,523**	795,833
Credit card commitments	**779,947**	704,268
Letters of guarantee issued	**237,359**	186,617
Letters of credit issued	**256,351**	270,837
Total	**2,187,948**	2,015,516

(b) Credit commitments analysed by credit risk weighted amount

	31 December 2023	31 December 2022
Credit risk weighted amount of credit commitments	**602,231**	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:

	31 December 2023	31 December 2022
For the purchase of property and equipment		
— contracted for	**1,521**	2,011

50 Commitments and contingent liabilities (continued)

(d) Outstanding contingencies including litigation and disputes

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

As at 31 December 2023, the Group was involved in certain pending litigation as defendant with gross claims of RMB1,166 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 39).

(e) Bonds redemption obligations

As an underwriting agent of PRC treasury bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	31 December 2023	31 December 2022
Redemption commitment for PRC treasury bonds	**2,735**	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 31 December 2023 and 2022, the Group did not have unfulfilled commitment in respect of securities underwriting business.

51 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:

	31 December 2023	31 December 2022
Debt securities	**744,648**	368,653
Discounted bills	**93,454**	69,593
Others	**–**	269
Total	**838,102**	438,515

As at 31 December 2023 and 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.

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51 Collateral (continued)

(a) Assets pledged (continued)

(ii) In addition, as at 31 December 2023, the Group pledged deposits with banks and other financial institutions with carrying amount totalling RMB911 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 and bills as collateral for financial assets held under resale agreements as set out in Note 20. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 31 December 2023, the Group held no collateral that can be resold or re-pledged (31 December 2022: Nil). During the year ended 31 December 2023, the Group did not resell or re-pledge any of these collateral (year ended 31 December 2022: Nil).

52 Transactions on behalf of customers

(a) Entrusted lending business

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

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

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

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

	31 December 2023	31 December 2022
Entrusted loans	**425,026**	305,416
Entrusted funds	**425,028**	305,417

(b) Wealth management services

As at 31 December 2023, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 58(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 annual 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 58 (b)).

As at 31 December 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 58(b).

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53 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.

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

53 Segment reporting (continued)

(a) Business segments (continued)

Others and unallocated

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

	Year ended 31 December 2023				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	44,798	87,014	40,396	(28,669)	143,539
Internal net interest income/(expense)	32,960	(25,165)	(37,720)	29,925	–
Net interest income	77,758	61,849	2,676	1,256	143,539
Net fee and commission income/(expense)	11,440	20,463	5,949	(5,469)	32,383
Other net income/(expense) (Note (i))	2,359	4,113	17,363	5,813	29,648
Operating income	91,557	86,425	25,988	1,600	205,570
Operating expenses					
— depreciation and amortisation	(2,514)	(2,024)	(2,725)	(978)	(8,241)
— others	(25,154)	(31,499)	(2,577)	(1,743)	(60,973)
Credit impairment losses	(21,709)	(36,967)	(3,405)	155	(61,926)
Impairment losses on other assets	(278)	–	–	–	(278)
Revaluation loss on investment properties	–	–	–	(1)	(1)
Share of profits of associates and joint ventures	–	–	–	736	736
Profit before tax	41,902	15,935	17,281	(231)	74,887
Income tax					(6,825)
Profit for the year					68,062
Capital expenditure	1,804	1,509	2,198	861	6,372

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53 Segment reporting (continued)

(a) Business segments (continued)

Others and unallocated (continued)

	31 December 2023				
	Corporate Banking	**Personal Banking**	**Treasury Business**	**Others and Unallocated**	**Total**
Segment assets	**2,822,064**	**2,249,644**	**3,336,485**	**584,866**	**8,993,059**
Interest in associates and joint ventures	–	–	–	**6,945**	**6,945**
Deferred tax assets					**52,480**
Total asset					**9,052,484**
Segment liabilities	**3,968,855**	**1,553,644**	**1,136,712**	**1,658,597**	**8,317,808**
Deferred tax liabilities					**1**
Total liabilities					**8,317,809**
Off-balance sheet credit commitments	**1,407,233**	**780,715**	–	–	**2,187,948**

	Year ended 31 December 2022				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
External net interest income/(expense)	41,133	102,227	37,443	(30,156)	150,647
Internal net interest income/(expense)	39,377	(41,619)	(29,454)	31,696	–
Net interest income	80,510	60,608	7,989	1,540	150,647
Net fee and commission income/(expense)	10,813	22,787	3,120	372	37,092
Other net income/(expense) (Note (i))	3,113	1,282	19,203	(228)	23,370
Operating income	94,436	84,677	30,312	1,684	211,109
Operating expenses					
— depreciation and amortisation	(2,091)	(1,376)	(2,124)	(1,729)	(7,320)
— others	(24,688)	(30,486)	(3,543)	(801)	(59,518)
Credit impairment losses	(34,550)	(35,435)	(1,323)	(51)	(71,359)
Impairment losses on other assets	(79)	–	–	34	(45)
Revaluation loss on investment properties	–	–	–	(74)	(74)
Share of profits of associates and joint ventures	–	–	14	609	623
Profit before tax	33,028	17,380	23,336	(328)	73,416
Income tax					(10,466)
Profit for the year					62,950
Capital expenditure	1,544	995	1,645	1,137	5,321

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53 Segment reporting (continued)

(a) Business segments (continued)

Others and unallocated (continued)

	31 December 2022				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
Segment assets	2,933,628	2,207,675	2,713,020	631,868	8,486,191
Interest in associates and joint ventures	–	–	135	6,206	6,341
Deferred tax assets					55,011
Total asset					8,547,543
Segment liabilities	3,881,053	1,357,988	1,065,610	1,557,059	7,861,710
Deferred tax liabilities					3
Total liabilities					7,861,713
Off-balance sheet credit commitments	1,311,248	704,268	–	–	2,015,516

Note:

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

(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;

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(Amounts in millions of Renminbi unless otherwise stated)

53 Segment reporting (continued)

(b) Geographical segments (continued)

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

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

	Year ended 31 December 2023									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	29,405	10,713	(5,496)	20,028	16,992	1,159	63,807	6,931	–	143,539
Internal net interest (expense)/income	3,609	931	25,902	(1,712)	(3,901)	461	(25,321)	31	–	–
Net interest income	33,014	11,644	20,406	18,316	13,091	1,620	38,486	6,962	–	143,539
Net fee and commission income	5,185	1,674	3,092	1,406	942	154	18,610	1,320	–	32,383
Other net income/(expense) (Note (i))	1,804	599	722	184	270	40	25,795	234	–	29,648
Operating income	40,003	13,917	24,220	19,906	14,303	1,814	82,891	8,516	–	205,570
Operating expense										
– depreciation and amortisation	(988)	(798)	(1,119)	(653)	(744)	(195)	(3,164)	(580)	–	(8,241)
– others	(9,677)	(5,200)	(7,207)	(5,935)	(5,023)	(1,059)	(23,295)	(3,577)	–	(60,973)
Credit impairment losses	(8,481)	(6,500)	(3,855)	(5,122)	(4,337)	(332)	(30,723)	(2,576)	–	(61,926)
Impairment losses on other assets	(65)	(22)	(34)	(44)	(111)	(2)	–	–	–	(278)
Revaluation loss on investment properties	–	–	–	–	–	–	–	(1)	–	(1)
Share of gains/(loss) of associates and joint ventures	–	–	–	–	–	–	–	736	–	736
Profit before tax	20,792	1,397	12,005	8,152	4,088	226	25,709	2,518	–	74,887
Income tax										(6,825)
Profit for the year										68,062
Capital expenditure	395	247	238	205	222	34	4,624	407	–	6,372

	31 December 2023									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	2,009,211	994,510	1,889,859	879,067	732,239	126,449	3,436,157	480,095	(1,554,528)	8,993,059
Interest in associates and joint ventures	–	–	–	–	–	–	6,573	372	–	6,945
Deferred tax assets										52,480
Total assets										9,052,484
Segment liabilities	1,995,433	1,041,109	1,884,262	854,890	733,286	132,996	2,817,827	412,405	(1,554,400)	8,317,808
Deferred tax liabilities										1
Total liabilities										8,317,809
Off-balance sheet credit commitments	395,730	255,105	254,314	281,328	175,195	21,048	770,572	34,656	–	2,187,948

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(Amounts in millions of Renminbi unless otherwise stated)

53 Segment reporting (continued)

(b) Geographical segments (continued)

	Year ended 31 December 2022									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	34,446	19,339	(78)	22,603	19,931	2,167	45,993	6,246	–	150,647
Internal net interest (expense)/income	(4,641)	(4,477)	20,783	(5,504)	(7,672)	(245)	1,714	42	–	–
Net interest income	29,805	14,862	20,705	17,099	12,259	1,922	47,707	6,288	–	150,647
Net fee and commission income	5,812	1,737	3,298	1,640	1,119	178	22,028	1,280	–	37,092
Other net income (Note (i))	1,858	577	879	475	239	51	18,603	688	–	23,370
Operating income	37,475	17,176	24,882	19,214	13,617	2,151	88,338	8,256	–	211,109
Operating expense										
— depreciation and amortisation	(947)	(786)	(899)	(654)	(733)	(202)	(2,486)	(613)	–	(7,320)
— others	(10,190)	(6,365)	(8,089)	(5,614)	(5,650)	(1,128)	(19,184)	(3,298)	–	(59,518)
Credit impairment losses	(10,905)	(4,966)	(5,942)	(3,987)	(4,140)	(495)	(39,214)	(1,710)	–	(71,359)
Impairment (losses)/gains on other assets	–	–	1	(12)	(68)	–	–	34	–	(45)
Revaluation loss on investment properties	–	–	–	–	–	–	–	(74)	–	(74)
Share of gains/(loss) of associates and joint ventures	–	–	–	–	–	–	611	12	–	623
Profit before tax	15,433	5,059	9,953	8,947	3,026	326	28,065	2,607	–	73,416
Income tax										(10,466)
Profit for the year										62,950
Capital expenditure	570	246	152	225	219	43	3,626	240	–	5,321

	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.

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54 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.

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.

54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL")

The Group adopts the "expected credit loss model" on its debt instruments which are classified as financial assets measured at amortised cost and at fair value through other comprehensive income and off-balance sheet credit assets in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses, the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The impairment model is used to measure their allowances for impairment losses respectively to recognize expected credit losses and their movements:

Stage 1: Financial assets with no significant increase in credit risk since initial recognition will be classified as "Stage 1" and the Group continuously monitors their credit risk. The loss allowance of financial assets in Stage 1 is measured based on the expected credit losses in the next 12 months, which represent the proportion of the lifetime expected credit losses that may arise from possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk from initial recognition but not has been credit-impaired, 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 been credit-impaired, it will be moved to Stage 3. The expected credit losses of financial assets in Stage 3 are measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

The Group measures 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.

54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(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.

(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 financial 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.

54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(4) Inputs for measurement of expected credit losses

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

- The probability of default ("PD") represents the likelihood of a borrower defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.
- Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of ECL, including the PDs for various maturities and the changes in the values of collateral over time.

The Group classifies exposures with similar risk characteristics into groups and collectively estimates their risk parameters, including PDs, LGDs, and EADs. In 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.

(5) Forward-looking information

The assessment of significant increases in credit risk and the calculation of expected credit losses both involve forward-looking information. Based on historical analysis, the Group has identified the key economic variables impacting expected credit losses for various risk groups.

These economic variables have different impacts on the probabilities of default and the losses given default of different risk groups. The Group makes, forecasts 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.

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54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(5) Forward-looking information (continued)

Macroeconomic scenario and weighting information

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. 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.

Considered different macroeconomic scenarios and the key macroeconomic scenario assumptions uesd in estimating ECL are set out below:

Variables	Range
Consumer Price Index	0.21%~1.54%
Industrial Added Value	2.57%~5.93%
Per capita Disposable Income of Urban Residents	3.71%~7.14%

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.

(6) Sensitivity information and management overlay

Changes to the inputs and forward-looking information used in ECL measurement will affect the assessment of significant increase in credit risk and the measurement expected of credit losses.

As at 31 December 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 losses would increase by no more than 5% of the current credit impairment losses.

As at 31 December 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 further boostits risk mitigation capacity, and the subsequent increase in the impairment loss allowances did not exceed 5% of the current impairment loss allowances

54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(6) Sensitivity information and management overlay (continued)

Allowance for impairment losses of performing loans and advances to customers consists of ECLs for Stage 1 and Stage 2 assets, which represent 12 months ECL and lifetime ECL respectively. Loans and advances to customers in Stage 1 transfer to Stage 2 when there is a significant increase in credit risk. The following table presents the estimated impact if the ECLs of all performing loans and advances to customers are measured based on 12 months ECL, assuming all other risk factors remain the same.

	31 December 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	**86,425**	78,523
Impact of stage transfers	**3,569**	4,316
Current allowance for impairment losses	**89,994**	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 annual statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	31 December 2023				
	Stage 1	**Stage 2**	**Stage 3**	**Not applicable**	**Total**
Balances with central banks	**411,975**	**–**	**–**	**–**	**411,975**
Deposits with bank and non-bank financial institutions	**81,075**	**–**	**–**	**–**	**81,075**
Placements with and loans to banks and non-bank financial institutions	**230,422**	**–**	**–**	**7,320**	**237,742**
Derivative financial assets	**–**	**–**	**–**	**44,675**	**44,675**
Financial assets held under resale agreements	**104,773**	**–**	**–**	**–**	**104,773**
Loans and advances to customers	**5,285,333**	**69,674**	**23,185**	**5,558**	**5,383,750**
Financial investments					
— at fair value through profit or loss	**–**	**–**	**–**	**613,824**	**613,824**
— at amortised cost	**1,055,785**	**4,574**	**25,239**	**–**	**1,085,598**
— at fair value through other comprehensive income	**887,165**	**503**	**1,009**	**–**	**888,677**
— designated at fair value through other comprehensive income	**–**	**–**	**–**	**4,807**	**4,807**
Other financial assets	**18,604**	**9,815**	**756**	**–**	**29,175**
Subtotal	**8,075,132**	**84,566**	**50,189**	**676,184**	**8,886,071**
Credit commitments	**2,186,860**	**1,032**	**56**	**–**	**2,187,948**
Maximum credit risk exposure	**10,261,992**	**85,598**	**50,245**	**676,184**	**11,074,019**

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54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(i) Maximum credit risk exposure (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.

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(Amounts in millions of Renminbi unless otherwise stated)

54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(i) Maximum credit risk exposure (continued)

The following table provides an analysis of loans and advances to customers and financial investments that are included in the ECL assessment according to the credit risk level. The book value of the following financial assets is the Group's maximum exposure to credit risk for these assets.

	31 December 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	**3,989,361**	**1,198,860**	**160,088**	**–**	**5,348,309**	**(62,976)**	**5,285,333**
Stage 2	**2,663**	**14,094**	**80,022**	**–**	**96,779**	**(27,105)**	**69,674**
Stage 3	**–**	**–**	**–**	**67,646**	**67,646**	**(44,461)**	**23,185**
Financial investments at amortised cost							
Stage 1	**1,020,411**	**37,356**	**694**	**–**	**1,058,461**	**(2,676)**	**1,055,785**
Stage 2	**–**	**–**	**5,935**	**–**	**5,935**	**(1,361)**	**4,574**
Stage 3 (Note (ii))	**–**	**–**	**–**	**47,507**	**47,507**	**(22,268)**	**25,239**
Financial investments at fair value through other comprehensive income							
Stage 1	**885,937**	**1,228**	**–**	**–**	**887,165**	**(1,289)**	**887,165**
Stage 2	**–**	**503**	**–**	**–**	**503**	**(219)**	**503**
Stage 3	**–**	**–**	**–**	**1,009**	**1,009**	**(460)**	**1,009**
Maximum credit risk exposure	**5,898,372**	**1,252,041**	**246,739**	**116,162**	**7,513,314**	**(162,815)**	**7,352,467**

	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

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54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(i) Maximum credit risk exposure (continued)

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 54(a)(viii)).

(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:

	Year ended 31 December 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	**(104,735)**	**–**	**–**
Net transfers into Stage 2	**–**	**26,544**	**–**
Net transfers into Stage 3	**–**	**–**	**78,191**
Net transactions incurred during the year (Note(i))	**443,018**	**(20,657)**	**(26,433)**
Write-off	**–**	**–**	**(60,054)**
Others (Note (ii))	**11,222**	**(559)**	**126**
As at 31 December 2023	**5,348,309**	**96,779**	**67,646**

	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 year (Note(i))	380,470	(23,863)	(23,508)
Write-off	–	–	(57,791)
Others (Note (ii))	18,955	1,761	1,014
As at 31 December 2022	4,998,804	91,451	75,816

54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in carrying value of financial investment in current reporting period:

	Year ended 31 December 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	**(5,334)**	**–**	**–**
Net transfers into Stage 2	**–**	**3,460**	**–**
Net transfers into Stage 3	**–**	**–**	**1,874**
Net transactions incurred during the year (Note(i))	**38,725**	**(2,366)**	**(3,020)**
Write-off	**–**	**–**	**(5,629)**
Others (Note (ii))	**4,194**	**112**	**(149)**
As at 31 December 2023	**1,945,626**	**6,438**	**48,516**

	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 year (Note(i))	121,588	(3,412)	(5,634)
Write-off	–	–	(1,558)
Others (Note (ii))	9,101	(188)	3
As at 31 December 2022	1,908,041	5,232	55,440

Notes:

(i) Net transactions during the year mainly include changes in carrying amount due to purchase, origination, or derecognition (excluding write-offs).

(ii) Others include changes in accrued interest receivables and effect of exchange differences during the year.

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54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in allowance for impairment of loans and advances to customers in current reporting period:

	Year ended 31 December 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	**(3,045)**	**–**	**–**
Net transfers into Stage 2	**–**	**9,082**	**–**
Net transfers into Stage 3	**–**	**–**	**34,778**
Net transactions incurred during the year (Note(ii))	**6,982**	**(3,989)**	**(6,742)**
Changes in parameters for the year (Note (iii))	**(1,171)**	**(149)**	**14,094**
Write-off	**–**	**–**	**(60,054)**
Others (Note (iv))	**69**	**(363)**	**14,092**
As at 31 December 2023	**63,562**	**27,105**	**44,531**

	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 year (Note(ii))	5,338	(4,560)	(14,373)
Changes in parameters for the year (Note (iii))	7,408	498	27,579
Write-off	–	–	(57,791)
Others (Note (iv))	(458)	1,889	10,482
As at 31 December 2022	60,727	22,524	48,363

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54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in allowance for impairment of financial investment in current reporting period:

	Year ended 31 December 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	**(177)**	**–**	**–**
Net transfers into Stage 2	**–**	**650**	**–**
Net transfers into Stage 3	**–**	**–**	**893**
Net transactions incurred during the year (Note(ii))	**232**	**119**	**2,373**
Changes in parameters for the year (Note (iii))	**5**	**(676)**	**(810)**
Write-off	**–**	**–**	**(5,629)**
Others (Note (iv))	**6**	**2**	**2**
As at 30 June 2023	**3,965**	**1,580**	**22,728**

	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 year (Note(ii))	160	(630)	(2,313)
Changes in parameters for the year (Note (iii))	(1,200)	56	1,695
Write-off	–	–	(1,558)
Others (Note (iv))	(49)	9	1,956
As at 31 December 2022	3,899	1,485	25,899

Notes:

(i) Movements in allowance for impairment during the year mainly include the impact of stage changes on the measurement of ECLs.

(ii) Net transactions during the year mainly include changes in allowance for impairment due to financial assets purchased newly originated, 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.

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54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(iii) Loans and advances to customers analysed by industry sector:

	31 December 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	**531,424**	**9.6**	**148,751**	491,301	9.5	193,562
— manufacturing	**500,002**	**9.1**	**177,434**	419,507	8.1	171,117
— water, environment and public utility management	**434,570**	**7.9**	**104,719**	413,399	8.0	129,983
— real estate	**259,363**	**4.7**	**171,880**	277,173	5.4	229,939
— wholesale and retail	**213,632**	**3.9**	**100,650**	177,612	3.4	95,000
— transportation, storage and postal services	**139,201**	**2.5**	**63,159**	149,891	2.9	79,475
— construction	**116,099**	**2.1**	**45,125**	103,335	2.0	54,426
— production and supply of electric power, gas and water	**96,190**	**1.7**	**39,998**	89,609	1.7	41,650
— financial industry	**78,756**	**1.4**	**4,720**	73,619	1.4	7,413
— Information transmission, software and information technology services	**54,705**	**1.0**	**21,882**	46,343	0.9	22,076
— others	**273,208**	**5.0**	**82,093**	282,227	5.5	89,725
Subtotal	**2,697,150**	**48.9**	**960,411**	2,524,016	48.8	1,114,366
Personal loans	**2,283,846**	**41.3**	**1,510,757**	2,116,910	41.0	1,423,097
Discounted bills	**517,348**	**9.4**	**–**	511,846	9.9	–
Accrued interest	**19,948**	**0.4**	**–**	17,180	0.3	–
Gross loans and advances to customers	**5,518,292**	**100.0**	**2,471,168**	5,169,952	100.0	2,537,463

(iv) Loans and advances to customers analysed by geographical sector:

	31 December 2023			31 December 2022		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Yangtze River Delta	**1,538,269**	**27.9**	**723,947**	1,381,673	26.7	721,324
Bohai Rim (including Head Office)	**1,423,026**	**25.8**	**431,641**	1,400,562	27.2	442,754
Central	**790,477**	**14.3**	**379,773**	730,240	14.1	390,082
Pearl River Delta and West Strait	**782,231**	**14.2**	**459,753**	731,224	14.1	498,620
Western	**669,589**	**12.1**	**328,307**	598,729	11.6	330,962
Northeastern	**85,037**	**1.5**	**52,682**	87,630	1.7	57,244
Outside Mainland China	**209,715**	**3.8**	**95,065**	222,714	4.3	96,477
Accrued interest	**19,948**	**0.4**	**–**	17,180	0.3	–
Total	**5,518,292**	**100.0**	**2,471,168**	5,169,952	100.0	2,537,463

54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(v) Loans and advances to customers analysed by type of security

	31 December 2023	31 December 2022
Unsecured loans	**1,546,536**	1,384,754
Guaranteed loans	**963,292**	718,709
Secured loans	**2,471,168**	2,537,463
— loans secured by collateral	**2,057,869**	2,018,796
— pledged loans	**413,299**	518,667
Subtotal	**4,980,996**	4,640,926
Discounted bills	**517,348**	511,846
Accrued interest	**19,948**	17,180
Gross loans and advances to customers	**5,518,292**	5,169,952

(vi) Rescheduled loans and advances to customers

	31 December 2023		31 December 2022	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**17,477**	**0.32%**	12,511	0.24%
— rescheduled loans and advances overdue more than 3 months	**3,147**	**0.06%**	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.

According to the "Classification Measures for Financial Asset Risk of Commercial Banks" issued by The National Administration of Financial Regulation and the People's Bank of China, which came into effect on July 1, 2023, restructured loans refer to loans made by the Group in favor of the borrower's adjustment of the loan contract or refinancing of the borrower's existing loans in order to encourage the borrower to repay the debt due to financial difficulties, including borrowing new loans to repay the old, adding new loans, etc. As of December 31, 2023, the balance of restructured loans that meet the requirements of the above measures for the Group was RMB17,477 billion.

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54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (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 31 December 2023 and 2022, debt instruments investments analysed by rating as at the end of the reporting period are as follows:

	31 December 2023					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
— governments	**898,954**	**512,419**	**59,173**	**2,270**	**–**	**1,472,816**
— policy banks	**23,606**	**24,039**	**–**	**5,859**	**–**	**53,504**
— public entities	**–**	**–**	**3,987**	**–**	**–**	**3,987**
— banks and non-bank financial institutions	**7,545**	**260,681**	**13,116**	**20,840**	**2,189**	**304,371**
— corporates	**21,349**	**64,269**	**13,208**	**8,838**	**5,314**	**112,978**
Investment management products managed by securities companies	**19,176**	**–**	**–**	**–**	**–**	**19,176**
Trust investment plans	**189,733**	**–**	**–**	**–**	**–**	**189,733**
Total	**1,160,363**	**861,408**	**89,484**	**37,807**	**7,503**	**2,156,565**

	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.

54 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(viii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	31 December 2023	31 December 2022
Investment management products managed by securities companies and trust investment plans — credit assets	**227,748**	262,447
Total	**227,748**	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.

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.

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(Amounts in millions of Renminbi unless otherwise stated)

54 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The following tables summarise the average interest rates, and the next re-pricing dates or contractual maturity date whichever is earlier for the assets and liabilities as at the end of each reporting date.

		31 December 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	1.60%	416,442	10,592	405,850	–	–	–
Deposits with banks and non-bank financial institutions	2.07%	81,075	2,651	53,098	25,326	–	–
Placements with and loans to banks and non-bank financial institutions	3.18%	237,742	1,288	86,813	148,141	1,500	–
Financial assets held under resale agreements	1.61%	104,773	35	104,738	–	–	–
Loans and advances to customers (Note (ii))	4.56%	5,383,750	19,267	3,560,330	1,527,678	261,492	14,983
Financial investment							
— at fair value through profit or loss		613,824	421,787	79,060	87,297	10,806	14,874
— at amortised cost	3.16%	1,085,598	12,920	65,996	184,679	630,192	191,811
— at fair value through other comprehensive income	2.73%	888,677	6,419	130,264	132,711	426,617	192,666
— designated at fair value through other comprehensive income		4,807	4,807	–	–	–	–
Others		235,796	235,796	–	–	–	–
Total assets		9,052,484	715,562	4,486,149	2,105,832	1,330,607	414,334

		31 December 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	2.61%	273,226	2,026	53,857	217,243	100	–
Deposits from banks and non-bank financial institutions	2.12%	927,887	4,808	779,154	143,925	–	–
Placements from banks and non-bank financial institutions	3.00%	86,327	165	44,843	40,319	1,000	–
Financial liabilities at fair value through profit or loss		1,588	–	519	–	8	1,061
Financial assets sold under repurchase agreements	2.13%	463,018	193	458,439	4,386	–	–
Deposits from customers	2.12%	5,467,657	99,191	3,600,066	681,129	1,087,271	–
Debt securities issued	2.62%	965,981	4,104	271,275	466,722	153,885	69,995
Lease liabilities	4.46%	10,245	–	832	2,112	5,998	1,303
Others		121,880	121,880	–	–	–	–
Total liabilities		8,317,809	232,367	5,208,985	1,555,836	1,248,262	72,359
Interest rate gap		734,675	483,195	(63,275)	(95,903)	66,593	344,065

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(Amounts in millions of Renminbi unless otherwise stated)

54 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

				31 December 2022			
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
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

				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

54 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

Notes:

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category includes overdue amounts (net of allowance for impairment losses) of RMB39,762 million as at 31 December 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 31 December 2023 and 2022.

	31 December 2023		31 December 2022	
	Net interest Income	**Other comprehensive income**	Net interest Income	Other comprehensive income
+100 basis points	**(3,103)**	**(7,681)**	(10,068)	(6,517)
– 100 basis points	**3,103**	**7,681**	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.

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(Amounts in millions of Renminbi unless otherwise stated)

54 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

The exposures at the reporting date were as follows:

	31 December 2023				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	404,812	10,786	587	257	416,442
Deposits with banks and non-bank financial institutions	51,017	23,943	1,737	4,378	81,075
Placements with and loans to banks and non-bank financial institutions	161,314	43,837	32,132	459	237,742
Financial assets held under resale agreements	102,194	2,579	–	–	104,773
Loans and advances to customers	5,102,314	133,675	117,147	30,614	5,383,750
Financial investments					
— at fair value through profit or loss	598,687	10,160	3,716	1,261	613,824
— at amortised cost	1,074,428	10,817	–	353	1,085,598
— at fair value through other comprehensive income	733,213	98,491	42,191	14,782	888,677
— designated at fair value through other comprehensive income	4,565	174	68	–	4,807
Others	202,586	15,316	16,640	1,254	235,796
Total assets	8,435,130	349,778	214,218	53,358	9,052,484
Liabilities					
Borrowings from central banks	273,226	–	–	–	273,226
Deposits from banks and non-bank financial institutions	888,524	37,999	479	885	927,887
Placements from banks and non-bank financial institutions	58,438	22,989	2,595	2,305	86,327
Financial liabilities at fair value through profit or loss	519	8	1,061	–	1,588
Financial assets sold under repurchase agreements	442,491	19,779	–	748	463,018
Deposits from customers	5,050,568	237,047	151,310	28,732	5,467,657
Debt securities issued	940,714	20,962	3,330	975	965,981
Lease liability	9,219	40	888	98	10,245
Others	92,886	12,279	11,619	5,096	121,880
Total liabilities	7,756,585	351,103	171,282	38,839	8,317,809
Net on-balance sheet position	678,545	(1,325)	42,936	14,519	734,675
Credit commitments	2,076,747	92,982	5,101	13,118	2,187,948
Derivatives (Note (i))	17,877	1,176	(164)	(15,443)	3,446

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(Amounts in millions of Renminbi unless otherwise stated)

54 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (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)

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.

54 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 31 December 2023 and 2022, the results of the Group's foreign exchange rate sensitivity analysis.

	31 December 2023		31 December 2022	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**2,095**	**(10)**	1,613	(43)
5% depreciation	**(2,095)**	**10**	(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.

(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.

54 Financial risk management (continued)

(c) Liquidity risk

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.

Analysis of the remaining contractual maturity of assets and liabilities

	31 December 2023						
	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
Assets							
Cash and balances with central banks	57,118	–	2,926	–	–	356,398	416,442
Deposits with banks and non-bank financial institutions	45,927	8,925	26,031	–	–	192	81,075
Placements with and loans to banks and non-bank financial institutions	–	87,489	148,752	1,501	–	–	237,742
Financial assets held under resale agreements	–	104,773	–	–	–	–	104,773
Loans and advances to customers (Note (ii))	14,349	1,121,367	1,095,556	1,367,925	1,749,012	35,541	5,383,750
Financial investments							
— at fair value through profit or loss	–	83,544	87,306	11,725	15,021	416,228	613,824
— at amortised cost	–	47,010	186,182	634,834	191,911	25,661	1,085,598
— at fair value through other comprehensive income		118,399	134,949	440,219	194,134	976	888,677
— designated at fair value through other comprehensive income	–	–	–	–	–	4,807	4,807
Others	45,184	37,882	13,658	63,270	1,797	74,005	235,796
Total assets	162,578	1,609,389	1,695,360	2,519,474	2,151,875	913,808	9,052,484

	31 December 2023						
	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
Liabilities							
Borrowings from central banks	–	55,883	217,343	–	–	–	273,226
Deposits from banks and non-bank financial institutions	496,771	286,740	144,376	–	–	–	927,887
Placements from banks and non-bank financial institutions	–	43,553	39,739	3,035	–	–	86,327
Financial liabilities at fair value through profit or loss	–	519	–	8	1,061	–	1,588
Financial assets sold under repurchase agreements	–	458,632	4,386	–	–	–	463,018
Deposits from customers	2,638,317	1,060,525	681,532	1,087,283	–	–	5,467,657
Debt securities issued	–	271,299	467,229	156,830	70,623	–	965,981
Lease liabilities	–	832	2,112	5,998	1,303	–	10,245
Others	46,096	21,744	12,983	24,205	4,512	12,340	121,880
Total liabilities	3,181,184	2,199,727	1,569,700	1,277,359	77,499	12,340	8,317,809
(Short)/Long position	(3,018,606)	(590,338)	125,660	1,242,115	2,074,376	901,468	734,675

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54 Financial risk management (continued)

(c) Liquidity risk (continued)

	31 December 2022						
	Repayable on demand	Within three months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Assets							
Cash and balances with central banks	110,572	–	1,693	–	–	365,116	477,381
Deposits with banks and non-bank financial institutions	38,772	3,496	36,566	–	–	–	78,834
Placements with and loans to banks and non-bank financial institutions	–	67,838	108,588	41,738	–	–	218,164
Financial assets held under resale agreements	–	13,730	–	–	–	–	13,730
Loans and advances to customers (Note (ii))	20,458	855,226	1,238,912	1,139,067	1,736,343	48,961	5,038,967
Financial investments							
— at fair value through profit or loss	–	71,505	28,237	8,481	5,377	443,994	557,594
— at amortised cost	–	67,441	255,615	552,436	229,916	30,044	1,135,452
— at fair value through other comprehensive income	–	140,796	123,462	387,261	149,933	3,243	804,695
— designated at fair value through other comprehensive income	–	–	–	–	–	5,128	5,128
Others	40,857	30,382	12,437	68,494	2,167	63,261	217,598
Total assets	210,659	1,250,414	1,805,510	2,197,477	2,123,736	959,747	8,547,543

	31 December 2022						
	Repayable on demand	Within three months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Liabilities							
Borrowings from central banks	–	20,917	98,505	–	–	–	119,422
Deposits from banks and non-bank financial institutions	582,376	235,726	325,674	–	–	–	1,143,776
Placements from banks and non-bank financial institutions	–	46,226	24,052	463	–	–	70,741
Financial liabilities at fair value through profit or loss	–	4	14	126	1,402	–	1,546
Financial assets sold under repurchase agreements	–	247,312	8,882	–	–	–	256,194
Deposits from customers	2,385,973	1,188,967	782,255	800,667	2	–	5,157,864
Debt securities issued	–	265,317	482,743	135,930	91,216	–	975,206
Lease liabilities	3,006	718	1,977	3,527	1,015	29	10,272
Others	50,723	20,801	16,205	25,769	2,321	10,873	126,692
Total liabilities	3,022,078	2,025,988	1,740,307	966,482	95,956	10,902	7,861,713
(Short)/Long position	(2,811,419)	(775,574)	65,203	1,230,995	2,027,780	948,845	685,830

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54 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group's financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow:

	31 December 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	57,118	1,459	7,565	–	–	356,398	422,540
Deposits with banks and non-bank financial institutions	45,927	9,207	26,809	–	–	192	82,135
Placements with and loans to banks and non-bank financial institutions	–	88,479	151,343	1,550	–	–	241,372
Financial assets held under resale agreements	–	104,806	–	–	–	–	104,806
Loans and advances to customers (Note (ii))	14,349	1,163,696	1,197,943	1,733,077	2,107,869	35,541	6,252,475
Financial investments							
— at fair value through profit or loss	–	83,838	89,353	13,114	17,256	416,228	619,789
— at amortised cost	–	49,169	210,463	702,595	212,508	26,811	1,201,546
— at fair value through other comprehensive income	–	119,405	150,851	494,372	222,304	976	987,908
— designated at fair value through other comprehensive income	–	–	–	–	–	4,807	4,807
Others	45,184	37,882	13,658	63,270	1,797	74,006	235,797
Total assets	162,578	1,657,941	1,847,985	3,007,978	2,561,734	914,959	10,153,175

	31 December 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	–	56,040	222,765	–	–	–	278,805
Deposits from banks and non-bank financial institutions	496,771	292,455	153,100	–	–	–	942,326
Placements from banks and non-bank financial institutions	–	46,081	40,415	3,302	–	–	89,798
Financial liabilities at fair value through profit or loss	–	519	–	17	2,121	–	2,657
Financial assets sold under repurchase agreements	–	459,256	4,490	–	–	–	463,746
Deposits from customers	2,638,318	1,078,870	808,372	1,224,844	–	–	5,750,404
Debt securities issued	–	276,079	486,317	175,649	79,910	–	1,017,955
Lease liability	–	836	2,163	6,745	1,567	–	11,311
Others	46,096	21,744	12,983	24,205	4,512	12,340	121,880
Total liabilities	3,181,185	2,231,880	1,730,605	1,434,762	88,110	12,340	8,678,882
(Short)/Long position	(3,018,607)	(573,939)	117,380	1,573,216	2,473,624	902,619	1,474,293
Derivative cash flow							
Derivative financial instrument settled on a net basis	–	127	(45)	261	25	–	368
Derivative financial instruments settled on a gross basis	–	(1,474)	(1,958)	19	(17)	–	(3,430)
— cash inflow	–	1,604,991	1,251,430	217,411	1,281	–	3,075,113
— cash outflow	–	(1,606,465)	(1,253,388)	(217,392)	(1,298)	–	(3,078,543)

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54 Financial risk management (continued)

(c) Liquidity risk (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

	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)

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54 Financial risk management (continued)

(c) Liquidity risk (continued)

Credit Commitments include bank acceptances, credit card commitments, guarantees, loan commitments and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	31 December 2023			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank acceptances	**867,523**	**–**	**–**	**867,523**
Credit card commitments	**779,947**	**–**	**–**	**779,947**
Guarantees	**154,927**	**81,806**	**626**	**237,359**
Loan commitments	**4,288**	**11,889**	**30,591**	**46,768**
Letters of credit	**255,478**	**873**	**–**	**256,351**
Total	**2,062,163**	**94,568**	**31,217**	**2,187,948**

	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 and investment funds 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.

(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;

54 Financial risk management (continued)

(d) Operational risk (continued)

– 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.

55 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 National Financial Regulatory Administration by the Group and the Bank quarterly.

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55 Capital Adequacy Ratio (continued)

The Group's ratios calculated based on the relevant requirements promulgated by the former CBIRC are listed as below.

	31 December 2023	31 December 2022
Core Tier-One capital adequacy ratio	**8.99%**	8.74%
Tier-One capital adequacy ratio	**10.75%**	10.63%
Capital adequacy ratio	**12.93%**	13.18%
Components of capital base		
Core Tier-One capital:		
Share capital	**48,967**	48,935
Capital reserve	**59,410**	59,172
Other comprehensive income and qualified portion of other equity instruments	**7,224**	1,505
Surplus reserve	**60,992**	48,932
General reserve	**105,127**	98,103
Retained earnings	**320,802**	293,956
Qualified portion of non-controlling interests	**8,287**	7,992
Total core Tier-One capital	**610,809**	558,595
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	**(926)**	(903)
Other intangible assets other than land use right (net of related deferred tax liability)	**(4,727)**	(3,831)
Other deductible amounts of net deferred tax assets depending on Bank's future earnings	**–**	(1,998)
Net core Tier-One capital	**605,156**	551,863
Other Tier-One capital (Note (i))	**118,313**	119,614
Tier-One capital	**723,469**	671,477
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**69,995**	89,987
Surplus allowance for loan impairment	**73,674**	68,481
Qualified portion of non-controlling interests	**2,715**	2,142
Net capital base	**869,853**	832,087
Total risk-weighted assets	**6,727,713**	6,315,506

Note:

(i) As at 31 December 2023, the Group's other Tier-One capital included preference shares, perpetual bonds issued by the Bank (Note 42) and non-controlling interests (Note 48).

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56 Fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity instruments and debt instruments on exchanges and exchange-traded derivatives.

Level 2: Inputs other than quoted prices included within Level 1 are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are Renminbi bonds. The fair values of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Corporate Limited. This level also includes part of the bills rediscounting and forfeiting in loans and advances, part of the investment management products managed by securities companies and trust investment plans, as well as a majority of over-the-counter derivative contracts. Foreign exchange forward and swaps, interest rate swap, and foreign exchange options use discount cash flow evaluation method and the valuation model of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Bills rediscounting, forfeiting, investment management products managed by securities companies and trust investment plans use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the open market such as Bloomberg and Reuters.

Level 3: Inputs for assets or liabilities are based on unobservable parameters. This level includes equity instruments and debt instruments with one or more than one significant unobservable parameter. Management determines the fair value through inquiring from counterparties or using the valuation techniques. The model incorporates unobservable parameters such as discount rate and market price volatilities.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

– If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

– If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty are used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Market Department, the Financial Institution Department, and the Investment Bank Department are responsible for the valuation of financial assets and financial liabilities. The Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items according to the result generated from the valuation process and accounting policies. The Finance and Accounting Department prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the year ended 31 December 2023, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

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56 Fair value (continued)

(a) Financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not carried at fair value of the Group include cash and balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers at amortised cost, financial investments at amortised cost, borrowings from central banks, deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Except for the items shown in the tables below, the maturity dates of aforesaid financial assets and liabilities are within a year or are mainly floating interest rates, as a result, their carrying amounts are approximately equal to their fair value.

	Carrying values		Fair values	
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022
Financial assets:				
Financial investments				
— at amortised cost	**1,085,598**	1,135,452	**1,093,861**	1,141,092
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**1,430**	1,047	**1,430**	1,047
— debt securities issued	**140,599**	118,255	**141,123**	114,609
— subordinated bonds issued	**77,781**	94,714	**78,722**	95,813
— certificates of interbank deposit issued	**705,316**	720,446	**694,130**	704,197
— convertible corporate bonds	**40,855**	40,744	**44,666**	44,688

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56 Fair value (continued)

(a) Financial assets and financial liabilities not measured at fair value (continued)

Fair value of financial assets and liabilities above at fair value hierarchy is as follows:

	31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial investments				
— at amortised cost	**8,885**	**871,585**	**213,391**	**1,093,861**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**–**	**–**	**1,430**	**1,430**
— debt securities issued	**4,671**	**136,452**	**–**	**141,123**
— subordinated bonds issued	**7,255**	**71,467**	**–**	**78,722**
— certificates of interbank deposit issued	**–**	**694,130**	**–**	**694,130**
— convertible corporate bonds issued	**–**	**–**	**44,666**	**44,666**

	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

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56 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 2023				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	–	58,163	–	58,163
— discounted bills	–	515,664	–	515,664
Loans and advances to customers at fair value through current profit or loss				
— loans	–	–	5,558	5,558
Financial investments at fair value through profit or loss				
— investment funds	105,538	271,297	44,319	421,154
— debt securities	19,608	81,428	5,465	106,501
— certificates of deposit	–	75,790	–	75,790
— wealth management	514	2,098	1,433	4,045
— equity instruments	892	14	5,428	6,334
Financial investments at fair value through other comprehensive income				
— debt securities	139,599	737,350	475	877,424
— certificates of deposit	1,117	3,805	–	4,922
Financial investments designated at fair value through other comprehensive income				
— equity instruments	173	–	4,634	4,807
Derivative financial assets				
— interest rate derivatives	15	14,641	–	14,656
— currency derivatives	27	29,845	–	29,872
— precious metals derivatives	–	147	–	147
Total financial assets measured at fair value	267,483	1,790,242	67,312	2,125,037
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	8	519	–	527
— structured products	–	–	1,061	1,061
Derivative financial liabilities				
— interest rate derivatives	18	14,342	–	14,360
— currency derivatives	148	26,600	–	26,748
— precious metals derivatives	–	742	–	742
Total financial liabilities measured at fair value	174	42,203	1,061	43,438

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56 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 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	1,058	303	155	1,516
— equity instruments	2,562	–	5,325	7,887
Financial investments at fair value through other comprehensive income				
— debt securities	118,342	658,690	406	777,438
— certificates of deposit	15,135	6,366	–	21,501
— investments management products managed by securities companies	–	–	–	–
Financial investments designated at fair value through other comprehensive income				
— equity instruments	292	–	4,836	5,128
Derivative financial assets				
— interest rate derivatives	28	14,931	–	14,959
— currency derivatives	105	29,068	–	29,173
— precious metals derivatives	–	250	–	250
— credit derivatives	–	1	–	1
Total financial assets measured at fair value	296,494	1,628,953	47,471	1,972,918
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	406	106	–	512
— structured products	–	–	1,034	1,034
Derivative financial liabilities				
— interest rate derivatives	58	14,829	–	14,887
— currency derivatives	310	28,470	–	28,780
— precious metals derivatives	–	598	–	598
Total financial liabilities measured at fair value	774	44,003	1,034	45,811

56 Fair value (continued)

(b) Financial assets and financial liabilities measured at 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 advances to customers	Total	Financial liabilities at fair value through profit or loss	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	770	–	–	25	795	–	–
— in comprehensive income	–	397	61	–	458	–	–
Purchases	18,523	333	91	1,612	20,559	–	–
Settlements	(2,020)	(678)	(359)	(72)	(3,129)	–	–
Transfer in/out	806	13	–	–	819	–	–
Exchange effect	218	4	5	112	339	(27)	(27)
As at 31 December 2023	56,645	475	4,634	5,558	67,312	(1,061)	(1,061)

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.

57 Related parties

(a) Relationship of related parties

(i) The Group is controlled by CITIC Financial Holding Co., Ltd (incorporated in Mainland China), which owns 65.37% of the Bank's shares. The ultimate parent of the Group is CITIC Group (incorporated in Mainland China).

(ii) Related parties of the Group include subsidiaries, joint ventures and associates of CITIC 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.

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57 Related parties (continued)

(b) Related party transactions

The Group entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e., issuance of asset-backed securities in the form of public placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale, and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

The major related party transaction between the Group and related parties are submitted in turn to the board of directors for deliberation, and the relevant announcements have been posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank.

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Year ended 31 December 2023		
	Ultimate holding company and affiliates	**Other major equity holders and subsidiaries**	**Associates and joint ventures**
Profit and loss			
Interest income	**5,063**	**837**	**315**
Fee and commission income and other operating income/expense	**335**	**134**	**2**
Interest expense	**(2,278)**	**(2,887)**	**(25)**
Net trading gains/(losses)	**111**	**(18)**	**–**
Other service fees	**(2,214)**	**(863)**	**(89)**

	Year ended 31 December 2022		
	Ultimate holding company and affiliates	Other major equity holders Note (i)	Associates and joint ventures
Profit and loss			
Interest income	3,171	1,318	997
Fee and commission income and other operating income	258	122	4
Interest expense	(2,081)	(3,240)	(30)
Net trading loss	(477)	73	–
Other service fees	(2,870)	(979)	(2)

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57 Related parties (continued)

(b) Related party transactions (continued)

	31 December 2023		
	Ultimate holding company and affiliates	Other major equity holders and subsidiaries	Associates and joint ventures
Assets			
Gross loans and advances to customers	**45,584**	**17,512**	**–**
Less: allowance for impairment losses on loans and advances	**(989)**	**(70)**	**–**
Loans and advances to customers (net)	**44,595**	**17,442**	**–**
Deposits with banks and non-bank financial institutions	**–**	**–**	**29,506**
Placements with and loans to banks and non-bank financial institutions	**33,850**	**–**	**–**
Derivative financial assets	**546**	**–**	**–**
Financial assets held under resale agreement	**3,000**	**–**	**–**
Investment in financial assets			
— at fair value through profit or loss	**3,255**	**–**	**–**
— at amortised cost	**17,435**	**2,325**	**–**
— at fair value through other comprehensive income	**4,360**	**1,223**	**–**
— designated at fair value through other comprehensive income	**460**	**–**	**–**
Investments in associates and joint ventures	**–**	**–**	**6,942**
Right-of-use assets	**32**	**–**	**–**
Other assets	**709**	**2**	**3**
Liabilities			
Deposits from banks and non-bank financial institutions	**53,424**	**1,307**	**125**
Derivative financial liabilities	**424**	**–**	**–**
Deposits from customers	**75,466**	**157,974**	**1**
Debt securities issued	**–**	**–**	**–**
Lease liabilities	**73**	**2**	**–**
Other liabilities	**93**	**–**	**23**
Off-balance sheet items			
Guarantees and letters of credit	**5,187**	**8,821**	**–**
Acceptances	**1,913**	**–**	**–**
Nominal amount of derivatives financial instruments	**160,188**	**–**	**–**

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

57 Related parties (continued)

(b) Related party transactions (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
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 year ended 31 December 2023, the transactions between the Group and the subsidiaries of CNTC were not significant.

57 Related parties (continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

The aggregate amount of relevant loans outstanding as at 31 December 2023 to directors, supervisors and executive officers amounted to RMB0.57 million (as at 31 December 2022: RMB0.69 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank during the year ended 31 December 2023 amounted to RMB27.14million (year ended 31 December 2022: RMB29.42 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 36(b)).

(e) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "state-owned entities").

Transactions with state-owned entities, including CNTC's indirect subsidiaries, include but are not limited to the following:

- lending and deposit taking;
- taking and placing of inter-bank balances;
- derivative transactions;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by state-owned entities;
- purchase, sale and leases of property and other assets; and
- rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. The Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

58 Structured entities

(a) Unconsolidated structured entities sponsored and managed by third parties

The Group invests in unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 2023 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated annual statement of financial position under which relevant assets are recognized:

	31 December 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	**4,045**	**–**	**–**	**4,045**	**4,045**
Investment management products managed by securities companies	**–**	**22,908**	**–**	**22,908**	**22,908**
Trust investment plans	**–**	**204,840**	**–**	**204,840**	**204,840**
Asset-backed securities	**912**	**123,158**	**19,666**	**143,736**	**143,736**
Investment funds	**421,154**	**–**	**–**	**421,154**	**421,154**
Total	**426,111**	**350,906**	**19,666**	**796,683**	**796,683**

	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

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 annual statement of financial position.

58 Structured entities (continued)

(b) Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed wealth management products. The wealth management products invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these wealth management products, the Group invests, on behalf of its customers, in assets as described in the investment plan related to each wealth management product and receives fee and commission income.

As at 31 December 2023, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB1,728,406 million (31 December 2022: RMB1,577,077 million).

During the year ended 31 December 2023, the Group's interest in these wealth management products included fee and commission income of RMB3,462 million (year ended 31 December 2022: RMB8,523 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 year ended 31 December 2023, net interest income which related to repo transactions entered into by the Group with these wealth management products were RMB149 million (year ended 31 December 2022: RMB72 million)

In order to achieve a smooth transition and steady development of the wealth management business, in 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 31 December 2023, assets of these wealth management products amounting to RMB187,083million (31 December 2022: RMB233,528 million) were invested in investments in which certain subsidiaries and associates of the CITIC Group acted as trustees.

59 Transfers of financial assets

For the year ended 31 December 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 34. Details of securitisation transactions and non-performing financial assets transfer transactions conducted by the Group for the year ended 31 December 2023 totaled RMB45,172 million (year ended 31 December 2022: RMB34,212 million) are set forth below.

Securitisation transactions

During the year ended 31 December 2023, the Group, through securitisation, transferred financial assets at the original cost of RMB17,510 million, which qualified for full de-recognition (year ended 31 December 2022:RMB14,994 million, which qualified for full de-recognition).

59 Transfers of financial assets (continued)

Loan and other Financial assets transfers

During the year ended 31 December 2023, the Group also transferred loan and other financial assets of book value before impairment of RMB27,662 million through other types of transactions (year ended 31 December 2022: RMB19,218 million). RMB19,272 million of this balance (year ended 31 December 2022: RMB5,628 million) was non-performing loans. RMB7,990 million of this balance (year ended 31 December 2022: RMB13,590 million) was non-performing financial investments. RMB400 million of this balance (year ended 31 December 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.

60 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated annual statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

As at 31 December 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.

61 Annual statements of financial position and changes in equity of the Bank

Statement of financial position

	31 December 2023	31 December 2022
Assets		
Cash and balances with central banks	**413,366**	472,441
Deposits with banks and non-bank financial institutions	**67,014**	63,712
Precious metals	**11,674**	5,985
Placements with and loans to banks and non-bank financial institutions	**187,695**	190,693
Derivative financial assets	**25,120**	22,347
Financial assets held under resale agreements	**97,780**	11,295
Loans and advances to customers	**5,114,597**	4,760,238
Financial investments	**2,460,003**	2,394,927
— at fair value through profit or loss	**606,972**	553,863
— at amortised cost	**1,086,156**	1,137,654
— at fair value through other comprehensive income	**762,773**	699,157
— designated at fair value through other comprehensive income	**4,102**	4,253
Investments in subsidiaries and joint ventures	**33,821**	33,060
Property, plant and equipment	**34,316**	33,870
Right-of-use assets	**9,707**	9,956
Intangible assets	**4,071**	3,206
Deferred tax assets	**50,781**	53,088
Other assets	**55,300**	48,242
Total assets	**8,565,245**	8,103,060

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

61 Annual statements of financial position and changes in equity of the Bank (continued)

Statement of financial position (continued)

	31 December 2023	31 December 2022
Liabilities		
Borrowings from central banks	**273,126**	119,334
Deposits from banks and non-bank financial institutions	**930,090**	1,146,264
Placements from banks and non-bank financial institutions	**24,216**	19,374
Financial liabilities at fair value through profit or loss	**519**	290
Derivative financial liabilities	**22,436**	22,792
Financial assets sold under repurchase agreements	**442,491**	251,685
Deposits from customers	**5,155,140**	4,854,059
Accrued staff costs	**21,297**	20,680
Taxes payable	**3,353**	7,420
Debt securities issued	**952,909**	968,086
Lease liabilities	**9,219**	9,363
Provisions	**10,759**	9,618
Other liabilities	**36,070**	35,797
Total liabilities	**7,881,625**	7,464,762
Equity		
Share capital	**48,967**	48,935
Preference shares	**118,060**	118,076
Capital reserve	**61,790**	61,598
Other comprehensive income	**1,867**	(1,736)
Surplus reserve	**60,992**	54,727
General reserve	**101,140**	96,906
Retained earnings	**290,804**	259,792
Total equity	**683,620**	638,298
Total liabilities and equity	**8,565,245**	8,103,060

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

61 Annual 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 year	–	–	–	–	–	–	**62,651**	**62,651**
(ii) Other comprehensive income	–	–	–	**3,361**	–	–	–	**3,361**
Total comprehensive income	–	–	–	**3,361**	–	–	**62,651**	**66,012**
(iii) Investor capital								
— Capital injection by issuing convertible corporate bonds	**32**	**(16)**	**192**	–	–	–	–	**208**
(iv) Profit appropriations								
— Appropriations to surplus reserve	–	–	–	–	**6,265**	–	**(6,265)**	–
— Appropriations to general reserve	–	–	–	–	–	**4,234**	**(4,234)**	–
— Dividend distribution to ordinary shareholders of the Bank	–	–	–	–	–	–	**(16,110)**	**(16,110)**
— Dividend distribution to preference shareholders	–	–	–	–	–	–	**(1,428)**	**(1,428)**
— Interest paid to holders of perpetual bonds	–	–	–	–	–	–	**(3,360)**	**(3,360)**
(v) Transfers within the owners' equity								
— Other comprehensive income transferred to retained earnings	–	–	–	**242**	–	–	**(242)**	–
As at 31 December 2023	**48,967**	**118,060**	**61,790**	**1,867**	**60,992**	**101,140**	**290,804**	**683,620**

	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

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

62 Benefits and interests of directors and supervisors

(a) Relationship of related parties

For the year ended 31 December 2023

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Executive directors									
Fang Heying Note (i)	–	–	–	–	–	–	–	–	–
Liu Cheng	–	1,624	420	–	47	261	–	–	2,352
Non-executive directors									
Cao Guoqiang Note (i)	–	–	–	–	–	–	–	–	–
Huang Fang Note (i)	–	–	–	–	–	–	–	–	–
Wang Yankang Note (i)	–	–	–	–	–	–	–	–	–
Independent non-executive directors									
Liu Tsz Bun Bennett	299	–	–	–	–	–	–	–	299
Song FangXiu	52	–	–	–	–	–	–	–	52
Wang Huacheng	70	–	–	–	–	–	–	–	70
Zhou Bowen	90	–	–	–	–	–	–	–	90

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Supervisors									
Li Rong	–	434	810	–	47	261	–	–	1,552
Cheng Pusheng	–	424	820	–	47	261	–	–	1,552
Chen Panwu	–	414	1,271	–	47	261	–	–	1,993
Zeng Yufang	–	345	620	–	53	245	–	–	1,263
Wei Guobin	260	–	–	–	–	–	–	–	260
Sun Qi Xiang	260	–	–	–	–	–	–	–	260
Liu Guoling	260	–	–	–	–	–	–	–	260
Former Directors and Supervisors resigned in 2023									
Guo Danghuai(Note (ii))	–	1,293	310	–	47	175	–	–	1,825
Zhu Hexin (Note (ii))	–	–	–	–	–	–	–	–	–
He Cao (Note (ii))	200	–	–	–	–	–	–	–	200
Chen Lihua (Note (ii))	215	–	–	–	–	–	–	–	215
Qian Jun (Note (ii))	253	–	–	–	–	–	–	–	253

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

62 Benefits and interests of directors and supervisors (continued)

(a) Relationship of related parties (continued)

For the year ended 31 December 2022

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Executive directors									
Fang Heying Note (i)	–	–	–	–	–	–	–	–	–
Liu Cheng	–	1,620	120	–	43	244	–	–	2,027
Guo Danghuai	–	1,512	133	–	43	244	–	–	1,932
Non-executive directors									
Zhu Hexin Note (i)	–	–	–	–	–	–	–	–	–
Cao Guoqiang Note (i)	–	–	–	–	–	–	–	–	–
Huang Fang Note (i)	–	–	–	–	–	–	–	–	–
Wang Yankang Note (i)	–	–	–	–	–	–	–	–	–
Independent non-executive directors									
He Cao	300	–	–	–	–	–	–	–	300
Chen Lihua	280	–	–	–	–	–	–	–	280
Qian Jun	310	–	–	–	–	–	–	–	310
Liu Tsz Bun Bennett	150	–	–	–	–	–	–	–	150

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Supervisors									
Li Rong	–	390	847	–	43	244	–	–	1,524
Cheng Pusheng	–	380	843	–	43	243	–	–	1,509
Chen Panwu	–	375	822	–	43	244	–	–	1,484
Zeng Yufang	–	340	580	–	51	219	–	–	1,190
Wei Guobin	260	–	–	–	–	–	–	–	260
Sun Qi Xiang	260	–	–	–	–	–	–	–	260
Liu Guoling	260	–	–	–	–	–	–	–	260
Former Directors and Supervisors resigned in 2022									
Li Gang (Note (ii))	–	400	698	–	43	247	–	–	1,388

For the year ended 31 December 2023
(Amounts in millions of Renminbi unless otherwise stated)

62 Benefits and interests of directors and supervisors (continued)

(a) Relationship of related parties (continued)

Notes:

(i) Mr. Fang Heying, Mr. Cao Guoqiang, Ms. Huang Fang, and Mr. Wang Yankang did not receive any emoluments from the Bank in 2023. Their salary is borne by the main common shareholders of the Bank. Two of the four directors are appointed by CITIC Limited and CITIC Group ("Parent Companies"). Their emoluments were paid by the Parent Companies in 2023. The other two directors are appointed respectively by Xinhu Zhongbao Co., Ltd. and CNTC. Their emolument allocations are not disclosed due to the difficulty to apportion the services provided by the directors to the Bank.

(ii) Mr. Guo Danghuai resigned in October 2023, Mr. Zhu Hexin resigned in April 2023, Mr. He Cao resigned in August 2023, Ms. Chen Lihua resigned in October 2023, Mr. Qian Jun resigned in October 2023.

(b) Other benefits and interests

No direct or indirect retirement benefits and termination benefits were paid to directors as at 31 December 2023 (as at December 2022: Nil).

For the year ended 31 December 2023 and 31 December 2022, the balance of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors was not significant.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 2023 (2022: Nil).

For the year ended 31 December 2022
(Prepared under International Financial Reporting Standards)

To the Shareholders of China CITIC Bank Corporation Limited

(incorporated in the People's Republic of China with limited liability)
(This auditor's report is published in English and Chinese. In the event of any inconsistency between the two versions, the Chinese version shall prevail.)

Opinion

What we have audited

The consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 188 to 328, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments
- Consolidation of structured entities – Non-principal guaranteed wealth management products

For the year ended 31 December 2022
(Prepared under International Financial Reporting Standards)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments	
Refer to Note 4 (c), Note 5 (i), Note 22 and Note 23 to the consolidated financial statements. As at 31 December 2022, gross loans and advances to customers and accrued interest included for the purpose of expected credit loss assessment, as presented in the Group's consolidated balance sheet, amounted to RMB5,166,071 million, for which management recognized an impairment allowance of RMB131,614 million; total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,968,713 million, for which management recognized an impairment allowance of RMB31,283 million. The balances of loss allowances for the loans and advances to customers and financial investments represent management's best estimates at the balance sheet date of expected credit losses ("ECL") under International Financial Reporting Standard 9: Financial Instruments.	We understood and evaluated management's internal controls and assessment process for the measurement of ECL for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the complexity of estimation models used, the subjectivity of significant management judgements and assumptions, and susceptibility to management bias. We assessed and tested the design and the operating effectiveness of the internal controls relating to the measurement of ECL for loans and advances to customers, and financial investments, primarily including: • Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models; • Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults or credit-impaired loans, forward-looking measurement, and management overlay adjustments; • Internal controls over the accuracy and completeness of key inputs used by the models; • Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and advances and financial investments in stage 3; • Internal controls over the information systems for ECL measurement; • Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments.

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and financial investments (continued)

Management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies an impairment model to calculate their ECL. For stages 1 and 2 financial assets, management assesses impairment allowance using risk parameter model that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For stages 3 financial assets, management assesses impairment allowance using both risk parameter model and discounted cash flows model.

The models of ECL involves significant management judgments and assumptions, primarily including:

(1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;

(2) Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;

We involved our credit risk experts in evaluating the model methodologies, significant judgements and assumptions, data and key parameters used in the ECL measurement for loans and advances to customers, and financial investments. The substantive audit procedures we performed primarily included:

- According to the risk characteristics of assets, we evaluated the segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also examined the coding for model measurement on a sample basis, to tested whether or not the models reflect the modelling methodologies documented by the management.

- We have examined the accuracy of data inputs for the ECL models, covering: (i) examination of supporting information on a sample basis, including contractual information, such as maturity dates, and other financial and non-financial information, such as the borrower's historical and reporting date information, which have been agreed with the underlying data used to generate probability of default and internal credit ratings; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts and assessment of the reasonableness of exposure at default and discounting rates.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
(3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; (4) Management overlay adjustments due to significant uncertain factors not covered in the models; (5) The estimated future cash flows for corporate loans and advances and financial investments in stage 3. The amount of impairment of the loans and advances to customers and financial investments is significant, and the measurement has a high degree of estimation uncertainty. For measuring ECL, the management adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions, and involved significant inherent risk. In view of these reasons, we identified this as a key audit matter.	• We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of management's identification of significant increase in credit risk, defaults and credit-impaired loans. • For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of correlation with the performance of the credit risk portfolios by using statistical techniques. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we performed sensitivity analysis of economic scenarios and weightings. • In addition, based on considering the significant uncertain factors, we evaluated the rationality of management overlay adjustments, and examined the accuracy of the relevant mathematical calculations. • For corporate loans and advances and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations, other available information and possible future factors together with discount rates in supporting the computation of loss allowance. • We checked and evaluated the financial statement disclosures in relation to the measurement of ECL for loans and advances to customers, and financial investments. Based on our procedures performed, we considered that the models, significant judgements and assumptions, as well as relevant data and parameters used by management in measuring ECL for loans and advances to customers, and financial investments were supported by the available evidence.

For the year ended 31 December 2022
(Prepared under International Financial Reporting Standards)

Key Audit Matter	How our audit addressed the Key Audit Matter

Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products

Refer to Note 4 (a), Note 5 (v) and Note 59 to the consolidated financial statements.

As at 31 December 2022, all of non-principal guaranteed wealth management products ("WMPs") issued and managed by the Group are structured entities that are not included in the scope of consolidation.

Management's decision on whether or not to consolidate structured entities was based on an assessment of the Group's power, its variable returns from its involvement with the structured entities and the ability to exercise its power to influence the variable returns from these structured entities.

We have identified this as a key audit matter due to the material balance of structured entities and significant judgements were involved in assessing the Group's control over the structured entities.

We evaluated and tested the design and operating effectiveness of management's relevant internal controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included management's review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities.

We selected samples of structured entities for non-principal guaranteed WMPs and performed substantive procedures as following:

- assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities;
- performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, gain from investments, retention of residual income, and, if any, liquidity and other support provided to the structured entities;
- assessed whether the Group acted as a principal or an agent through analysis of the scope of the Group decision-making authority, its remuneration entitlement, other interests the Group held, and the rights held by other parties.
- examined and evaluated the financial statement disclosures relating to the consolidation of structured entities.

Based on the procedures performed above, we considered that management's judgements on the consolidation of structured entities were supportable by the evidence obtained and procedures performed.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yip Siu Foon, Linda.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong,23 March 2023

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

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Year ended 31 December 2022	2021
Interest income		**313,609**	306,165
Interest expense		**(162,962)**	(158,269)
Net interest income	6	**150,647**	147,896
Fee and commission income		**41,051**	40,604
Fee and commission expense		**(3,959)**	(4,734)
Net fee and commission income	7	**37,092**	35,870
Net trading gain	8	**4,881**	5,168
Net gain from investment securities	9	**17,771**	14,874
Net hedging loss	10	**–**	–
Other operating income		**718**	746
Operating income		**211,109**	204,554
Operating expenses	11	**(66,838)**	(62,224)
Operating profit before impairment		**144,271**	142,330
Credit impairment losses	12	**(71,359)**	(77,005)
Impairment losses on other assets	13	**(45)**	(43)
Revaluation gains/(losses) on investment properties		**(74)**	23
Share of profit/(loss) gain of associates and joint ventures		**623**	212
Profit before tax		**73,416**	65,517
Income tax expense	14	**(10,466)**	(9,140)
Profit for the year		**62,950**	56,377
Net profit attributable to:			
Equity holders of the Bank		**62,103**	55,641
Non-controlling interests		**847**	736

	Notes	Year ended 31 December 2022	2021
Profit for the year		**62,950**	56,377
Other comprehensive income, net of tax:	15		
(i) Items that will not be reclassified to profit or loss (net of tax):			
— Fair value changes on financial investments designated at fair value through other comprehensive income		**237**	30
— Changes in defined benefit plan liabilities		**–**	(1)
(ii) Items that may be reclassified subsequently to profit or loss (net of tax):			
— Other comprehensive income transferable to profit or loss under equity method		**(28)**	(12)
— Fair value changes on financial assets at fair value through other comprehensive income		**(8,191)**	2,394
— Impairment allowance on financial assets at fair value through other comprehensive income		**145**	32
— Exchange difference on translation of financial statements		**4,132**	(1,081)
— Others		**4**	133
Other comprehensive income, net of tax	15	**(3,701)**	1,495
Total comprehensive income for the year		**59,249**	57,872
Total comprehensive income attribute to:			
Equity holders of the Bank		**58,681**	57,176
Non-controlling interests		**568**	696
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	16	**1.17**	1.08
Diluted earnings per share (RMB)	16	**1.06**	0.98

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

Chapter 9 Consolidated Statement of Financial Position

As at 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	31 December 2022	31 December 2021
Assets			
Cash and balances with central banks	17	**477,381**	435,383
Deposits with banks and non-bank financial institutions	18	**78,834**	107,856
Precious metals		**5,985**	9,645
Placements with and loans to banks and non-bank financial institutions	19	**218,164**	143,918
Derivative financial assets	20	**44,383**	22,721
Financial assets held under resale agreements	21	**13,730**	91,437
Loans and advances to customers	22	**5,038,967**	4,748,076
Financial investments	23		
— at fair value through profit or loss		**557,594**	495,810
— at amortised cost		**1,135,452**	1,170,229
— at fair value through other comprehensive income		**804,695**	651,857
— designated at fair value through other comprehensive income		**5,128**	4,745
Investments in associates and joint ventures	24	**6,341**	5,753
Investment properties	26	**516**	547
Property, plant and equipment	27	**34,430**	34,184
Right-of-use assets	28	**10,824**	10,638
Intangible assets		**3,715**	2,925
Goodwill	29	**903**	833
Deferred tax assets	30	**55,011**	46,905
Other assets	31	**55,490**	59,422
Total assets		**8,547,543**	8,042,884
Liabilities			
Borrowings from central banks		**119,422**	189,198
Deposits from banks and non-bank financial institutions	33	**1,143,776**	1,174,763
Placements from banks and non-bank financial institutions	34	**70,741**	78,331
Financial liabilities at fair value through profit or loss		**1,546**	1,164
Derivative financial liabilities	20	**44,265**	22,907
Financial assets sold under repurchase agreements	35	**256,194**	98,339
Deposits from customers	36	**5,157,864**	4,789,969
Accrued staff costs	37	**21,905**	19,253
Taxes payable	38	**8,487**	10,753
Debt securities issued	39	**975,206**	958,203
Lease liabilities		**10,272**	9,816
Provisions	40	**9,736**	11,927
Deferred tax liabilities	30	**3**	8
Other liabilities	41	**42,296**	35,627
Total liabilities		**7,861,713**	7,400,258

As at 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**31 December 2022**	31 December 2021
Equity			
Share capital	42	**48,935**	48,935
Other equity instruments	43	**118,076**	118,076
Capital reserve	44	**59,216**	59,216
Other comprehensive income	45	**(1,621)**	1,644
Surplus reserve	46	**54,727**	48,937
General reserve	47	**100,580**	95,490
Retained earnings	48	**285,505**	254,005
Total equity attributable to equity holders of the Bank		**665,418**	626,303
Non-controlling interests	49	**20,412**	16,323
Total equity		**685,830**	642,626
Total liabilities and equity		**8,547,543**	8,042,884

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

Approved and recognized for issue by the board of directors on 23 March 2023.

Zhu Hexin
Chairman
Non-Executive Director

Fang Heying
Vice Chairman
Executive Director President

Wang kang
Vice President
Chief Financial officer

Xue Fengqing
Manager of the Finance and Accounting Department

Company stamp

Chapter 9 Consolidated Statement of Changes in Equity

For the 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 equity holders	Other equity instruments holders	Total equity
As at 1 January 2022		48,935	118,076	59,216	1,644	48,937	95,490	254,005	9,121	7,202	642,626
(i) Net profit		–	–	–	–	–	–	62,103	384	463	62,950
(ii) Other comprehensive income	15	–	–	–	(3,422)	–	–	–	(279)	–	(3,701)
Total comprehensive income		–	–	–	(3,422)	–	–	62,103	105	463	59,249
(iii) Investor capital											
—Insurance of perpetual bonds	43(ii)	–	–	–	–	–	–	–	–	3,990	3,990
(iv) Profit appropriations											
—Appropriations to surplus reserve	46	–	–	–	–	5,790	–	(5,790)	–	–	–
—Appropriations to general reserve	47	–	–	–	–	–	5,090	(5,090)	–	–	–
—Dividend distribution to ordinary shareholders of the Bank	48	–	–	–	–	–	–	(14,778)	–	–	(14,778)
—Dividend distribution to non-controlling interests		–	–	–	–	–	–	–	(6)	–	(6)
—Dividend distribution to preference shareholders	48	–	–	–	–	–	–	(1,428)	–	–	(1,428)
—Interest paid to holders of perpetual bonds	48/49	–	–	–	–	–	–	(3,360)	–	(463)	(3,823)
(v) Transfers within the owners' equity											
—Other comprehensive income transferred to retained earnings		–	–	–	157	–	–	(157)	–	–	–
As at 31 December 2022		48,935	118,076	59,216	(1,621)	54,727	100,580	285,505	9,220	11,192	685,830

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary equity holders	Other equity instruments holders	Total equity
As at 1 January 2021		48,935	78,083	59,216	109	43,786	90,819	223,625	8,798	6,667	560,038
(i) Net profit		–	–	–	–	–	–	55,641	369	367	56,377
(ii) Other comprehensive income	15	–	–	–	1,535	–	–	–	(40)	–	1,495
Total comprehensive income		–	–	–	1,535	–	–	55,641	329	367	57,872
(iii) Investor capital											
—Insurance of perpetual bonds	43(ii)	–	39,993	–	–	–	–	–	–	3,859	43,852
—Redemption of perpetual bonds		–	–	–	–	–	–	–	–	(3,324)	(3,324)
(iv) Profit appropriations											
—Appropriations to surplus reserve	46	–	–	–	–	5,151	–	(5,151)	–	–	–
—Appropriations to general reserve	47	–	–	–	–	–	4,671	(4,671)	–	–	–
—Dividend distribution to ordinary shareholders of the Bank	48	–	–	–	–	–	–	(12,429)	–	–	(12,429)
—Dividend distribution to non-controlling interests		–	–	–	–	–	–	–	(6)	–	(6)
—Dividend distribution to preference shareholders	48	–	–	–	–	–	–	(1,330)	–	–	(1,330)
—Interest paid to holders of perpetual bonds	48/49	–	–	–	–	–	–	(1,680)	–	(367)	(2,047)
As at 31 December 2021		48,935	118,076	59,216	1,644	48,937	95,490	254,005	9,121	7,202	642,626

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

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Year ended 31 December	
	2022	2021
Operating activities		
Profit before tax	**73,416**	65,517
Adjustments for:		
— revaluation (gain)/loss on investments, derivatives and investment properties	**(964)**	(455)
— investment gain	**(14,287)**	(14,113)
— net gain on disposal of property, plant and equipment, intangible assets and other assets	**32**	(26)
— unrealised foreign exchange loss/(gain)	**52**	(835)
— credit impairment losses	**71,359**	77,005
— impairment losses on other assets	**45**	43
— depreciation and amortisation	**4,110**	3,457
— interest expense on debt securities issued	**27,082**	26,962
— dividend income from equity investment	**(102)**	(35)
— depreciation of right-of-use assets and interest expense on lease liabilities	**3,731**	3,696
— income tax paid	**(18,043)**	(12,880)
Subtotal	**146,431**	148,336
Changes in operating assets and liabilities:		
(Increase)/decrease in balances with central banks	**(3,363)**	7,878
(Increase)/decrease in deposits with banks and non-bank financial institutions	**8,921**	(3,832)
Increase in placements with and loans to banks and non-bank financial institutions	**(85,386)**	(20,787)
(Increase)/decrease in investments in financial assets held for trading purposes	**2,550**	(8,469)
Decrease in financial assets held under resale agreements	**77,922**	19,642
Increase in loans and advances to customers	**(347,961)**	(432,361)
Decrease in borrowings from central banks	**(69,087)**	(35,315)
Increase/(decrease) in deposits from banks and non-bank financial institutions	**(30,317)**	9,758
Increase/(decrease) in placements from banks and non-bank financial institutions	**(8,820)**	20,966
Decrease in financial liabilities at fair value through profit or loss	**(680)**	(7,386)
Increase in financial assets sold under repurchase agreements	**157,583**	23,303
Increase in deposits from customers	**340,067**	216,620
Increase in other operating assets	**(17,411)**	(28,945)
Increase in other operating liabilities	**24,617**	15,198
Subtotal	**48,635**	(223,730)
Net cash flows from operating activities	**195,066**	(75,394)

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Year ended 31 December 2022	2021
Investing activities			
Proceeds from disposal and redemption of investments		**2,580,725**	3,045,391
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**127**	168
Cash received from equity investment income		**507**	438
Payments on acquisition of investments		**(2,690,472)**	(3,248,304)
Payments on acquisition of property, plant and equipment, land use rights and other assets		**(6,799)**	(4,481)
Cash received from disposal of associates	24	**39**	–
Net cash flows used in investing activities		**(115,873)**	(206,788)
Financing activities			
Cash received from debt securities issued	39	**850,086**	903,846
Cash received from other equity instruments issued	43	**3,990**	43,852
Cash paid for redemption of other equity instruments		**–**	(3,324)
Cash paid for redemption of debt securities issued		**(836,677)**	(678,912)
Cash paid for interest on debt securities issued		**(26,513)**	(26,252)
Cash paid for dividends		**(20,035)**	(15,812)
Cash paid in connection with other financing activities		**(3,390)**	(3,480)
Net cash flows from financing activities		**(32,539)**	219,918
Net increase/(decrease) in cash and cash equivalents		**46,654**	(62,264)
Cash and cash equivalents as at 1 January		**252,818**	319,566
Effect of exchange rate changes on cash and cash equivalents		**8,399**	(4,484)
Cash and cash equivalents as at 31 December	50	**307,871**	252,818
Cash flows from operating activities include:			
Interest received		**320,205**	323,057
Interest paid		**(131,295)**	(119,881)

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

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

1 Corporate information

China CITIC Bank Corporation Limited (the "Bank" or "CNCB") is a joint stock company incorporated in the People's Republic of China (the "PRC" or "Mainland China") on 31 December 2006. Headquartered in Beijing, the Bank's registered office is located at 6-30F and 32-42F No.10 Guanghua Road, Chaoyang District, Beijing, China. The Bank listed its A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively on 27 April 2007.

The Bank operates under financial services certificate No. B0006H111000001 issued by the China Banking Insurance Regulatory Commission (the "CBIRC", originally named China Banking Regulatory Commission), and unified social credit code No. 91110000101690725E issued by the State Administration of Industry and Commerce of the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, finance leasing and other non-banking financial services.

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

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

The consolidated financial statements were approved by the Board of Directors of the Bank on 23 March 2023.

2 Basis of preparation

These consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements for the year ended 31 December 2022 comprise the Bank and its subsidiaries, associates and joint ventures.

(a) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(b) Functional currency and presentation currency

The functional currency of the Bank is Renminbi ("RMB"). The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the consolidated financial statements according to Note 4 (b)(ii). The consolidated financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

3 Principal accounting policies

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

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

On 1 January 2022, the Group has adopted the following IFRSs and amendments issued by the International Accounting Standards Board ("IASB"), which were mandatorily effective:

IFRS 3 Amendments	Business Combinations
IAS 16 Amendments	Property, Plant and Equipment: Proceeds before Intended Use
IAS 37 Amendments	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)	Minor Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

IAS 16 Amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that when 'testing whether the asset is functioning properly', an entity assesses the technical and physical performance of the asset. The assessment of functioning properly is not an assessment of the financial performance of an asset, such as assessing whether the asset has achieved the level of operating margin initially anticipated by management. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". Costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

For the year ended 31 December 2022
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3 Principal accounting policies (continued)

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

Annual Improvements to IFRSs 2018-2020 Cycle were issued in May 2020, including an amendment to IFRS 9 Financial Instruments as well as an amendment to IFRS 16 Leases. The amendment to IFRS 9 clarifies fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability by conducting the "10 per cent" test for derecognition of financial liabilities. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment to IFRS 16 Leases removes the illustration of payments from the lessor relating to leasehold improvements in an illustrative example so as to remove potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The adoption of the above standards and amendments does not have any material impact on the operating results, financial position and comprehensive income of the Group for the year ended 31 December 2022.

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

		Effective for annual periods beginning on or after
IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IFRS 16 Amendments	Lease Liability in a Sale and Leaseback	1 January 2024
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

IAS 1 and IFRS Practice Statement 2 Amendments provide guidance to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. The amendments add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

IAS 8 Amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. It introduces a new definition of "accounting estimates". The amendments are designed to clarify distinction between changes in accounting estimates and changes in accounting policies and correction of errors.

IAS 12 Amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

3 Principal accounting policies (continued)

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

IFRS 17 Insurance Contracts established principles for the recognition, measurement, presentation and disclosure of insurance contracts. The amendments confirm the following: IFRS 17 requires that insurance contracts subject to similar risks and managed together shall be included in one portfolio, and each portfolio is further divided into groups of contracts mainly based on factors including profitability of each contract. Investment components are no longer included in insurance revenue or insurance service expenses. Under IFRS 17, estimated future profits for a group of insurance contracts are recognized as the contractual service margin within insurance contract liabilities. IFRS 17 requires the discount rates used in the measurement of insurance contract liabilities shall be consistent with observable current market prices.

IFRS 16 Amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following: On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

IFRS 10 and IAS 28 Amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

The adoption of the above standards and amendments is expected not to have material impact on the consolidated financial statements of the Group.

4 Summary of significant accounting policies

(a) Consolidated financial statements

(i) Business combinations involving enterprises under common control

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

4 Summary of significant accounting policies (continued)

(a) Consolidated financial statements (continued)

(ii) Business combinations not involving entities under common control

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

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

(iii) Consolidated financial statements

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

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

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

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

4 Summary of significant accounting policies (continued)

(a) Consolidated financial statements (continued)

(iii) Consolidated financial statements (continued)

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

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

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

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognized assets, liabilities, non-controlling interests and other related items in equity holders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognized as investment income for the current period when the control is lost.

If there is a difference between the accounting entity of the Group and the accounting entity of the Bank or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

(b) Foreign currency translations

(i) Translation of foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated into Renminbi by applying the spot exchange rates at the dates of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the reporting date. The resulting exchange differences are recognized in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rate at the date the fair value is determined. The differences arising from the translation of financial assets at fair value through other comprehensive income is recognized in other comprehensive income. Changes in the fair value of monetary assets denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognized in the consolidated statement of profit or loss, and other changes in the carrying amount are recognized in other comprehensive income. The translation differences resulting from other monetary assets and liabilities are recognized in the consolidated statement of profit or loss.

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (continued)

(b) Foreign currency translations (continued)

(ii) Translation of financial statements denominated in foreign currency

Financial statements denominated in foreign currency are translated into Renminbi for the preparation of consolidated financial statements. The assets and liabilities in the financial statements denominated in foreign currency are translated into Renminbi at the spot exchange rates prevailing at the reporting date. The equity items, except for "retained earnings", are translated to Renminbi at the spot exchange rates at the dates on which such items arose. Income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. The resulting exchange differences are recognized in other comprehensive income.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognized in equity holders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows.

(c) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

(i) Initial recognition and classification of financial instruments

Financial assets

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

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

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

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

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

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

Debt Instruments

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

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

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

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

Equity instruments

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

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

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

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

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(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

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

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

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

(ii) Measurement of financial assets

Initial measurement

At initial recognition, the Group measures a financial asset or financial liability at its fair value. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognized in profit or loss. For other financial asset or liability, transaction costs are recognized in the initial measurement.

Subsequent measurement

Subsequent measurement of financial assets depends on the categories:

Financial assets and financial liabilities measured at amortised cost

The amortised cost is the amount at which the financial asset is measured at initial recognition: i) minus the principal; ii) plus or minus the cumulative recognized using the effective interest method of any difference between that initial amount and maturity amount; iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset (i. e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses ('ECL') and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of this gross carrying amount and incorporates the impact of ECL in estimated future cash flows.

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Measurement of financial assets (continued)

Financial assets and financial liabilities measured at amortised cost (continued)

Interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, except for:

i) a POCI financial asset, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to its amortised cost; and

ii) a financial asset that is not a POCI financial asset but has subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to its amortised cost. If, in a subsequent period, the financial asset improves its quality so that it is no longer credit-impaired and the improvement in credit quality can be related objectively to a certain event occurring after the application of the above-mentioned rule, then the interest income can again be calculated by applying the effective interest rate to its gross carrying amount. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

For floating-rate financial assets and floating-rate financial liabilities, periodic re-estimation of cash flows to reflect the movements in the market rates of interest alters the effective interest rate. If a floating-rate financial asset or a floating rate financial liability is recognized initially at an amount equal to the principal receivable or payable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or the liability.

If the Group revises its estimates of payments or receipts, the difference between the gross carrying amount of the financial asset or amortised cost of a financial liability calculated from revised estimated contractual cash flows and the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate should be recognized in profit or loss.

Financial assets at fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognized in profit or loss.

When the financial assets is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity instruments

Where an investment in an equity investment not held for trading is designated as a financial asset measured at fair value through other comprehensive income, the fair value changes of the financial asset is derecognized in the other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to retained earnings. The dividends on the investment are recognized in profit or loss only when the Group's right to receive payment of the dividends is established.

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Measurement of financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on the financial assets that is measured at fair value should be recognized in profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and
- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period.

(iii) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with exposure arising from loan commitments, financial guarantee contracts and lease receivables.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, i. e. all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

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

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

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

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

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

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

(iv) Modification of loans

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

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

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(v) Derivatives and hedges

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Derivatives and hedges (continued)

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognized assets or liabilities or firm commitments for fair value hedges.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

(vi) Derecognition of financial assets

Financial assets

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

4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Derecognition of financial assets (continued)

Financial assets (continued)

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

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer and the cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognized an associated liability.

Financial liabilities

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. An agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

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

(vii) Securitization

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

(viii) Sales of assets on condition of repurchase

De-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognize the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognize the financial asset.

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4 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ix) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the consolidated statement of financial position and are not offset. However, financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only if the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by recognizing the asset and settling the liability simultaneously.

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

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

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

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

(xi) Equity instruments

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

(d) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals acquired by the Group for trading purposes and precious metals leasing are initially measured at fair value and subsequent changes in fair value are recorded in the consolidated statement of profit or loss.

(e) Interests in subsidiaries

In the Bank's consolidated statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (see Note 4 (m)). Cost includes direct attributable costs of investment. Dividends declared by subsidiaries are recognized in investment income.

Determination of investment cost

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

4 Summary of significant accounting policies (continued)

(e) Interests in subsidiaries (continued)

Determination of investment cost (continued)

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

(f) Interests in associates and joint ventures

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

When acquiring associates and joint ventures, the Group recognizes as initial investment cost in the principle which: for the investments obtained by making payment in cash, the Group recognizes the purchase cost which is actually paid as initial investment costs; for the investments obtained by equity securities, the Group recognizes the fair value of the equity securities issued as initial investment cost.

An investment in an associate or a joint venture is accounted for using the equity method, unless the investment is classified as held for sale.

The Group adopts the following accounting treatments when using the equity method:

- Where the initial investment cost of an associate or joint venture exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognized at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

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

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

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4 Summary of significant accounting policies (continued)

(f) Interests in associates and joint ventures (continued)

– The Group discontinues recognition of its share of net losses of investees after the carrying amount of investment in the associates and joint ventures and any long-term interest that in substance forms part of the Group's net interest in the associates and joint ventures are reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate. Where profits are subsequently made by the associates and joint ventures, the Group resumes the recognition of its share of those profits only after its share of the profits equals the share of losses not recognized.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

The Group makes provisions for impairment of interests in associates and joint ventures in accordance with the principles described in Note 4 (m).

(g) Property, plant and equipment

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

(i) Cost

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

4 Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives are as follows:

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

No depreciation is provided in respect of construction in progress.

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

(iv) Impairment

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

(v) Disposal and retirement

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

(h) Lease

A lease is a contract under which the lessor conveys to the lessee the right to use an asset for a period of time in exchange for consideration.

The Group as the lessee

The Group recognises the right-of-use assets on the commencement date of the lease term and recognises the lease liability at the present value of the lease payments that have not been paid yet. Each lease payment is allocated between the liability and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease payments include fixed payments and payments to be made in the event that it is reasonably determined that the purchase option will be exercised or the lease option is terminated. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used.

The Group's right-of-use assets include leased buildings, land use right, equipment, vehicles and others. The right-of-use assets are initially measured at cost, which includes the initial measurement of the lease liability, the lease payments paid on or before the lease commencement date, and the initial direct costs, less any lease incentives received. If the Group can reasonably expect to obtain the ownership of the leased asset at the expiration of the lease term, it is depreciated over the remaining useful life of the leased asset on a straight-line basis; if it is not possible to reasonably determine whether the ownership of the leased asset can be obtained at the expiration of the lease term, it is depreciated over the shorter period of the lease term and the remaining useful life of the leased assets on a straight-line basis. When the recoverable amount is lower than the carrying amount of an right-of-use asset, the Group writes down the carrying amount to the recoverable amount.

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4 Summary of significant accounting policies (continued)

(h) Lease (continued)

The Group as the lessee (continued)

For short-term leases with a lease term of no more than 12 months and leases of assets with low values when new, the Group chooses not to recognise the right-of-use assets and lease liabilities. Instead, it recognises in each period the relevant rental payments in profit or loss or relevant asset costs on a straight-line basis over the lease term.

Land use rights are amortised on a straight-line basis over the respective periods of grant. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property, plant and equipment.

Impairment loss on land use rights is accounted for in accordance with the accounting policies as set out in Note 4 (m).

The Group as the lessor

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(i) Finance leases

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receipts and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the "net lease investment"), is included in "loans and advances to customers" on consolidated statement of financial position as a finance lease receivable. At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the net lease investment and the aggregate of their present value is recognised as unearned finance income which is included in "loans and advances to customers" as well. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses are accounted in accordance with the accounting policies as set out in Note 4 (c)(iii).

(ii) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 4 (g) except where the asset is classified as an investment property. Impairment losses are accounted in accordance with the accounting policies as set out in Note 4 (m). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 4 (t)(iv).

(i) Intangible assets

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

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

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

4 Summary of significant accounting policies (continued)

(j) Investment properties

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

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

- There is an active property market in the location in which the investment property is situated;
- The Group can obtain the market price and other relevant information regarding the same type of or similar properties from the property market, so as to reasonably estimate the fair value of the investment property.

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

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

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

(k) Goodwill

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

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognized immediately in the consolidated statement of profit or loss.

On disposal of the related CGU or a group of CGUs, any attributable amount of the purchased goodwill net of allowance for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted in accordance with the accounting policies as set out in Note 4 (m).

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4 Summary of significant accounting policies (continued)

(l) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realization of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognized at fair value and any taxes that are directly attributable to the assets, and other expenses incurred for collecting the repossessed assets.

When the fair value less costs to sell is lower than a repossessed asset's carrying amount, an impairment loss is recognized in the consolidated statement of profit or loss. Repossessed assets are recognized at the carrying value, net of allowance for impairment losses.

The repossessed assets are disposed after acquisition and cannot be used without authorisation. The repossessed assets that are transferred to own use are treated as newly purchased property, plant and equipment.

Any gain or loss arising from the disposal of the repossessed assets is included in the consolidated statement of profit or loss in the period in which the item is disposed.

(m) Allowance for impairment of non-financial assets

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

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

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

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

(ii) Impairment of goodwill

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

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

4 Summary of significant accounting policies (continued)

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

(ii) Impairment of goodwill (continued)

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

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

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

An impairment loss in respect of goodwill is not reversed.

(n) Fair value measurement

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

(o) Employee benefits

(i) Employee salaries

During the accounting period when an employee has rendered service to the Group, the Group recognizes the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses, labor union expenses and employee education expenses, social insurance such as medical insurance, work-related injury insurance and maternity insurance, as well as housing provident funds, which are all calculated based on the regulated benchmark and ratio.

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4 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(ii) Post-employment benefits: Defined contribution plans

Pursuant to the relevant laws and regulations in the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension contributions are charged to profit or loss when the related services are rendered by the employees.

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

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

(iii) Post-employment benefits: Defined benefit plans

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

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

The Group recognizes the obligation of defined benefit plans in the accounting period in which the employees render the related services. Past-service costs are recognized immediately in the consolidated statement of profit or loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Re-measurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(p) Government grants

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

Government grants are recognized when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants. Government grants are measured at the amount received or will be received when recognized as monetary assets. Government grants are measured at fair value when recognized as non-monetary assets.

4 Summary of significant accounting policies (continued)

(p) Government grants (continued)

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is recognized initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognized initially as deferred income and recognized in the consolidated statement of profit or loss in the same periods in which the expenses are recognized. A grant that compensates the Group for expenses incurred is recognized in the consolidated statement of profit or loss immediately. The Group uses the same statement method for similar government grants.

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates. The interest subsidies directly received from government are recorded as a reduction of interest expenses.

(q) Financial guarantee contracts and loan commitments

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

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit and loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognized as a provision.

(r) Provisions and contingent liabilities

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

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4 Summary of significant accounting policies (continued)

(r) Provisions and contingent liabilities (continued)

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

(s) Fiduciary activities

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

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

(t) Income recognition

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

(i) Interest income

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

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

(ii) Fee and commission income

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

(iii) Dividend income

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

4 Summary of significant accounting policies (continued)

(t) Income recognition (continued)

(iv) Rental income from operating lease

Rental income received under operating leases is recognized as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognized in the consolidated statement of profit or loss as an integral part of the aggregate net lease payments receivable.

(v) Finance income from finance lease and hire purchase contract

Finance income implicit in finance lease and hire purchase payments is recognized as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period.

(u) Income tax

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be recognized.

At the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is recognized or the liability is settled according to the requirements of tax laws. The Group also considers the probability of realization and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and meet the additional conditions that deferred tax assets and liabilities relate to income taxes levied by the same authority on the same taxable entity.

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4 Summary of significant accounting policies (continued)

(v) Cash equivalents

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

(w) Profit distribution

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

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

(x) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

(y) Operating segments

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group considers the business from different perspectives including products and services and geographic areas. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

5 Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

5 Critical accounting estimates and judgements (continued)

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit recognition (e. g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 55 (a).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- Management overlay for asset portfolios whose non-linear risk characteristics cannot be adequately reflected through impairment models; and
- Discounted cash flows model is applicable to assets related to corporate client in stage 3.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 55 (a).

(ii) Classification of financial assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include evaluation and reporting of financial asset performance to key management personnel, risks affecting the performance of financial assets and their management methods, and related business management personnel. The way to get paid, etc.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests is only included currency time value, credit risk, other basic borrowing risks, and considerations for costs and profits; whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

5 Critical accounting estimates and judgements (continued)

(iii) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(iv) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements and etc., the Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgment is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

- where the Group neither retains nor transfers substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

(v) Consolidation of structured entities

The Group makes significant judgment to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

- assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

- performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

5 Critical accounting estimates and judgements (continued)

(v) Consolidation of structured entities (continued)

– assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

(vi) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be recognized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

6 Net interest income

	Year ended 31 December	
	2022	2021
Interest income arising from (Note (i)):		
Deposits with central banks	**6,100**	6,073
Deposits with banks and non-bank financial institutions	**1,569**	2,040
Placements with and loans to banks and non-bank financial institutions	**6,378**	4,475
Financial assets held under resale agreements	**1,092**	1,267
Loans and advances to customers		
— corporate loans	**119,218**	115,866
— personal loans	**120,438**	116,770
Financial investments		
— at amortised cost	**40,207**	39,483
— at fair value through other comprehensive income	**18,580**	20,188
Others	**27**	3
Subtotal	**313,609**	306,165
Interest expense arising from:		
Borrowings from central banks	**(4,974)**	(6,804)
Deposits from banks and non-bank financial institutions	**(23,818)**	(27,755)
Placements from banks and non-bank financial institutions	**(1,686)**	(2,276)
Financial assets sold under repurchase agreements	**(1,935)**	(1,631)
Deposits from customers	**(102,997)**	(92,388)
Debt securities issued	**(27,082)**	(26,962)
Lease liabilities	**(442)**	(448)
Others	**(28)**	(5)
Subtotal	**(162,962)**	(158,269)
Net interest income	**150,647**	147,896

Note:

(i) Interest income from impaired financial assets is RMB462 million for the year ended 31 December 2022 (2021: RMB507 million).

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7 Net fee and commission income

	Year ended 31 December	
	2022	2021
Fee and commission income:		
Bank card fees	**16,480**	16,474
Commission for custodian business and other fiduciary	**11,269**	10,226
Agency fees and commission (Note (i))	**5,692**	6,497
Guarantee and advisory fees	**5,357**	5,384
Settlement and clearance fees	**2,143**	1,926
Others	**110**	97
Total	**41,051**	40,604
Fee and commission expense	**(3,959)**	(4,734)
Net fee and commission income	**37,092**	35,870

Note:

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

8 Net trading gain

	Year ended 31 December	
	2022	2021
Debt securities and certificates of interbank deposit	**2,022**	2,909
Foreign currencies	**(1,909)**	1,095
Derivatives and related exposures	**4,768**	1,164
Total	**4,881**	5,168

9 Net gain from investment securities

	Year ended 31 December	
	2022	2021
Financial investments		
— at fair value through profit or loss	**12,728**	12,933
— at amortised cost	**360**	63
— at fair value through other comprehensive income	**(278)**	(110)
— Investments in financial assets designated at fair value through other comprehensive income	**41**	33
Revaluation gain on transfer out of equity at disposal	**2,846**	979
Net gain from bills rediscounting	**1,197**	693
Proceeds from the resale of forfaiting	**836**	294
Others	**41**	(11)
Total	**17,771**	14,874

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10 Net hedging loss

For the year ended 31 December 2022, net loss of fair value hedge is RMB174,483 (2021: Nil).

11 Operating expenses

	Year ended 31 December	
	2022	2021
Staff costs		
— salaries and bonuses	**28,102**	25,299
— welfare expenses	**1,352**	1,373
— social insurance	**2,027**	1,813
— housing fund	**1,758**	1,570
— labor union expenses and employee education expenses	**888**	808
— post-employment benefits – defined contribution plans	**3,579**	3,171
— post-employment benefits – defined benefit plans	**1**	1
— other benefits	**375**	368
Subtotal	**38,082**	34,403
Property and equipment related expenses		
— depreciation of right-of-use assets	**3,289**	3,248
— depreciation of property, plant and equipment	**2,558**	2,302
— rent and property management expenses	**991**	1,069
— maintenance	**1,072**	1,182
— amortisation expenses	**1,552**	1,155
— electronic equipment operating expenses	**422**	441
— others	**444**	446
Subtotal	**10,328**	9,843
Tax and surcharges	**2,122**	2,203
Other general operating and administrative expenses (Note (i))	**16,306**	15,775
Total	**66,838**	62,224

Note:

(i) Included in other general operating and administrative expenses were audit fees of RMB19 million for the year ended 31 December 2022 (2021: RMB18 million) and non-audit fees of RMB7 million for the year ended 31 December 2022 (2021: RMB3 million).

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11 Operating expenses (continued)

(a) Individuals with highest emoluments

For the year ended 31 December 2022, of the 5 individuals with the highest emoluments in the Group, there was no director (2021: Nil) and no supervisor (2021: Nil). The aggregate of the emoluments before individual income tax in respect of the five (2021: five) highest paid individuals of the Group were as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**20,683**	18,734
Discretionary bonuses	**19,058**	21,026
Contribution to pension scheme	**979**	799
Total	**40,720**	40,559

The emoluments before individual income tax of the five individuals of the Group with the highest emoluments are within the following bands:

	Year ended 31 December	
	2022	2021
RMB5,000,001 – RMB10,000,000	**4**	4
RMB10,000,001 – RMB15,000,000	**1**	1

No inducement fee and compensation for loss of office was paid to the five highest paid individuals for the year ended 31 December 2022 (2021: Nil).

12 Credit impairment losses

	31 December 2022	31 December 2021
Deposits with banks and non-bank financial institutions	**(48)**	16
Placements with and loans to banks and non-bank financial institutions	**50**	(7)
Financial assets held under resale agreements	**(47)**	(9)
Interest receivables	**5,378**	3,616
Loans and advances to customers	**55,786**	50,228
Financial investments		
— at amortised cost	**1,542**	18,917
— at fair value through other comprehensive income	**269**	(165)
Other receivables	**(158)**	(314)
Off-balance sheet items	**8,587**	4,723
Total	**71,359**	77,005

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13 Impairment losses on other assets

	31 December 2022	31 December 2021
Other assets-repossessed assets	**45**	43

14 Income tax

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

	Notes	Year ended 31 December 2022	2021
Current tax			
— Mainland China		**16,032**	14,785
— Hong Kong		**57**	314
— Overseas		**32**	43
Deferred tax	30	**(5,655)**	(6,002)
Total		**10,466**	9,140

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

(b) Reconciliation between income tax expense and accounting profit

	Year ended 31 December 2022	2021
Profit before tax	**73,416**	65,517
Income tax calculated at PRC statutory tax rate	**18,354**	16,379
Effect of different tax rates in other regions	**(213)**	(272)
Tax effect of non-deductible expenses (Note (i))	**3,456**	2,481
Tax effect of non-taxable income		
— interest income arising from PRC government bonds and local government bonds	**(7,121)**	(6,658)
— dividend income from investment funds	**(2,680)**	(2,218)
— others	**(1,330)**	(572)
Income tax	**10,466**	9,140

Note:

(i) It mainly includes the non-deductible expenses that the Bank assesses and confirms on an item by item basis, and the tax impact of business entertainment expenses and labor insurance expenses that exceed the tax deductible limits.

15 Other comprehensive income, net of tax

	Year ended 31 December	
	2022	2021
Items that will not be reclassified subsequently to profit or loss		
Changes in defined benefit plan liabilities		
— net changes during the year before tax	**–**	(1)
Fair value changes on financial asset designated at fair value through other comprehensive income, net of tax		
— net changes in fair value recognized during the year before tax	**345**	7
— income tax	**(108)**	23
Subtotal	**237**	29
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income transferable to profit or loss under equity method		
— net changes during the year	**(28)**	(12)
Fair value changes on financial assets at fair value through other comprehensive income, net of tax (Note (i))		
— net changes during the year before tax	**(7,530)**	4,375
— net amount transferred to profit or loss	**(2,862)**	(966)
— income tax	**2,201**	(1,015)
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note (ii))		
— net changes during the year	**167**	(53)
— income tax	**(22)**	85
Others		
— net changes during the year	**4**	133
Exchange differences on translation of financial statements	**4,132**	(1,081)
Subtotal	**(3,938)**	1,466
Other comprehensive income, net of tax	**(3,701)**	1,495

Note:

(i) Fair value changes on financial assets at fair value through other comprehensive income include those of financial assets (Note 23 (a)) and loans and advances to customers (Note 22 (a)) at fair value through other comprehensive income.

(ii) Credit impairment allowance include financial assets (Note 23 (a)) and loans and advances to customers (Note 22 (b)) at fair value through other comprehensive income.

16 Earnings per share

Earnings per share information for the years ended 31 December 2022 and 2021 is computed by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the year.

16 Earnings per share (continued)

The Bank issued non-cumulative preference shares in 2016, under the terms and conditions as detailed in Note 43 (i). The Bank declared and paid cash dividends of RMB1,428 million of non-cumulative preference shares for the year of 2022 (2021: 1,330 million).

The Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in 2019, with terms and conditions disclosed in detail in Note 43 (ii) under perpetual bonds. The Bank declared and paid RMB3,360 million in interests on the perpetual bonds in 2022.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2022, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

The diluted earnings per share is calculated on the assumption that the RMB40 billion A-share convertible corporate bonds publicly issued by the Bank on 4 March 2019 are deemed to have all been converted to ordinary shares upon issuance, and by dividing, after adjustments for the interest expenses of the convertible corporate bonds for the period, the net profit of the year attributable to ordinary shareholders of the Bank, by the adjusted weighted average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2022	2021
Profit for the year attributable to equity holders of the Bank	**62,103**	55,641
Less: Equity attributable to holders of other equity instruments of the Bank	**4,788**	3,010
Profit for the year attributable to ordinary shareholders of the Bank	**57,315**	52,631
Weighted average number of shares (in million shares)	**48,935**	48,935
Basic earnings per share (in RMB)	**1.17**	1.08
Diluted earnings per share (in RMB)	**1.06**	0.98

17 Cash and balances with central banks

	Notes	31 December 2022	31 December 2021
Cash		**5,532**	5,694
Balances with central banks			
— statutory deposit reserve funds	(i)	**365,362**	361,237
— surplus deposit reserve funds	(ii)	**104,315**	65,571
— fiscal deposits	(iii)	**298**	2,711
— foreign exchange reserve	(iv)	**1,693**	–
Accrued interest		**181**	170
Total		**477,381**	435,383

17 Cash and balances with central banks (continued)

Notes:

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

As at 31 December 2022, the statutory deposit reserve funds placed with the PBOC was calculated at 7.5% (as at 31 December 2021: 8%) of eligible Renminbi deposits for domestic branches of the Bank and at 6% (as at 31 December 2021: 8%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 6% (as at 31 December 2021: 9%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

As at 31 December 2022, the statutory deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited in mainland China, a subsidiary of the Group, was at 5% (as at 31 December 2021: 5%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries and regions are determined by the respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the PBOC.

(ii) The surplus deposit reserve funds are maintained with the PBOC for the purposes of clearing.

(iii) Fiscal deposits placed with the PBOC are not available for use in the Group's daily operations, and are non-interest bearing.

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

18 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**31 December 2022**	31 December 2021
In Mainland China			
— banks		**49,930**	72,083
— non-bank financial institutions		**6,734**	4,700
Subtotal		**56,664**	76,783
Outside Mainland China			
— banks		**18,836**	22,878
— non-bank financial institutions		**2,995**	7,472
Subtotal		**21,831**	30,350
Accrued interest		**437**	868
Gross balance		**78,932**	108,001
Less: Allowances for impairment losses	32	**(98)**	(145)
Net balance		**78,834**	107,856

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18 Deposits with banks and non-bank financial institutions (continued)

(b) Analysed by remaining maturity

	Note	31 December 2022	31 December 2021
Demand deposits (Note (i))		**36,373**	54,376
Time deposits with remaining maturity			
— within one month		**4,883**	17,929
— between one month and one year		**37,239**	34,828
Subtotal		**78,495**	107,133
Accrued interest		**437**	868
Gross balance		**78,932**	108,001
Less: Allowances for impairment losses	32	**(98)**	(145)
Net balance		**78,834**	107,856

Note:

(i) As at 31 December 2022, within the demand deposits there were pledged deposits of RMB555 million (as at 31 December 2021: RMB536 million). These deposits were mainly maintenance margins with a regulatory body.

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

(a) Analysed by types and locations of counterparties

	Note	31 December 2022	31 December 2021
In Mainland China			
— banks (Note (i))		**15,215**	18,093
— non-bank financial institutions		**160,739**	93,170
Subtotal		**175,954**	111,263
Outside Mainland China			
— banks		**41,302**	31,975
Subtotal		**41,302**	31,975
Accrued interest		**1,048**	769
Gross balance		**218,304**	144,007
Less: Allowances for impairment losses	32	**(140)**	(89)
Net balance		**218,164**	143,918

Note:

(i) The leased gold between Banks is included in the Placements with and loans to banks and non-bank financial institutions, measured at fair value through profit or loss. As at 31 December 2022, the carrying amount of leased gold was RMB8,739 million (as at 31 December 2021: RMB4,596 million).

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19 Placements with and loans to banks and non-bank financial institutions (continued)

(b) Analysed by remaining maturity

	Note	**31 December 2022**	31 December 2021
Within one month		**43,800**	55,633
Between one month and one year		**131,706**	79,905
Over one year		**41,750**	7,700
Accrued interest		**1,048**	769
Gross balance		**218,304**	144,007
Less: Allowances for impairment losses	32	**(140)**	(89)
Net balance		**218,164**	143,918

20 Derivatives

Derivatives include forward, swap, option and credit transactions undertaken by the Group in foreign exchange, precious metals, interest rate and credit derivatives related to trading, asset and liability management and customer initiated transactions. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to offer risk management solutions to match individual customer needs. These positions are actively managed through hedging transactions with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments, are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

The contractual/notional amounts of derivatives provide a basis for comparison with fair values of derivatives recognized on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks.

	31 December 2022			31 December 2021		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging instruments						
— interest rate derivatives	**600**	**9**	**–**	–	–	–
Non-Hedging instruments						
— interest rate derivatives	**3,083,202**	**14,950**	**14,887**	2,630,541	8,643	8,539
— currency derivatives	**2,506,299**	**29,173**	**28,780**	1,936,863	13,930	14,217
— precious metal derivatives	**35,523**	**250**	**598**	17,043	148	151
— credit derivatives	**30**	**1**	**–**	–	–	–
Total	**5,625,654**	**44,383**	**44,265**	4,584,447	22,721	22,907

(a) Nominal amount analysed by remaining maturity

	31 December 2022	31 December 2021
Within three months	**2,257,129**	2,067,349
Between three months and one year	**1,910,625**	1,376,726
Between one year and five years	**1,425,950**	1,109,269
Over five years	**31,950**	31,103
Total	**5,625,654**	4,584,447

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20 Derivatives (continued)

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBIRC in 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 31 December 2022, the total amount of credit risk weighted amount for counterparty was RMB24,579 million (as at 31 December 2021: RMB22,204 million).

21 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	**31 December 2022**	31 December 2021
In Mainland China			
— banks		**11,100**	64,515
— non-bank financial institutions		**848**	26,217
Subtotal		**11,948**	90,732
Outside Mainland China			
— banks		**149**	677
— non-bank financial institutions		**1,628**	63
Subtotal		**1,777**	740
Accrued interest		**5**	12
Gross balance		**13,730**	91,484
Less: Allowance for impairment losses	32	**–**	(47)
Net balance		**13,730**	91,437

(b) Analysed by types of collateral

As at 31 December 2022 and 31 December 2021, the Group's types of collateral for financial assets held under resale agreements are all bonds.

(c) Analysed by remaining maturity

	Note	**31 December 2022**	31 December 2021
Within one month		**13,403**	91,472
Between one month and one year		**322**	–
Accrued interest		**5**	12
Gross balance		**13,730**	91,484
Less: Allowances for impairment losses	32	**–**	(47)
Net balance		**13,730**	91,437

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22 Loans and advances to customers

(a) Analysed by nature

	Notes	**31 December 2022**	31 December 2021
Loans and advances to customers at amortised cost			
Corporate loans and advances			
— loans		**2,418,718**	2,250,726
— discounted bills		**3,704**	4,523
— finance lease receivables		**46,566**	46,854
Subtotal		**2,468,988**	2,302,103
Personal loans and advances			
— residential mortgages		**975,807**	973,390
— credit cards		**511,101**	528,261
— business loans		**378,819**	312,584
— personal consumption		**250,813**	239,589
— finance lease receivables		**370**	–
Subtotal		**2,116,910**	2,053,824
Accrued interest		**17,180**	13,064
Gross balance		**4,603,078**	4,368,991
Less: Allowances for impairment losses on loans	32		
— principal		**(130,573)**	(120,722)
— interest		**(412)**	(235)
Loans and advances to customers at amortised cost, net		**4,472,093**	4,248,034
Loans and advances to customers at fair value through other comprehensive income			
— loans		**54,851**	38,599
— discounted bills		**508,142**	461,443
Carrying amount of loans and advances at fair value through other comprehensive income		**562,993**	500,042
— fair value changes through other comprehensive income		**(547)**	756
Loans and advances to customers at fair value through profit or loss			
— loans		**3,881**	–
Total		**5,038,967**	4,748,076
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	32	**(629)**	(749)

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22 Loans and advances to customers (continued)

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

	31 December 2022			
	Stage 1	**Stage 2 Note(i)**	**Stage 3**	**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)**

	31 December 2021			
	Stage 1	Stage 2 Note(i)	Stage 3	Total
Gross loans and advances to customers at amortised costs	4,198,067	83,030	74,830	4,355,927
Accrued interest	11,602	1,241	221	13,064
Less: Allowance for impairment losses	(50,663)	(21,657)	(48,637)	(120,957)
Carrying amount of loans and advances to customers measured at amortised cost	4,159,006	62,614	26,414	4,248,034
Carrying amount of loans and advances to customers at fair value through other comprehensive income	498,989	775	278	500,042
Total	4,657,995	63,389	26,692	4,748,076
Allowance for impairment losses on loans and advances to customers at fair value through other comprehensive income	(552)	(29)	(168)	(749)

22 Loans and advances to customers (continued)

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

Notes:

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

	31 December 2022	31 December 2021
Secured portion	**43,044**	51,803
Unsecured portion	**32,059**	23,305
Gross balance	**75,103**	75,108
Allowance for stage 3 impairment losses	**(48,363)**	(48,805)

As at 31 December 2022, the maximum exposure covered by pledge and collateral held of secured portion is RMB42,470 million (as at 31 December 2021: RMB50,886 million).

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

(c) Overdue loans analysed by overdue period

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

22 Loans and advances to customers (continued)

(c) Overdue loans analysed by overdue period (continued)

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

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

(d) Finance lease receivables

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

	31 December 2022	31 December 2021
Within one year (including one year)	**14,247**	10,369
One year to two years (including two years)	**10,568**	12,606
Two years to three years (including three years)	**7,503**	8,153
Over three years	**14,618**	15,726
Gross balance	**46,936**	46,854
Less: Allowance for impairment losses		
— stage 1	**(960)**	(859)
— stage 2	**(499)**	(498)
— stage 3	**(419)**	(728)
Net balance	**45,058**	44,769

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23 Financial investments

(a) Analysed by types

	Note	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss			
Investment funds		**431,958**	397,407
Debt securities		**80,690**	58,584
Certificates of deposit		**35,543**	30,776
Equity instruments		**7,887**	7,432
Wealth management products and others through structured entities		**1,516**	1,611
Net balance		**557,594**	495,810
Financial assets at amortised cost			
Debt securities		**887,763**	901,375
Trust investment plans		**222,819**	234,770
Investment management products managed by securities companies		**39,628**	50,413
Certificates of deposit and interbank certificates of deposit		**3,424**	–
Subtotal		**1,153,634**	1,186,558
Accrued interest		**10,384**	10,398
Less: Allowance for impairment losses	32	**(28,566)**	(26,727)
— principles		**(28,528)**	(26,624)
— accrued interests		**(38)**	(103)
Net balance		**1,135,452**	1,170,229
Financial assets at fair value through other comprehensive income (Note (i))			
Debt securities		**777,438**	642,570
Certificates of deposit		**21,501**	4,306
Designated investment products managed by securities companies		**–**	24
Subtotal		**798,939**	646,900
Accrued interest		**5,756**	4,957
Net balance		**804,695**	651,857
Allowances for impairment losses on financial investments at fair value through other comprehensive income	32	**(2,717)**	(2,387)
Financial assets designated at fair value through other comprehensive income (Note (i))		**5,128**	4,745
Total		**2,502,869**	2,322,641

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23 Financial investments (continued)

(a) Analysed by types (continued)

Notes:

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

	Note	31 December 2022 Equity instruments	Debt instruments	Total
Costs/Amortised cost		**5,783**	**804,867**	**810,650**
Accumulated fair value change in other comprehensive income		**(655)**	**(5,928)**	**(6,583)**
Fair value		**5,128**	**798,939**	**804,067**
Allowance for impairment losses	32		**(2,717)**	**(2,717)**

	Note	31 December 2021 Equity instruments	Debt instruments	Total
Costs/Amortised cost		5,914	643,679	649,593
Accumulated fair value change in other comprehensive income		(1,169)	3,221	2,052
Fair value		4,745	646,900	651,645
Allowance for impairment losses	32		(2,387)	(2,387)

(b) Analysed by location of counterparties

	Note	31 December 2022	31 December 2021
In Mainland China			
— governments		**1,097,552**	899,116
— policy banks		**88,726**	136,084
— banks and non-bank financial institutions		**1,097,864**	1,114,160
— corporates		**99,992**	87,190
Subtotal		**2,384,134**	2,236,550
Outside Mainland China			
— governments		**57,946**	32,712
— banks and non-bank financial institutions		**32,736**	32,643
— corporates		**39,171**	30,420
— public entities		**1,308**	1,688
Subtotal		**131,161**	97,463
Accrued interest		**16,140**	15,355
Total		**2,531,435**	2,349,368
Less: Impairment allowance for financial assets at amortised cost	32	**(28,566)**	(26,727)
Net balance		**2,502,869**	2,322,641
Listed in Hong Kong		**50,959**	50,012
Listed outside Hong Kong		**2,074,660**	1,947,182
Unlisted		**377,250**	325,447
Total		**2,502,869**	2,322,641

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

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23 Financial investments (continued)

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

	Notes	31 December 2022 Stage 1	Stage 2	Stage 3	Total
Financial assets at amortised costs		**1,094,231**	**4,958**	**54,445**	**1,153,634**
Accrued interest		**10,227**	**138**	**19**	**10,384**
Less: Allowance for impairment losses	32	**(2,483)**	**(1,387)**	**(24,696)**	**(28,566)**
Net balance		**1,101,975**	**3,709**	**29,768**	**1,135,452**
Financial assets at fair value through other comprehensive income		**797,850**	**136**	**953**	**798,939**
Accrued interest		**5,733**	**–**	**23**	**5,756**
Net balance		**803,583**	**136**	**976**	**804,695**
Total carrying amount of financial assets affected by credit risk		**1,905,558**	**3,845**	**30,744**	**1,940,147**
Allowance for impairment losses of other debt instruments included in other comprehensive income		**(1,416)**	**(98)**	**(1,203)**	**(2,717)**

	Notes	31 December 2021 Stage 1	Stage 2	Stage 3	Total
Financial assets at amortised costs		1,119,765	15,529	51,264	1,186,558
Accrued interest		10,045	331	22	10,398
Less: Allowance for impairment losses	32	(4,221)	(4,076)	(18,430)	(26,727)
Net balance		1,125,589	11,784	32,856	1,170,229
Financial assets at fair value through other comprehensive income		646,145	334	421	646,900
Accrued interest		4,922	14	21	4,957
Net balance		651,067	348	442	651,857
Total carrying amount of financial assets affected by credit risk		1,776,656	12,132	33,298	1,822,086
Allowance for impairment losses of other debt instruments included in other comprehensive income		(976)	(158)	(1,253)	(2,387)

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24 Investments in associates and joint ventures

	Note	**31 December 2022**	31 December 2021
Investments in joint ventures	(a)	**5,811**	5,220
Investments in associates	(b)	**530**	533
Total		**6,341**	5,753

(a) Investment in joint ventures

The details of the joint ventures as at 31 December 2022 were as follows:

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

Notes:

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

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

Financial statements of the joint ventures are as follow:

	As at or for the year ended 31 December 2022				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net income**
CITIC aiBank	**96,922**	**89,487**	**7,435**	**3,968**	**656**
JSC Altyn Bank	**14,621**	**13,204**	**1,417**	**684**	**359**

	Year ended 31 December 2021				
Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net income
CITIC aiBank	79,406	72,601	6,805	2,998	263
JSC Altyn Bank	9,420	8,331	1,089	440	250

24 Investments in associates and joint ventures (continued)

(a) Investment in joint ventures (continued)

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

	Year ended 31 2022	Year ended 31 2021
Initial investment cost	**5,256**	5,256
As at 1 January	**5,220**	5,044
Other changes in equity	**(20)**	(14)
Dividends received	**–**	(100)
Share of net profit of the joint ventures for the year	**611**	294
Exchange difference	**–**	(4)
As at 31 December	**5,811**	5,220

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 31 December 2022 was as follows:

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

Financial statements of the associates are as follow:

	As at or for the year ended 31 December 2022				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net (loss)/ income**
CIAM	**916**	**59**	**857**	**(12)**	**(6)**
BFAE	**563**	**38**	**525**	**189**	**70**

	Year ended 31 December 2021				
Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net (loss)/ income
CIAM	1,037	142	895	71	(179)
BFAE	637	183	454	335	39

24 Investments in associates and joint ventures (continued)

(b) Investment in associates (continued)

Movement of the Group's interests in associates:

	Year ended 31 December 2022	Year ended 31 December 2021
Initial investment cost	**1,129**	1,168
As at 1 January	**533**	630
Changes in investment in associates	**(39)**	–
Share of net loss of associates for the year	**12**	(82)
Other changes in equity	**(8)**	1
Exchange difference	**32**	(16)
As at 31 December	**530**	533

25 Investment in subsidiaries

	Notes	31 December 2022	31 December 2021
Investment in subsidiaries			
— CITIC international financial holdings limited ("CIFH")	(i)	**16,570**	16,570
— CNCB (Hong Kong) Investment Limited ("CNCB Investment")	(ii)	**1,577**	1,577
— Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank")	(iii)	**102**	102
— CITIC financial leasing CO., LTD ("CFLL")	(iv)	**4,000**	4,000
— CITIC Wealth Management CO., LTD ("CITIC Wealth")	(v)	**5,000**	5,000
Total		**27,249**	27,249

Major subsidiaries of the Bank as at 31 December 2022 are as follows:

Name of entity	Principal place of business	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH (Note (i))	Hong Kong	Hong Kong	HKD 7,503 million	Commercial banking and other services	100%	–	100%
CNCB Investment (Note (ii))	Hong Kong	Hong Kong	HKD 1,889 million	Investment and lending services	99.05%	0.71%	99.76%
Lin'an Rural Bank (Note (iii))	Hangzhou, Zhejiang Province	Hangzhou, Zhejiang Province	RMB 200 million	Commercial banking	51%	–	51%
CFLL (Note (iv))	Tianjin	Tianjin	RMB 4,000 million	Financial lease operations	100%	–	100%
CITIC Wealth (Note (v))	Shanghai	Shanghai	RMB 5,000 million	Wealth management	100%	–	100%

25 Investment in subsidiaries (continued)

Notes:

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

(ii) CNCB (Hong Kong) Investment Limited (CNCB Investment), founded in Hong Kong in 1984, formerly China Investment and Finance Limited, incorporated and operating in Hong Kong, holds a money lending licence issued by the Hong Kong Monetary Authority, and also the No.1,4,6 and 9 licenses from Hong Kong Securities Regulatory Commission through its wholly-owned subsidiary CNCB (Hong Kong) Capital Limited. The business scope of CNCB Investment includes investment banking, capital market investment, lending and other related services. The Bank directly holds 99.05% of the equity shares and voting rights in CNCB Investment, and CITIC International Financial Holding Limited (CIFH) holds the remaining 0.71% of the equity interests; thus, the Bank effectively holds 99.76% of the equity interest in CNCB Investment.

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China in 2011 with a registered capital of RMB200 million. Its principal activities are commercial banking and related businesses. The Bank holds 51% of Lin'an Rural Bank's equity and voting rights.

(iv) The Bank established CFLL in 2015 with a registered capital of RMB4 billion. Its principal business activity is financial leasing. The Bank holds 100% of its equity and voting rights.

(v) CITIC Wealth was established in 2020 with a registered capital of RMB5 billion. Its principal business operation is wealth management. The Bank holds 100% of its equity and voting rights.

26 Investment properties

	31 December 2022	31 December 2021
Fair value as at 1 January	**547**	386
Change in fair value	**(74)**	23
Transfers in	**–**	153
Exchange difference	**43**	(15)
Fair value as at 31 December	**516**	547

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties are located and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 31 December 2022.

All investment properties of the Group were revalued at 31 December 2022 by an independent firm of surveyors on an open market value basis. The fair value is in line with the definition of "IFRS 13 – Fair value measurement". The revaluation surplus has been recognized in the profit or loss for the current year.

The investment properties of the Group are categorised in the Level 3 fair value hierarchy.

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27 Property, plant and equipment

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

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

Notes:

(i) As at 31 December 2022, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB11,058 million (as at 31 December 2021: RMB11,396 million). The Group believes the incomplete registration procedures do not affect the rights of the Group as the legal successor to these buildings.

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28 Right-of-use assets

	Buildings	Land use rights	Equipment	Vehicles and others	Total
Cost or deemed cost:					
As at 1 January 2022	**17,145**	**1,221**	**92**	**53**	**18,511**
Additions	**3,533**	**–**	**2**	**8**	**3,543**
Disposals	**(1,514)**	**–**	**(11)**	**(3)**	**(1,528)**
Exchange differences	**72**	**–**	**–**	**–**	**72**
As at 31 December 2022	**19,236**	**1,221**	**83**	**58**	**20,598**
Accumulated depreciation:					
As at 1 January 2022	**(7,464)**	**(328)**	**(57)**	**(24)**	**(7,873)**
Depreciation	**(3,229)**	**(30)**	**(19)**	**(11)**	**(3,289)**
Disposals	**1,409**	**(1)**	**8**	**3**	**1,419**
Exchange differences	**(31)**	**–**	**–**	**–**	**(31)**
As at 31 December 2022	**(9,315)**	**(359)**	**(68)**	**(32)**	**(9,774)**
Net carrying value:					
As at 1 January 2022	**9,681**	**893**	**35**	**29**	**10,638**
As at 31 December 2022	**9,921**	**862**	**15**	**26**	**10,824**

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

(i) As at 31 December 2022, the balance of the Group's lease liabilities amounted to RMB10,272 million (as at 31 December 2021: RMB9,816 million), including RMB5,701 million (as at 31 December 2021: RMB5,153 million) of lease liabilities that will mature within a year.

(ii) As at 31 December 2022, lease payments relating to lease contracts signed but to be executed amounted to RMB68 million (as at 31 December 2021: RMB167 million).

(iii) For the year ended 31 December 2022, the lease expense of short-term leases with a lease term of no more than 12 months and leases of assets with low values amounted to RMB167 million (as at 31 December 2021: RMB189 million).

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29 Goodwill

	31 December 2022	31 December 2021
As at 1 January	**833**	860
Exchange difference	**70**	(27)
As at 31 December	**903**	833

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

30 Deferred tax assets/(liabilities)

	31 December 2022	31 December 2021
Deferred tax assets	**55,011**	46,905
Deferred tax liabilities	**(3)**	(8)
Net	**55,008**	46,897

(a) Analysed by nature and jurisdiction

	31 December 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— allowance for impairment losses	**203,539**	**50,766**	180,860	45,076
— fair value adjustments	**64**	**16**	(7,505)	(1,882)
— employee retirement benefits and salaries payable	**11,685**	**2,924**	10,206	2,552
— others	**5,095**	**1,305**	4,497	1,159
Subtotal	**220,383**	**55,011**	188,058	46,905
Deferred tax liabilities				
— fair value adjustments	**(5)**	**(1)**	(48)	(8)
— others	**(14)**	**(2)**	–	–
Subtotal	**(19)**	**(3)**	(48)	(8)
Net	**220,364**	**55,008**	188,010	46,897

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

As at 31 December 2022, the deferred tax assets/liabilities offset by the Group were RMB641 million (31 December 2021: RMB2,260 million).

30 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 2022	**45,076**	**(1,890)**	**2,552**	**1,159**	**46,897**
Recognized in profit or loss	**5,661**	**(528)**	**405**	**117**	**5,655**
Recognized in other comprehensive income	**8**	**2,407**	**(33)**	**33**	**2,415**
Exchange differences	**21**	**26**	**–**	**(6)**	**41**
As at 31 December 2022	**50,766**	**15**	**2,924**	**1,303**	**55,008**
As at 1 January 2021	39,870	(1,114)	2,579	567	41,902
Recognized in profit or loss	5,214	214	(27)	601	6,002
Recognized in other comprehensive income	–	(992)	–	(9)	(1,001)
Exchange differences	(8)	2	–	–	(6)
As at 31 December 2021	45,076	(1,890)	2,552	1,159	46,897

31 Other assets

	Notes	31 December 2022	31 December 2021
Advanced payments and settlement accounts		**11,286**	24,169
Assets with continuing involvement		**11,114**	10,878
Fee and commission receivables		**9,861**	7,454
Precious metal leasing		**5,101**	3,114
Interest receivables	(i)	**4,488**	5,167
Prepayments for properties and equipment		**2,125**	988
Repossessed assets	(ii)	**1,478**	1,330
Leasehold improvements		**801**	767
Prepaid rent		**12**	7
Others	(iii)	**9,224**	5,548
Total		**55,490**	59,422

Notes:

(i) Interest receivable

Interest receivable represents interest on financial instruments due and receivable but not yet received as at the balance sheet date and is stated net of corresponding impairment allowances. The impairment allowances on the Group's interest receivable is RMB5,415 million (as at 31 December 2021: RMB3,628 million).

31 Other assets (continued)

Notes (continued):

(ii) Repossessed assets

	Notes	31 December 2022	31 December 2021
Premises		**2,722**	2,611
Others		**6**	5
Gross balance		**2,728**	2,616
Less: Allowance for impairment losses	32	**(1,250)**	(1,286)
Net balance		**1,478**	1,330

As at 31 December 2022, the Group intended to dispose all of the repossessed assets, and had no plan to transfer the repossessed assets for own use (as at 31 December 2021: None).

(iii) Others

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

32 Movements of allowance for impairment losses

		Year ended 31 December 2022				
	Notes	As at 1 January	(Reversal)/ charge for the year	Write-offs / transfer out	Others Notes (i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	18	**145**	**(48)**	**–**	**1**	**98**
Placements with and loans to banks and non-bank financial institutions	19	**89**	**50**	**–**	**1**	**140**
Financial assets held under resale agreements	21	**47**	**(47)**	**–**	**–**	**–**
Loans and advances to customers	22	**121,471**	**55,786**	**(57,791)**	**11,736**	**131,202**
Financial investments	23					
–at amortised cost		**26,624**	**1,542**	**(1,530)**	**1,892**	**28,528**
–at fair value through other comprehensive income		**2,387**	**269**	**(28)**	**89**	**2,717**
Other financial assets and accrued interest		**5,134**	**5,220**	**(4,352)**	**1,347**	**7,349**
Off balance sheet credit assets	40	**11,428**	**8,587**	**(11,112)**	**54**	**8,957**
Total		**167,325**	**71,359**	**(74,813)**	**15,120**	**178,991**
Allowance for impairment losses on other assets						
Other assets – repossessed assets	31(ii)	**1,286**	**45**	**(119)**	**38**	**1,250**
Total		**1,286**	**45**	**(119)**	**38**	**1,250**

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32 Movements of allowance for impairment losses (continued)

		Year ended 31 December 2021				
	Notes	As at 1 January	Charge/ (reversal) for the year	Write-offs / transfer out	Others Notes (i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	18	130	16	–	(1)	145
Placements with and loans to banks and non-bank financial institutions	19	97	(7)	–	(1)	89
Financial assets held under resale agreements	21	56	(9)	–	–	47
Loans and advances to customers	22	126,100	50,228	(64,161)	9,304	121,471
Financial investments	23					
–at amortised cost		13,737	18,917	(6,971)	941	26,624
–at fair value through other comprehensive income		2,651	(165)	(71)	(28)	2,387
Other financial assets and accrued interest		4,980	3,302	(4,034)	886	5,134
Off balance sheet credit assets	40	6,725	4,723	–	(20)	11,428
Total		154,476	77,005	(75,237)	11,081	167,325
Allowance for impairment losses on other assets						
Other assets – repossessed assets	31(ii)	1,323	43	(92)	12	1,286
Total		1,323	43	(92)	12	1,286

The impairment losses of accrued interest of the financial instruments in this table and its changes are included in "Other financial assets and accrued interest".

Note:

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

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33 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2022	31 December 2021
In Mainland China		
— banks	**310,409**	279,849
— non-bank financial institutions	**822,110**	885,347
Subtotal	**1,132,519**	1,165,196
Outside Mainland China		
— banks	**7,085**	4,610
— non-bank financial institutions	**70**	19
Subtotal	**7,155**	4,629
Accrued interest	**4,102**	4,938
Total	**1,143,776**	1,174,763

34 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2022	31 December 2021
In Mainland China		
— banks	**51,186**	44,375
— non-bank financial institutions	**–**	8,360
Subtotal	**51,186**	52,735
Outside Mainland China		
— banks	**18,684**	25,316
— non-bank financial institutions	**709**	40
Subtotal	**19,393**	25,356
Accrued interest	**162**	240
Total	**70,741**	78,331

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35 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	31 December 2022	31 December 2021
In Mainland China		
— PBOC	**217,858**	67,372
— banks	**33,779**	30,243
Subtotal	**251,637**	97,615
Outside Mainland China		
— banks	**4,427**	719
— Non-banks	**55**	–
Subtotal	**4,482**	719
Accrued interest	**75**	5
Total	**256,194**	98,339

(b) Analysed by type of collateral

	31 December 2022	31 December 2021
Debt securities	**186,765**	44,143
Discounted bills	**69,354**	54,191
Accrued interest	**75**	5
Total	**256,194**	98,339

The Group did not derecognize financial assets used as collateral in connection with financial assets sold under repurchase agreements. As at 31 December 2022, no legal title of the collateral has been transferred to counterparties. The above information of collateral is included in the Note 52.

36 Deposits from customers

Analysed by nature:

	31 December 2022	31 December 2021
Demand deposits		
— corporate customers	**1,937,135**	1,963,640
— personal customers	**349,013**	310,054
Subtotal	**2,286,148**	2,273,694
Time and call deposits		
— corporate customers	**1,855,977**	1,789,956
— personal customers	**942,803**	662,255
Subtotal	**2,798,780**	2,452,211
Outward remittance and remittance payables	**14,420**	10,679
Accrued interest	**58,516**	53,385
Total	**5,157,864**	4,789,969

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36 Deposits from customers (continued)

Guarantee deposits included in above deposits:

	31 December 2022	31 December 2021
Bank acceptances	**348,926**	247,946
Guarantees	**17,091**	14,063
Letters of credit	**25,132**	19,615
Others	**55,709**	81,308
Total	**446,858**	362,932

37 Accrued staff costs

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

	Notes	Year ended 31 December 2021			
		As at 1 January	Additions during the year	Payments during the year	As at 31 December
Salaries and bonuses		19,436	25,299	(26,487)	18,248
Social insurance		48	1,813	(1,852)	9
Welfare expenses		4	1,373	(1,373)	4
Housing fund		8	1,570	(1,571)	7
Labor union expenses and employee education expenses		568	808	(626)	750
Housing allowance		54	–	–	54
Post-employment benefits — defined contribution plans	(a)	43	3,171	(3,195)	19
Post-employment benefits — defined benefit plans	(b)	18	1	(1)	18
Other benefits		154	368	(378)	144
Total	(c)	20,333	34,403	(35,483)	19,253

37 Accrued staff costs (continued)

Notes:

(a) Post-employment benefits – defined contribution plans

Post-employment benefits defined contribution plans include contributions to statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowance of the employees to the statutory retirement plan under the administration of the government.

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group and managed by the CITIC Group. For the year ended 31 December 2022, the Bank has made annuity contributions at 7% (31 December 2021: 7%) of its employee's gross wages. For the year ended 31 December 2022, the Bank made annuity contribution amounting to RMB1,544 million (year ended 31 December 2021: RMB1,395 million).

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

(b) Post-employment benefits – defined benefit plans

The Group offers supplementary retirement benefits for certain of its qualified employees in Mainland China. Retired employees are eligible to join this supplementary retirement plan. The amount that is recognized as at reporting date presents the discounted value of future obligation.

The present value of the Group's supplementary retirement plan obligations on the date of balance sheet is calculated through projected unit credit method and computed by a qualified professional actuary firm Towers Watson Consulting (Shenzhen) Ltd. Beijing Branch.

The primary assumptions used by the actuary are as follows

	31 December 2022	31 December 2021
Discount rate	**2.75%**	3.00%
Annual withdrawal rate	**5.00%**	5.00%
Normal retirement age	**Male: 60 years old Female: 55 years old**	
Annual increase rate of social average wage and salary for current active employees	**5.00%**	5.00%
Mortality rate	**Determined by the China Life Insurance Mortality Table**	

In 2021 and 2022, the change amount of supplementary retirement benefits scheme liabilities incurred by the actuarial assumptions variations illustrated above was immaterial.

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

(c) The salaries, bonuses, allowances and subsidies, retirement benefits and other social insurance payable to employees are paid in accordance with relevant laws and regulations within time limit stipulated by the Group.

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38 Taxes payable

	31 December 2022	31 December 2021
Income tax	**4,415**	5,830
VAT and surcharges	**4,060**	4,913
Others	**12**	10
Total	**8,487**	10,753

39 Debt securities issued

	Notes	31 December 2022	31 December 2021
Long-term debt securities issued	(a)	**116,344**	61,125
Subordinated bonds issued:			
— by the Bank	(b)	**89,987**	109,974
— by CBI	(c)	**3,444**	3,174
Certificates of deposit issued	(d)	**1,035**	1,211
Certificates of interbank deposit issued	(e)	**720,431**	739,857
Convertible corporate bonds	(f)	**39,977**	39,497
Accrued interest		**3,988**	3,365
Total		**975,206**	958,203

(a) Long-term debt securities issued by the Group as at 31 December:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	31 December 2022 Nominal Value RMB	31 December 2021 Nominal Value RMB
Floating rate bond	14 December 2017	15 December 2022	Three-month Libor +1%	**–**	3,504
Fixed rate bond	14 December 2017	15 December 2022	3.125%	**–**	1,593
Fixed rate bond	18 March 2020	18 March 2023	2.750%	**30,000**	30,000
Fixed rate bond	2 February 2021	2 February 2024	0.875%	**1,381**	1,274
Fixed rate bond	2 February 2021	2 February 2026	1.250%	**2,417**	2,230
Fixed rate bond	10 June 2021	10 June 2024	3.190%	**20,000**	20,000
Fixed rate bond	17 November 2021	17 November 2024	1.750%	**3,453**	3,185
Fixed rate bond	28 April 2022	28 April 2025	2.800%	**30,000**	–
Fixed rate bond	5 August 2022	5 August 2025	2.500%	**30,000**	–
Fixed rate bond	20 December 2022	17 November 2024	1.750%	**1,865**	–
Total nominal value				**119,116**	61,786
Less: Unamortised issuance cost				**(24)**	(24)
Less: offset				**(2,748)**	(637)
Carrying value				**116,344**	61,125

39 Debt securities issued (continued)

(b) The carrying value of the Bank's subordinated bonds issued as at 31 December:

	Notes	**31 December 2022**	31 December 2021
Subordinated fixed rate bonds maturing:			
— in June 2027	(i)	**–**	19,989
— in September 2028	(ii)	**29,993**	29,995
— in October 2028	(iii)	**20,000**	19,997
— in August 2030	(iv)	**39,994**	39,993
Total		**89,987**	109,974

Notes:

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

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

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

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

(c) The carrying value of CBI's subordinated bonds issued as at 31 December:

	Notes	**31 December 2022**	31 December 2021
Subordinated fixed rate notes maturing:			
— in February 2029	(i)	**3,444**	3,174

Notes:

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

(d) These certificates of deposit were issued by CBI with interest rate ranging from 2.76% to 5.37% per annum.

(e) As at 31 December 2022, the Bank had issued certain certificates of interbank deposits, totaling RMB720,431 million (as at 31 December 2021: RMB739,857 million), with yield ranging from 1.65% to 2.68% (as at 31 December 2021: 2.60% to 3.18%) per annum. The original expiry terms range from one month to one year.

39 Debt securities issued (continued)

(f) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB40 billion A-share convertible corporate bonds on 4 March 2019. The convertible corporate bonds have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year,0.8% for the second year,1.5% for the third year,2.3% for the fourth year,3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible corporate bonds begins on the first trading day (11 September 2019) after six months upon the completion date of the offering (8 March 2019), until the maturity date (3 March 2025).

In accordance with formulas set out in the prospectus of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is 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 28 July 2022, the conversion price of the convertible corporate bonds has been adjusted to RMB6.43 per share. During the conversion period (from 4 March 2019 to 3 March 2025), if the closing price of the Bank's A-shares is lower than 80% of the current conversion price for at least 15 trading days in any 30 consecutive trading days, the Board of Directors of the Bank has the right to propose to lower the conversion price and submit the proposal to the shareholders' meeting for deliberation.

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

As at 31 December 2022, convertible corporate bonds of RMB335,000 was converted to 47,084 A-shares.

	Liability	**Equity**	**Total**
Issued nominal value of convertible corporate bonds	**36,859**	**3,141**	**40,000**
Direct issuance expenses	**(74)**	**(6)**	**(80)**
Balance at the issuance date	**36,785**	**3,135**	**39,920**
Amortisation	**3,192**	**–**	**3,192**
Amount of bonds converted	**–**	**–**	**–**
Ending balance	**39,977**	**3,135**	**43,112**

40 Provisions

	31 December 2022	31 December 2021
Allowance for impairment losses on off-balance sheet items	**8,957**	11,428
Litigation provisions	**779**	499
Total	**9,736**	11,927

The movement of off-balance sheet allowance for impairment losses is included in the Note 32.

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41 Other liabilities

	31 December 2022	31 December 2021
Continuing involvement liability	**11,114**	10,878
Settlement and clearing accounts	**13,134**	5,342
Advances and deferred expenses	**4,391**	5,087
Payment and collection accounts	**4,500**	4,349
Leasing deposits	**521**	880
Accrued expenses	**841**	688
Others	**7,795**	8,403
Total	**42,296**	35,627

42 Share capital

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

	Note	31 December 2022	31 December 2021
As at 1 January		**48,935**	48,935
Convertible bond settlement	(i)	**–**	–
As at 31 December		**48,935**	48,935

Note:

(i) In 2022, convertible corporate bonds of RMB8,000 was converted to 1,188 A-shares (In 2021, convertible corporate bonds of RMB27,000 was converted to 3,900 A-shares).

43 Other equity instruments

	31 December 2022	31 December 2021
Preference shares (Note (i))	**34,955**	34,955
Perpetual bonds (Note (ii))	**79,986**	79,986
Equity of convertible corporate bonds (Note 39 (f))	**3,135**	3,135
Total	**118,076**	118,076

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43 Other equity instruments (continued)

(i) Preference shares

Financial instruments in issue	Dividend rate	Issued price (RMB)	Issued number of shares (RMB millions)	Issued nominal value (RMB millions)	Maturity Date	Conversions
Preference shares	3.80% for the first five years, will be re-priced every five years thereafter	100	350	35,000	No maturity date	No conversion during the year

35,000 million preference shares of 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 the 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 56). Dividends are non-cumulative and where payable are paid annually. Dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

As authorised by the ordinary shareholders' Annual General Meeting, the Board of Directors has the sole discretion to declare and distribute dividends on the preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents of preference shares are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

Upon occurrence of the triggering events as stipulated in paragraph 2 (3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No.56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of 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 statement of financial position; and are qualified as Additional Tier-One Capital Instruments in accordance with the CBIRC requirements.

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43 Other equity instruments (continued)

(ii) Non fixed-term bonds

The Bank issued RMB40 billion write-down non fixed-term bonds (the "Bonds") in the domestic interbank bond market on 11 December 2019. On 26 April 2021, the Bank issued RMB40 billion write-down non fixed-term bonds (the "Bonds") in the domestic interbank bond market. The denomination of these Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 4.20%, resetting every 5 years.

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

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

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

Interests attributable to equity instruments' holder:

	31 December 2022	31 December 2021
	2022	2021
Total equity attributable to equity holders of the parent company	**665,418**	626,303
Equity attributable to ordinary equity holders of the parent company	**547,342**	508,227
Equity attributable to other equity instruments holders of the parent company	**118,076**	118,076
— Profit for the period/distribution for the period	**4,788**	3,010
Total equity attributable to non-controlling interests	**20,412**	16,323
Equity attributable to non-controlling interests of ordinary shares	**9,220**	9,121
Equity attributable to non-controlling interests of other equity instruments	**11,192**	7,202

For the year ended 31 December 2022, the Bank paid dividend of RMB1,428 million to the preference shareholders (for the year ended 31 December 2021: RMB1,330 million), and paid interest of RMB3,360 million to the holders of non fixed-term bonds (for the year ended 31 December 2021: RMB1,680 million).

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44 Capital reserves

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

45 Other comprehensive income

Other comprehensive income comprises items that will not be reclassified subsequently to profit or loss, such as net changes on the measurement of defined benefit plans (Note 37) and fair value changes on financial investments designated at fair value through other comprehensive income, and items that may be reclassified subsequently to profit or loss, such as fair value changes on financial assets at fair value through other comprehensive income, credit impairment allowance on financial assets at fair value through other comprehensive income and exchange differences on translation.

46 Surplus reserve

	Year ended 31 December 2022	Year ended 31 December 2021
As at 1 January	**48,937**	43,786
Appropriations	**5,790**	5,151
As at 31 December	**54,727**	48,937

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

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

47 General reserve

	Year ended 31 December 2022	Year ended 31 December 2021
As at 1 January	**95,490**	90,819
Appropriations	**5,090**	4,671
As at 31 December	**100,580**	95,490

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

CITIC Wealth shall draw operational risk reserves on a monthly basis according to the Administrative Measures for Financial Subsidiaries of Commercial Banks. CNCBI Macau shall draw down its regulatory reserves on a monthly basis according to the requirements of the Monetary Authority of Macau. During the year ended 31 December 2022, a total of RMB2,560 million of corresponding risk provisions was drawn.

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48 Profit appropriations and retained earnings

(a) Profit appropriations and distributions other than dividends declared during the year

	Notes	**Year ended 31 December 2022**	Year ended 31 December 2021
Appropriations to			
— surplus reserve	46	**5,790**	5,151
— general reserve	47	**5,090**	4,671
As at 31 December		**10,880**	9,822

The Bank appropriated RMB5,790 million to statutory surplus reserve fund for the year of 2022, and appropriated RMB2,476 million to general reserve. The Group's subsidiary, Lin'an rural bank, made appropriations to general reserve in accordance with relevant regulatory requirements.

(b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 23 June 2022, a total amount of approximately RMB14,778 million (RMB3.02 per 10 shares) were distributed in the form of cash dividend to the ordinary shareholders on 28 July 2022.

(c) On 23 March 2023, the Board of Directors proposed a cash dividend of RMB3.29 per 10 shares in respect of the year 2022. Subject to the approval of the ordinary shareholders at the Annual General Meeting, approximately RMB16,100 million will be payable to those on the register of ordinary shareholders as at the relevant record date. This proposal is a non-adjusting event after the reporting period and has not been recognized as liability as at 31 December 2022.

(d) On 11 December 2019, the Bank issued 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 12 December 2022; 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 2022.

(e) In accordance with the resolution approved in the Board of Directors Meeting of the Bank on 25 August 2022, a total amount of approximately RMB1,428 million (calculated by the Bank using the agreed dividend rate of 4.08% with RMB4.08 per share) were distributed in the form of cash dividend to the preference shareholders on 26 October 2022.

(f) As at 31 December 2022, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB846 million (as at 31 December 2021: RMB563 million), of which RMB283 million (as at 31 December 2021: RMB212 million) was the appropriation made by the subsidiaries for the year ended 31 December 2022. Such statutory surplus reserves in the retained earnings cannot be distributed.

49 Non-controlling interests

Non-controlling interests included ordinary shareholders held by non-controlling interest in subsidiaries and other equity instrument holders' interests. As at 31 December 2022, other equity instrument holders' interest amounted to RMB11,192 million (31 December 2021: RMB7,202 million) representing other equity instruments issued by CBI on 6 November 2018,29 July 2021 and 22 April 2022, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier- One capital securities (the "Capital Securities").

Financial instruments in issue	Issue Date	Nominal Value	First Call Date	Coupon Rate	Payment Frequency
Capital Securities	6 November 2018	USD500 millions	6 November 2023	7.10% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus 4.151% per annum	Semi-annually
Capital Securities	29 July 2021	USD600 millions	29 July 2026	3.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus2.53% per annum	Semi-annually
Capital Securities	22 April 2022	USD600 millions	22 April 2027	4.80% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five-year US Treasury rate plus2.104% per annum	Semi-annually

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

A distribution payment of RMB463 million was paid to the holders of the Capital Securities mentioned above during the year ended 31 December 2022 (the year ended 31 December 2021: RMB367 million).

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50 Notes to consolidated statement of cash flows

Cash and cash equivalents

	31 December 2022	31 December 2021
Cash	**5,532**	5,694
Cash equivalents		
— Surplus deposit reserve funds	**104,315**	65,571
— Deposits with banks and non-bank financial institutions due within three months when acquired	**36,024**	58,293
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**36,219**	48,098
— Investment securities due within three months when acquired	**125,781**	75,162
Subtotal	**302,339**	247,124
Total	**307,871**	252,818

51 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and bank acceptances.

Loan commitments and credit card commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantees provided by the Group to guarantee the performance of customers to third parties. Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority of acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognized at the reporting date if counterparties failed to perform as contracted.

	31 December 2022	31 December 2021
Contractual amount		
Loan commitments		
— with an original maturity within one year	**16,319**	13,725
— with an original maturity of one year or above	**41,642**	39,748
Subtotal	**57,961**	53,473
Bank acceptances	**795,833**	669,736
Credit card commitments	**704,268**	708,741
Letters of guarantee issued	**186,617**	128,866
Letters of credit issued	**270,837**	214,958
Total	**2,015,516**	1,775,774

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51 Commitments and contingent liabilities (continued)

(b) Credit commitments analysed by credit risk weighted amount

	31 December 2022	31 December 2021
Credit risk weighted amount of credit commitments	**541,153**	471,734

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

(c) Capital commitments

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

	31 December 2022	31 December 2021
For the purchase of property and equipment Contracted for	**2,011**	1,541

(d) Outstanding contingencies including litigation and disputes

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

As at 31 December 2022, the Group was involved in certain potential and pending litigation as defendant with gross claims of RMB577 million (as at 31 December 2021: RMB1,026 million). Such contingencies, including litigation and disputes, are not expected to have material impact on the financial position and operations of the Bank.

(e) Bonds redemption obligations

As an underwriting agent of PRC treasury bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	31 December 2022	31 December 2021
Redemption commitment for PRC treasury bonds	**2,904**	3,249

51 Commitments and contingent liabilities (continued)

(e) Bonds redemption obligations (continued)

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

(f) Underwriting obligations

As at 31 December 2022, the Group did not have unfulfilled commitment in respect of securities underwriting business (as at 31December 2021: Nil).

52 Collateral

(a) Assets pledged

The carrying amount of financial assets pledged as collateral in the Group's ordinary course of businesses, including repurchase agreements and borrowings from central banks, are disclosed as below:

	31 December 2022	31 December 2021
Debt securities	**368,653**	341,978
Discounted bills	**69,593**	54,401
Others	**269**	178
Total	**438,515**	396,557

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

In addition, as at 31 December 2022, the Group pledged deposits with banks and other financial institutions with carrying amount totalling RMB542 million (as at 31 December 2021: RMB527 million) as collateral for derivative transactions and guarantee funds to exchanges. Title of these pledged assets was not transferred to counterparties.

(b) Collateral accepted

The Group received debt securities as collateral for financial assets held under resale agreements as set out in Note 21. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 31 December 2022, the Group held no collateral that can be resold or re-pledged by the Group (as at 31 December 2021: Nil). During the year ended 31 December 2022, the Group did not resell or re-pledge any of these collateral (year ended 31 December 2021: Nil).

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53 Transactions on behalf of customers

(a) Entrusted lending business

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

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

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

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

	31 December 2022	31 December 2021
Entrusted loans	**305,416**	306,515
Entrusted funds	**305,417**	306,516

(b) Wealth management services

As at 31 December 2022, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 59 (b).

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is recognized in the consolidated statement of profit or loss as commission income. The Group has entered into placements transactions at market interest rates with the wealth management products vehicles (Note 59 (b)).

As at 31 December 2022, the total investment of non-principal guaranteed wealth management products managed by the Group that was not included in the Group's consolidated financial statements was disclosed in Note 59 (b).

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54 Segment reporting

Measurement of segment assets and liabilities, and segment income and expenses are based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire assets (including both tangible assets and intangible assets) whose estimated useful lives are over one year.

(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.

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54 Segment reporting (continued)

(a) Business segments (continued)

Others and unallocated

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

	Year ended 31 December 2022				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
External net interest income/(expense)	41,133	102,227	37,443	(30,156)	150,647
Internal net interest income/(expense)	39,377	(41,619)	(29,454)	31,696	–
Net interest income	80,510	60,608	7,989	1,540	150,647
Net fee and commission income	10,813	22,787	3,120	372	37,092
Other net income (Note (i))	3,113	1,282	19,203	(228)	23,370
Operating income	94,436	84,677	30,312	1,684	211,109
Operating expenses					
— depreciation and amortisation	(2,091)	(1,376)	(2,124)	(1,729)	(7,320)
— others	(24,688)	(30,486)	(3,543)	(801)	(59,518)
Credit impairment losses	(34,550)	(35,435)	(1,323)	(51)	(71,359)
Impairment (losses)/gains on other assets	(79)	–	–	34	(45)
Revaluation gains on investment properties	–	–	–	(74)	(74)
Share of profit of associates and joint ventures	–	–	14	609	623
Profit before tax	33,028	17,380	23,336	(328)	73,416
Income tax					(10,466)
Profit for the year					62,950
Capital expenditures	1,544	995	1,645	1,137	5,321

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54 Segment reporting (continued)

(a) Business segments (continued)

Others and unallocated (continued)

	Year ended 31 December 2022				
	Corporate Banking	**Personal Banking**	**Treasury Operations**	**Others and Unallocated**	**Total**
Segment assets	**2,933,628**	**2,207,675**	**2,713,020**	**631,868**	**8,486,191**
Interest in associates and joint ventures	**–**	**–**	**135**	**6,206**	**6,341**
Deferred tax assets					**55,011**
Total asset					**8,547,543**
Segment liabilities	**3,881,053**	**1,357,988**	**1,065,610**	**1,557,059**	**7,861,710**
Deferred tax liabilities					**3**
Total liabilities					**7,861,713**
Off-balance sheet credit commitments	**1,311,248**	**704,268**	**–**	**–**	**2,015,516**

	Year ended 31 December 2021				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
External net interest income/(expense)	45,356	104,787	33,535	(35,782)	147,896
Internal net interest income/(expense)	35,072	(45,504)	(24,824)	35,256	–
Net interest income	80,428	59,283	8,711	(526)	147,896
Net fee and commission income	11,717	22,789	1,513	(149)	35,870
Other net income (Note (i))	1,911	495	16,288	2,094	20,788
Operating income	94,056	82,567	26,512	1,419	204,554
Operating expenses					
— depreciation and amortisation	(2,059)	(1,671)	(1,816)	(1,159)	(6,705)
— others	(22,901)	(28,136)	(2,480)	(2,002)	(55,519)
Credit impairment losses	(44,026)	(30,056)	(2,786)	(137)	(77,005)
Impairment (losses)/gains on other assets	(55)	–	–	12	(43)
Revaluation gains on investment properties	–	–	–	23	23
Share of profit of associates and joint ventures	–	–	12	200	212
Profit before tax	25,015	22,704	19,442	(1,644)	65,517
Income tax					(9,140)
Profit for the year					56,377
Capital expenditures	1,261	1,064	1,087	578	3,990

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54 Segment reporting (continued)

(a) Business segments (continued)

Others and unallocated (continued)

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

Note:

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

(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;

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54 Segment reporting (continued)

(b) Geographical segments (continued)

– "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.

	Year ended 31 December 2022									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	34,446	19,339	(78)	22,603	19,931	2,167	45,993	6,246	–	150,647
Internal net interest income/(expense)	(4,641)	(4,477)	20,783	(5,504)	(7,672)	(245)	1,714	42	–	–
Net interest income	29,805	14,862	20,705	17,099	12,259	1,922	47,707	6,288	–	150,647
Net fee and commission income	5,812	1,737	3,298	1,640	1,119	178	22,028	1,280	–	37,092
Other net income (Note (i))	1,858	577	879	475	239	51	18,603	688	–	23,370
Operating income	37,475	17,176	24,882	19,214	13,617	2,151	88,338	8,256	–	211,109
Operating expense										
– depreciation and amortisation	(947)	(786)	(899)	(654)	(733)	(202)	(2,486)	(613)	–	(7,320)
– others	(10,190)	(6,365)	(8,089)	(5,614)	(5,650)	(1,128)	(19,184)	(3,298)	–	(59,518)
Credit impairment losses	(10,905)	(4,966)	(5,942)	(3,987)	(4,140)	(495)	(39,214)	(1,710)	–	(71,359)
Impairment (losses)/gains on other assets	–	–	1	(12)	(68)	–	–	34	–	(45)
Revaluation gains on investment properties	–	–	–	–	–	–	–	(74)	–	(74)
Share of profit/(loss) of associates and joint ventures	–	–	–	–	–	–	611	12	–	623
Profit before tax	15,433	5,059	9,953	8,947	3,026	326	28,065	2,607	–	73,416
Income tax										(10,466)
Profit for the year										62,950
Capital expenditures	570	246	152	225	219	43	3,626	240	–	5,321

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54 Segment reporting (continued)

(b) Geographical segments (continued)

	31 December 2022									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,883,859	989,734	1,853,384	830,699	671,733	120,001	3,386,176	452,313	(1,701,708)	8,486,191
Interest in associates and joint ventures	–	–	–	–	–	–	5,811	530	–	6,341
Deferred tax assets										55,011
Total assets										8,547,543
Segment liabilities	1,650,156	777,003	1,440,598	759,105	610,456	111,866	3,827,767	392,380	(1,707,621)	7,861,710
Deferred tax liabilities										3
Total liabilities										7,861,713
Off-balance sheet credit commitments	357,706	252,497	223,088	270,915	163,125	19,830	694,944	33,411	–	2,015,516

	Year ended 31 December 2021									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	26,454	16,292	(2,712)	20,612	19,019	2,673	60,293	5,265	–	147,896
Internal net interest income/(expense)	3,442	549	23,944	(3,743)	(6,040)	(474)	(17,500)	(178)	–	–
Net interest income	29,896	16,841	21,232	16,869	12,979	2,199	42,793	5,087	–	147,896
Net fee and commission income	3,921	2,274	4,005	1,750	1,319	251	20,755	1,595	–	35,870
Other net income (Note (i))	1,176	387	556	(920)	802	55	17,142	1,590	–	20,788
Operating income	34,993	19,502	25,793	17,699	15,100	2,505	80,690	8,272	–	204,554
Operating expense										
– depreciation and amortisation	(997)	(747)	(884)	(636)	(740)	(205)	(1,927)	(569)	–	(6,705)
– others	(10,045)	(5,995)	(8,136)	(5,722)	(5,164)	(1,218)	(16,298)	(2,941)	–	(55,519)
Credit impairment losses	(15,256)	(9,752)	(7,444)	(7,090)	(820)	(1,124)	(33,782)	(1,737)	–	(77,005)
Impairment (losses)/gains on other assets	(44)	–	(4)	(3)	(4)	–	–	12	–	(43)
Revaluation gains on investment properties	–	–	–	–	–	–	–	23	–	23
Share of profit/(loss) of associates and joint ventures	–	–	–	–	–	–	307	(95)	–	212
Profit before tax	8,651	3,008	9,325	4,248	8,372	(42)	28,990	2,965	–	65,517
Income tax										(9,140)
Profit for the year										56,377
Capital expenditure	263	171	186	267	261	50	2,571	221	–	3,990

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54 Segment reporting (continued)

(b) Geographical segments (continued)

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

Note:

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

55 Financial risk management

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

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

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

– **Liquidity risk** Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

– **Operational risk** Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategic risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

55 Financial risk management (continued)

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorized or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposures of the Group mainly arise from the Group's loans and advances to customers, bonds, interbank business, receivables, lease receivables, other debt investments, and other on-balance sheet assets, and also off-balance sheet items, such as credit commitments.

The Group has standardized management on the entire credit business process including loan application and its investigation, approval and granting of loan, and monitoring of non-performing loans. Through strictly standardized credit business process, strengthening the whole process management of pre-lending investigation, credit rating and credit granting, examination and approval, loan review and post-lending monitoring, improving risk mitigating impact of collateral, accelerating the collection and disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

The Group writes off financial asset when it cannot reasonably expect to recover all or part of the asset. Signs indicating that the recoverable amount cannot be reasonably expected to recover include: (1) the enforcement has been terminated, and (2) the Group's recovery method is to confiscate and dispose of the collateral, but the expected value of the collateral cannot cover the entire principal and interest.

In addition to the credit risk caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee businesses to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

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.

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55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

Stage 2: If there is a significant increase in credit risk from initial recognition, the Group transfers the related financial assets to Stage 2, but does not consider them as credit-impaired. The expected credit losses of financial assets in Stage 2 are measured based on the lifetime expected credit losses.

Stage 3: If a financial asset has shown signs of credit impairment from initial recognition, it will be moved to Stage 3. The expected credit losses of financial assets in Stage 3 are measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

The Group measures the ECLs of financial assets through testing models, including the risk parameters model and discounted cash flows model. The risk parameters model method is applicable to the financial assets in Stages 1 and 2. Both the risk parameter model and discounted cash flows model are applicable to the Stage 3 financial assets.

The discounted cash flow model is used to calculate the impairment allowance for an asset based on the regular forecasts of the future cash flows of the asset. At each measurement date, the Group makes forecasts of the future cash inflows of the asset in different periods and in different scenarios, applies probability weightings to obtain the weighted averages of the future cash flows, applies appropriate discount rates to the weighted averages and adds these discounted weighted averages to obtain the present value of the future cash inflows.

The risk parameter model has two main components: 1) the assessment methods under the Internal Rating-Based (IRB) approach for key parameters, such as probability of default (PD) and loss given default (LGD); and 2) the forward-looking adjustment model for multi-scenario forecasts based on the key parameters. The expected credit losses of financial assets are assessed individually by measuring PDs, LGDs and forward-looking adjustments.

The key judgments involved and assumptions adopted by the Group in assessing expected credit losses are as follows:

(1) Grouping of risks

According to the nature of the businesses, the Group mainly divides its financial assets into three major categories, i. e., corporate assets, personal loans and credit card assets according to the asset categories, and further divides them into risk groups in light of their credit risk characteristics, including the industries in which the customers operate, product type and staging assessments.

(2) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. When one or more quantitative or qualitative thresholds are triggered, the credit risk of financial instruments would be considered as having increased significantly.

By setting quantitative and qualitative criteria, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The criteria mainly include days past due, the absolute level and relative level of default probability changes, changes in credit risk classification and other circumstances indicating significant changes in credit risk.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(2) Significant increase in credit risk (continued)

In accordance with the policies of the central government and regulatory authorities and in light of its credit management needs, the Group makes prudential assessments of the repayment ability of the borrowers who apply for loan extensions. To eligible borrowers, the Group provides a number of relief options, including deferred repayment of interest and adjustment of repayment schedules, and at the same time, the Group makes individual and collective assessments to assess whether there has been a significant increase in the credit risk of these borrowers.

(3) Definition of credit-impaired assets

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that significant adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower is in significant financial difficulties;
- The borrower is in breach of financial covenant (s) such as default or overdue in repayment of interests or principal etc.
- The creditor gives the debtor concession that would not be offered otherwise, considering for economic or contractual reasons relating to the debtor's financial difficulties;
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

(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.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(4) Inputs for measurement of expected credit losses (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 2022, based on data accumulation, the Group optimized and updated the relevant models and parameters. The Group has obtained sufficient information to ensure its statistical reliability. The Group makes allowances for its expected credit losses based on on-going assessment of and follow-up on changes in its customers and their financial assets on an individual basis.

(5) Forward-looking information

The assessment of significant increases in credit risk and the calculation of expected credit losses both involve forward-looking information. Based on historical analysis, the Group has identified the key economic variables impacting expected credit losses for various risk groups.

These economic variables have different impacts on the probabilities of default and the losses given default of different risk groups. The Group makes forecasts on these economic indicators at least semi-annually. In this process, the Group also resorts to expert judgment, and applies expert judgment to determine the impact of these economic variables on the probabilities of default and the losses given default.

In addition to the neutral economic scenario, the Group determines the possible scenarios and their weightings by a combination of statistical analysis and expert judgment. The Group measures expected credit losses as either a probability weighted 12 months expected credit losses (Stage 1) or a probability weight lifetime expected credit losses (Stage 2 and Stage 3). These probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit losses model and multiplying it by the appropriate scenario weighting.

Macroeconomic scenario and weighting information

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. Based on comprehensive considerations of internal and external data, expert forecasts, and the best estimate of future outcomes, the Group makes regular forecasts of the macro indicators in three macro-economic scenarios, i. e., the positive, neutral and negative scenarios, to determine the coefficients for forward-looking adjustments. Neutral is defined as the most likely to happen in the future, as compared to other scenarios. Positive scenario and negative scenario represent the likely scenario that is better off or worse off as compared to the neutral scenario.

The Group reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data. The economic indicators currently applied in the neutral scenario, including consumer price index, narrow money supply and per capita disposable income of urban residents, etc., are basically consistent with the forecasts of research institutions.

55 Financial risk management (continued)

(a) Credit risk (continued)

Measurement of expected credit losses ("ECL") (continued)

(5) Forward-looking information (continued)

Macroeconomic scenario and weighting information (continued)

In 2022, the Group considered different macroeconomic scenarios, and the key macroeconomic assumptions used in estimating ECL are set out below:

Variables	Range
Consumer Price Index	1.50%~3.00%
Narrow Money Supply (M1)	0.00%~12.20%
Per capita Disposable Income of Urban Residents	5.40%~7.00%

Currently, the weighting of neutral scenario is equal to the sum of the weightings of other scenarios. Following this assessment, the Group measures ECL as a weighted average probability of ECL in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

Considering the portfolios that cannot be modeled by regression, such as those with extremely low default rate or without appropriate internal rating data, the Group mainly adopts the expected loss ratio of similar portfolios with established regression models, in order to expand the coverage of the existing ECL model.

(6) Sensitivity information and management overlay

Changes to the inputs and forward-looking information used in ECL measurement will affect the assessment of significant increase in credit risk and the measurement of expected credit losses.

As at 31 December 2022, assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the Group's credit impairment losses would be reduced by no more than 5% of the current credit impairment losses; assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the Group's credit impairment losses would increase by no more than 5% of the current credit impairment losses.

As at 31 December 2022, assuming an overall increase or decrease of 5% in the macroeconomic factors, the change to the impairment loss allowances for the main credit assets of the Group and the Bank would not exceed 10% of the current impairment loss allowances.

For risks in specific areas and the impacts of deferred principal and interest repayment and other policies that have not been reflected in the model, the Group also considered and applied management overlays to increase the impairment provisions to further boost its risk mitigation capacity, and the subsequent increase in the impairment loss allowances did not exceed 5% of the current impairment loss allowances.

Allowance for impairment losses of performing loans and advances to customers consists of ECLs for Stage 1 and Stage 2 assets, which represent 12 months ECL and lifetime ECL respectively. Loans and advances to customers in Stage 1 transfer to Stage 2 when there is a significant increase in credit risk. The following table presents the estimated impact if the ECLs of all performing loans and advances to customers are measured based on 12 months ECL, assuming all other risk factors remain the same.

	31 December 2022	31 December 2021
Performing loans and advances to customers		
Allowance of impairment losses assuming loans in stage 2 transfer to stage 1	**78,523**	69,220
Impact of stage transfers	**4,316**	3,446
Current allowance for impairment losses	**82,839**	72,666

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55 Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the consolidated statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	471,849	–	–	–	471,849
Deposits with bank and non-bank financial institutions	78,834	–	–	–	78,834
Placements with and loans to banks and non-bank financial institutions	209,425	–	–	8,739	218,164
Derivative financial assets	–	–	–	44,383	44,383
Financial assets held under resale agreements	13,730	–	–	–	13,730
Loans and advances to customers	4,938,600	68,954	27,532	3,881	5,038,967
Financial investments					
— at fair value through profit or loss	–	–	–	557,594	557,594
— at amortised cost	1,101,975	3,709	29,768	–	1,135,452
— at fair value through other comprehensive income	803,583	136	976	–	804,695
— designated at fair value through other comprehensive income	–	–	–	5,128	5,128
Other financial assets	11,513	4,484	1,303	–	17,300
Subtotal	7,629,509	77,283	59,579	619,725	8,386,096
Credit commitments	2,014,016	1,245	255	–	2,015,516
Maximum credit risk exposure	9,643,525	78,528	59,834	619,725	10,401,612

55 Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure (continued)

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	429,689	–	–	–	429,689
Deposits with bank and non-bank financial institutions	107,856	–	–	–	107,856
Placements with and loans to banks and non-bank financial institutions	139,322	–	–	4,596	143,918
Derivative financial assets	–	–	–	22,721	22,721
Financial assets held under resale agreements	91,437	–	–	–	91,437
Loans and advances to customers	4,657,995	63,389	26,692	–	4,748,076
Financial investments					
— at fair value through profit or loss	–	–	–	495,810	495,810
— at amortised cost	1,125,589	11,784	32,856	–	1,170,229
— at fair value through other comprehensive income	651,067	348	442	–	651,857
— designated at fair value through other comprehensive income	–	–	–	4,745	4,745
Other financial assets	7,410	5,166	936	–	13,512
Subtotal	7,210,365	80,687	60,926	527,872	7,879,850
Credit commitments	1,774,949	587	238	–	1,775,774
Maximum credit risk exposure	8,985,314	81,274	61,164	527,872	9,655,624

According to the quality of assets, the Group classified the credit rating of the financial assets as risk level 1, risk level 2, risk level 3 and default. "Risk level 1" refers to customers who have competitive advantages among local peers with good foundations, outstanding operation results, strong operational and financial strength, and/or good corporate governance structure. "Risk level 2" refers to customers who are in the middle tier among local peers with fair foundations, fair operation results, fair operational and financial strength, and/or fair corporate governance structure. "Risk level 3" refers to customers who are in the lower-tier among local peers, with weak foundations, poor operation results, poor operational and financial strength, and/or deficiency in corporate governance structure. The definition of "Default" is same as the definition of credit-impaired. The credit rating is used for internal risk management.

55 Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure (continued)

The following table provides an analysis of loans and advances to customers and financial investments that are included in the ECL assessment according to the credit risk level. The book value of the following financial assets is the Group's maximum exposure to credit risk for these assets.

	31 December 2022						
	Risk level 1	Risk level 2	Risk level 3	Default	Subtotal	Allowance for impairment losses	Net balance
Loans and advances to customers (Note (i))							
Stage 1	**3,893,401**	**992,389**	**113,014**	**–**	**4,998,804**	**(60,204)**	**4,938,600**
Stage 2	**1,398**	**18,111**	**71,942**	**–**	**91,451**	**(22,497)**	**68,954**
Stage 3	**–**	**–**	**–**	**75,816**	**75,816**	**(48,284)**	**27,532**
Financial investments at amortised cost							
Stage 1	**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**

	31 December 2021						
	Risk level 1	Risk level 2	Risk level 3	Default	Subtotal	Allowance for impairment losses	Net balance
Loans and advances to customers (Note (i))							
Stage 1	3,724,604	897,755	86,299	–	4,708,658	(50,663)	4,657,995
Stage 2	1,220	16,044	67,782	–	85,046	(21,657)	63,389
Stage 3	–	–	–	75,329	75,329	(48,637)	26,692
Financial investments at amortised cost							
Stage 1	810,282	313,915	5,613	–	1,129,810	(4,221)	1,125,589
Stage 2	3,225	2,554	10,081	–	15,860	(4,076)	11,784
Stage 3 (Note (ii))	–	810	676	49,800	51,286	(18,430)	32,856
Financial investments at fair value through other comprehensive income							
Stage 1	353,764	297,303	–	–	651,067	(976)	651,067
Stage 2	–	189	159	–	348	(158)	348
Stage 3	–	431	–	11	442	(1,253)	442
Maximum credit risk exposure	4,893,095	1,529,001	170,610	125,140	6,717,846	(150,071)	6,570,162

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55 Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure (continued)

Note:

(i) Loans and advances to customers include loans and advances to customers measured at fair value through other comprehensive income, and its corresponding impairment are not included in the "Allowance for impairment losses" as shown in the table.

(ii) Claims in Stage 3 mainly represent investment management products and trust investment plans (Note 55 (a)(viii)).

(ii) Measurement of expected credit losses

The following table shows the movement in carrying value of loans and advances to customers in current reporting period:

	31 December 2022		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2022	**4,708,658**	**85,046**	**75,329**
Movements			
Net transfers out from Stage 1	**(109,279)**	**–**	**–**
Net transfers into Stage 2	**–**	**28,507**	**–**
Net transfers into Stage 3	**–**	**–**	**80,772**
Net transactions during the year (Note (i))	**380,470**	**(23,863)**	**(23,508)**
Write-off	**–**	**–**	**(57,791)**
Others (Note (ii))	**18,955**	**1,761**	**1,014**
As at 31 December 2022	**4,998,804**	**91,451**	**75,816**

	31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	4,296,618	103,565	78,592
Movements			
Net transfers out from Stage 1	(74,178)	–	–
Net transfers into Stage 2	–	862	–
Net transfers into Stage 3	–	–	73,316
Net transactions during the year (Note (i))	489,006	(17,357)	(13,132)
Write-off	–	–	(64,161)
Others (Note (ii))	(2,788)	(2,024)	714
As at 31 December 2021	4,708,658	85,046	75,329

55 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in carrying value of financial investment in current reporting period:

	31 December 2022		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2022	**1,780,877**	**16,208**	**51,728**
Movements			
Net transfers out from Stage 1	**(3,525)**	**–**	**–**
Net transfers out from Stage 2	**–**	**(7,376)**	**–**
Net transfers into Stage 3	**–**	**–**	**10,901**
Net transactions during the year (Note (i))	**121,588**	**(3,412)**	**(5,634)**
Write-off	**–**	**–**	**(1,558)**
Others (Note (ii))	**9,101**	**(188)**	**3**
As at 31 December 2022	**1,908,041**	**5,232**	**55,440**

	31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	1,664,435	4,450	28,425
Movements			
Net transfers out from Stage 1	(21,955)	–	–
Net transfers into Stage 2	–	13,928	–
Net transfers into Stage 3	–	–	8,027
Net transactions during the year (Note (i))	142,085	(2,109)	22,305
Write-off	–	–	(7,042)
Others (Note (ii))	(3,688)	(61)	13
As at 31 December 2021	1,780,877	16,208	51,728

Notes:

(i) Net transactions during the year mainly include changes in carrying amount due to purchase, origination or derecognition (excluding write-offs).

(ii) Others include changes in accrued interest, and effect of exchange differences during the year.

55 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in allowance for impairment of loans and advances to customers in current reporting period:

	31 December 2022		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2022	**51,215**	**21,686**	**48,805**
Movements (Note (i))			
Net transfers out from Stage 1	**(2,776)**	**–**	**–**
Net transfers into Stage 2	**–**	**3,011**	**–**
Net transfers into Stage 3	**–**	**–**	**33,661**
Net transactions during the year (Note (ii))	**5,338**	**(4,560)**	**(14,373)**
Changes in parameters for the year (Note (iii))	**7,408**	**498**	**27,579**
Write-off	**–**	**–**	**(57,791)**
Others (Note (iv))	**(458)**	**1,889**	**10,482**
As at 31 December 2022	**60,727**	**22,524**	**48,363**

	31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	43,734	29,527	52,990
Movements (Note (i))			
Net transfers out from Stage 1	(925)	–	–
Net transfers out from Stage 2	–	(4,157)	–
Net transfers into Stage 3	–	–	45,597
Net transactions during the year (Note (ii))	7,492	(5,892)	(10,568)
Changes in parameters for the year (Note (iii))	583	2,330	15,768
Write-off	–	–	(64,161)
Others (Note (iv))	331	(122)	9,179
As at 31 December 2021	51,215	21,686	48,805

55 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Measurement of expected credit losses (continued)

The following table shows the movement in allowance for impairment of financial investment in current reporting period:

	31 December 2022		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2022	**5,197**	**4,234**	**19,683**
Movements (Note (i))			
Net transfers out from Stage 1	**(209)**	**–**	**–**
Net transfers out from Stage 2	**–**	**(2,184)**	**–**
Net transfers into Stage 3	**–**	**–**	**6,436**
Net transactions during the year (Note (ii))	**160**	**(630)**	**(2,313)**
Changes in parameters for the year (Note (iii))	**(1,200)**	**56**	**1,695**
Write-off	**–**	**–**	**(1,558)**
Others (Note (iv))	**(49)**	**9**	**1,956**
As at 31 December 2022	**3,899**	**1,485**	**25,899**

	31 December 2021		
	Stage 1	Stage 2	Stage 3
As at 1 January 2021	4,881	501	11,039
Movements (Note (i))			
Net transfers out from Stage 1	(764)	–	–
Net transfers into Stage 2	–	3,669	–
Net transfers into Stage 3	–	–	2,516
Net transactions during the year (Note (ii))	293	119	15,092
Changes in parameters for the year (Note (iii))	(201)	(55)	(1,917)
Write-off	–	–	(7,042)
Others (Note (iv))	988	–	(5)
As at 31 December 2021	5,197	4,234	19,683

Notes:

(i) Movements in allowance for impairment during the year mainly include the impact of stage changes on the measurement of ECLs.

(ii) Net transactions during the year mainly include changes in allowance for impairment due to financial assets purchased, newly originated or derecognized (excluding write-offs).

(iii) Changes in parameters mainly include changes in risk exposures and the impacts on ECLs due to changes in PDs and LGDs following regular updates on modelling parameters rather than stages movements,.

(iv) Others include recovery of loans written off, changes of impairment losses of accrued interest, and effect of exchange differences.

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55 Financial risk management (continued)

(a) Credit risk (continued)

(iii) Loans and advances to customers analysed by industry sector

	31 December 2022			31 December 2021		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
— rental and business services	**491,301**	**9.5**	**193,562**	456,182	9.4	190,503
— manufacturing	**419,507**	**8.1**	**171,117**	356,129	7.3	157,536
— water, environment and public utility management	**413,399**	**8.0**	**129,983**	381,182	7.8	139,983
— real estate	**277,173**	**5.4**	**229,939**	284,801	5.7	250,846
— wholesale and retail	**177,612**	**3.4**	**95,000**	163,489	3.4	96,194
— transportation, storage and postal services	**149,891**	**2.9**	**79,475**	144,053	3.0	82,216
— construction	**103,335**	**2.0**	**54,426**	105,633	2.2	61,730
— production and supply of electric power, gas and water	**89,609**	**1.7**	**41,650**	84,351	1.7	44,461
— public management and social organisations	**8,409**	**0.2**	**1,930**	7,898	0.2	3,284
— others	**393,780**	**7.6**	**117,284**	352,461	7.2	118,173
Subtotal	**2,524,016**	**48.8**	**1,114,366**	2,336,179	47.9	1,144,926
Personal loans	**2,116,910**	**41.0**	**1,423,097**	2,053,824	42.2	1,366,920
Discounted bills	**511,846**	**9.9**	**–**	465,966	9.6	–
Accrued interest	**17,180**	**0.3**	**–**	13,064	0.3	–
Total	**5,169,952**	**100.0**	**2,537,463**	4,869,033	100.0	2,511,846

(iv) Loans and advances to customers analysed by geographical sector

	31 December 2022			31 December 2021		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Bohai Rim (including Head Office)	**1,400,562**	**27.2**	**442,754**	1,325,105	27.2	437,932
Yangtze River Delta	**1,381,673**	**26.7**	**721,324**	1,256,155	25.8	701,187
Pearl River Delta and West Strait	**731,224**	**14.1**	**498,620**	733,840	15.1	527,719
Central	**730,240**	**14.1**	**390,082**	672,083	13.8	370,042
Western	**598,729**	**11.6**	**330,962**	573,221	11.8	325,598
Northeastern	**87,630**	**1.7**	**57,244**	92,254	1.9	61,529
Outside Mainland China	**222,714**	**4.3**	**96,477**	203,311	4.1	87,839
Accrued interest	**17,180**	**0.3**	**–**	13,064	0.3	–
Total	**5,169,952**	**100.0**	**2,537,463**	4,869,033	100.0	2,511,846

55 Financial risk management (continued)

(a) Credit risk (continued)

(v) Loans and advances to customers analysed by type of security

	31 December 2022	31 December 2021
Unsecured loans	**1,384,754**	1,292,209
Guaranteed loans	**718,709**	585,948
Secured loans	**2,537,463**	2,511,846
— loans secured by collateral	**2,018,796**	1,963,710
— pledged loans	**518,667**	548,136
Subtotal	**4,640,926**	4,390,003
Discounted bills	**511,846**	465,966
Accrued interest	**17,180**	13,064
Total	**5,169,952**	4,869,033

(vi) Rescheduled loans and advances to customers

	31 December 2022		31 December 2021	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances:	**12,511**	**0.24%**	16,182	0.33%
— rescheduled loans and advances overdue more than 3 months	**5,695**	**0.11%**	5,795	0.12%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated because of deterioration in the financial position of the borrowers, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are a concession that the Group would not otherwise consider. As at 31 December 2022, the Group's concession given under renegotiation with borrowers or court rulings as a result of deterioration in financial position of borrowers is not significant.

55 Financial risk management (continued)

(a) Credit risk (continued)

(vii) Debt securities analysed by credit rating

The Group adopts a credit rating approach to manage credit risk of its debt instruments portfolio. The ratings are obtained from major rating agencies where the debt instruments are issued. The carrying amounts of debt instruments investments analysed by rating as at the end of the reporting period are as follows:

	31 December 2022					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
— governments	**884,388**	**236,364**	**40,794**	**3,965**	**–**	**1,165,511**
— policy banks	**81,966**	**–**	**–**	**7,661**	**–**	**89,627**
— public entities	**–**	**–**	**1,308**	**–**	**–**	**1,308**
— banks and non-bank financial institutions	**77,584**	**337,801**	**6,270**	**17,645**	**4,257**	**443,557**
— corporates	**25,519**	**43,702**	**25,746**	**10,576**	**11,376**	**116,919**
Investment management products managed by securities companies	**31,593**	**–**	**–**	**–**	**–**	**31,593**
Trust investment plans	**207,865**	**–**	**–**	**–**	**–**	**207,865**
Total	**1,308,915**	**617,867**	**74,118**	**39,847**	**15,633**	**2,056,380**

	31 December 2021					
	Unrated (Note (i))	AAA	AA	A	Below A	Total
Debt securities issued by:						
— governments	711,168	200,214	22,602	6,308	10	940,302
— policy banks	130,839	–	–	7,046	–	137,885
— public entities	–	–	1,690	1	–	1,691
— banks and non-bank financial institutions	76,984	351,851	5,525	23,478	6,535	464,373
— corporates	59,823	14,722	9,310	12,329	7,306	103,490
Investment management products managed by securities companies	42,884	–	–	–	–	42,884
Trust investment plans	220,821	–	–	–	–	220,821
Total	1,242,519	566,787	39,127	49,162	13,851	1,911,446

Note:

(i) Unrated debt securities held by the Group are primarily bonds issued by the Chinese government, policy banks, banks, non-bank financial institutions, investment management products managed by securities companies and trust investment plans.

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(a) Credit risk (continued)

(viii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	31 December 2022	31 December 2021
Investment management products managed by securities companies and trust investment plans		
— credit assets	**262,447**	285,183
— rediscounted bills	**–**	24
Total	**262,447**	285,207

The Group puts investment management products managed by securities companies and trust investment plans into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of security of credit assets includes guarantee, secured by collateral, and pledge.

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance sheet and off-balance sheet businesses for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has established a market risk management system that formulates procedures to identify, measure, supervision and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Management of the Group is responsible for approving market risk management policies, establishing appropriate organizational structure and information systems to effectively identify, measure, monitor and control market risks, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorization limits, providing independent report of market risk to identify, measure and monitor the Group's market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated with the relevant operations, so as to ensure the dynamic balance between business development and risk undertaking.

The Group uses sensitivity analysis, foreign exchange exposure and interest rate re-pricing gap analysis as the primary instruments to monitor market risk.

Interest rate risk and currency risk are the major market risks that the Group is exposed to.

Interest rate risk

The Group's interest rate exposures mainly arise from the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjust the ratio of floating and fixed rate exposures, the loan re-pricing cycle, as well as optimization of the term structure of its deposits accordingly.

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

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.

		31 December 2022					
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central banks	1.50%	**477,381**	**7,705**	**469,676**	**–**	**–**	**–**
Deposits with banks and non-bank financial institutions	1.75%	**78,834**	**3,090**	**39,442**	**36,302**	**–**	**–**
Placements with and loans to banks and non-bank financial institutions	2.49%	**218,164**	**1,048**	**67,007**	**108,371**	**41,738**	**–**
Financial assets held under resale agreements	1.45%	**13,730**	**5**	**13,725**	**–**	**–**	**–**
Loans and advances to customers (Note (ii))	4.81%	**5,038,967**	**17,331**	**2,665,381**	**1,596,021**	**733,001**	**27,233**
Financial investments							
— at fair value through profit or loss		**557,594**	**435,561**	**70,773**	**28,234**	**8,464**	**14,562**
— at amortised cost	3.55%	**1,135,452**	**–**	**87,626**	**259,083**	**556,979**	**231,764**
— at fair value through other comprehensive income	2.66%	**804,695**	**478**	**146,837**	**122,169**	**382,895**	**152,316**
— designated at fair value through other comprehensive income		**5,128**	**5,128**	**–**	**–**	**–**	**–**
Others		**217,598**	**217,598**	**–**	**–**	**–**	**–**
Total assets		**8,547,543**	**687,944**	**3,560,467**	**2,150,180**	**1,723,077**	**425,875**

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

		31 December 2022					
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Borrowing from central banks	2.94%	**119,422**	**–**	**20,917**	**98,505**	**–**	**–**
Deposits from banks and non-bank financial institutions	2.09%	**1,143,776**	**4,908**	**814,885**	**323,983**	**–**	**–**
Placements from banks and non-bank financial institutions	2.41%	**70,741**	**162**	**49,080**	**19,992**	**1,507**	**–**
Financial liabilities at fair value through profit or loss		**1,546**	**2**	**4**	**13**	**125**	**1,402**
Financial assets sold under repurchase agreements	2.00%	**256,194**	**75**	**247,237**	**8,882**	**–**	**–**
Deposits from customers	2.06%	**5,157,864**	**82,696**	**3,493,074**	**781,501**	**800,591**	**2**
Debt securities issued	2.80%	**975,206**	**3,968**	**264,606**	**486,864**	**129,781**	**89,987**
Lease liabilities	4.51%	**10,272**	**3,066**	**170**	**251**	**2,827**	**3,958**
Others		**126,692**	**126,692**	**–**	**–**	**–**	**–**
Total liabilities		**7,861,713**	**221,569**	**4,889,973**	**1,719,991**	**934,831**	**95,349**
Interest rate gap		**685,830**	**466,375**	**(1,329,506)**	**430,189**	**788,246**	**330,526**

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

			31 December 2021				
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central banks	1.49%	435,383	8,572	426,811	–	–	–
Deposits with banks and non-bank financial institutions	1.94%	107,856	2,791	75,277	29,788	–	–
Placements with and loans to banks and non-bank financial institutions	1.90%	143,918	769	71,334	64,116	7,699	–
Financial assets held under resale agreements	1.96%	91,437	12	91,425	–	–	–
Loans and advances to customers (Note (ii))	4.99%	4,748,076	13,280	2,663,724	1,844,362	217,090	9,620
Financial investments							
— at fair value through profit or loss		495,810	410,613	33,403	40,773	6,638	4,383
— at amortised cost	3.71%	1,170,229	–	75,128	222,424	604,747	267,930
— at fair value through other comprehensive income	3.11%	651,857	406	107,031	127,233	281,829	135,358
— designated at fair value through other comprehensive income		4,745	4,745	–	–	–	–
Others		193,573	193,573	–	–	–	–
Total assets		8,042,884	634,761	3,544,133	2,328,696	1,118,003	417,291

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

		31 December 2021					
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Liabilities							
Borrowing from central banks	3.00%	189,198	–	12,080	177,118	–	–
Deposits from banks and non-bank financial institutions	2.45%	1,174,763	5,631	830,100	339,032	–	–
Placements from banks and non-bank financial institutions	2.39%	78,331	240	29,115	36,848	11,670	458
Financial liabilities at fair value through profit or loss		1,164	536	5	17	173	433
Financial assets sold under repurchase agreements	2.17%	98,339	5	48,829	49,505	–	–
Deposits from customers	2.00%	4,789,969	79,161	3,311,239	747,458	652,075	36
Debt securities issued	3.16%	958,203	3,360	182,746	557,874	104,249	109,974
Lease liabilities	4.46%	9,816	3,695	404	1,077	3,611	1,029
Others		100,475	100,475	–	–	–	–
Total liabilities		7,400,258	193,103	4,414,518	1,908,929	771,778	111,930
Interest rate gap		642,626	441,658	(870,385)	419,767	346,225	305,361

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 RMB34,823 million as at 31 December 2022 (as at 31 December 2021: RMB40,153 million)

55 Financial risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 31 December 2022 and 31 December 2021.

	31 December 2022		31 December 2021	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(10,068)**	**(6,517)**	(5,556)	(5,765)
–100 basis points	**10,068**	**6,517**	5,556	5,765

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.

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

The exposures at the reporting date were as follows:

	31 December 2022				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	460,550	15,991	653	187	477,381
Deposits with banks and non-bank financial institutions	53,989	15,928	4,453	4,464	78,834
Placements with and loans to banks and non-bank financial institutions	172,752	34,443	9,020	1,949	218,164
Financial assets held under resale agreements	11,950	1,780	–	–	13,730
Loans and advances to customers	4,732,459	160,506	118,379	27,623	5,038,967
Financial investments					
— at fair value through profit or loss	535,552	17,131	4,911	–	557,594
— at amortised cost	1,122,942	8,356	–	4,154	1,135,452
— at fair value through other comprehensive income	671,715	94,174	25,881	12,925	804,695
— designated at fair value through other comprehensive income	4,719	148	261	–	5,128
Others	201,395	9,833	5,735	635	217,598
Total assets	7,968,023	358,290	169,293	51,937	8,547,543
Liabilities					
Borrowings from central banks	119,422	–	–	–	119,422
Deposits from banks and non-bank financial institutions	1,132,064	10,660	198	854	1,143,776
Placements from banks and non-bank financial institutions	48,566	20,397	1,336	442	70,741
Financial liabilities at fair value through profit or loss	99	1,446	1	–	1,546
Financial assets sold under repurchase agreements	251,685	4,509	–	–	256,194
Deposits from customers	4,721,203	252,574	159,353	24,734	5,157,864
Debt securities issued	959,984	15,085	137	–	975,206
Lease liabilities	9,395	754	1	122	10,272
Others	120,517	3,449	2,438	288	126,692
Total liabilities	7,362,935	308,874	163,464	26,440	7,861,713
Net on-balance sheet position	605,088	49,416	5,829	25,497	685,830
Credit commitments	1,912,368	87,219	6,125	9,804	2,015,516
Derivatives (Note (i))	37,956	(55,048)	32,009	(26,305)	(11,388)

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

	31 December 2021				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	382,871	51,510	804	198	435,383
Deposits with banks and non-bank financial institutions	70,143	23,915	11,180	2,618	107,856
Placements with and loans to banks and non-bank financial institutions	100,185	28,129	12,172	3,432	143,918
Financial assets held under resale agreements	90,698	739	–	–	91,437
Loans and advances to customers	4,446,030	163,882	114,163	24,001	4,748,076
Financial investments					
— at fair value through profit or loss	482,979	10,065	2,715	51	495,810
— at amortised cost	1,165,064	903	–	4,262	1,170,229
— at fair value through other comprehensive income	553,366	70,127	18,369	9,995	651,857
— designated at fair value through other comprehensive income	4,371	188	186	–	4,745
Others	185,921	1,405	3,795	2,452	193,573
Total assets	7,481,628	350,863	163,384	47,009	8,042,884
Liabilities					
Borrowings from central banks	189,198	–	–	–	189,198
Deposits from banks and non-bank financial institutions	1,164,797	8,726	888	352	1,174,763
Placements from banks and non-bank financial institutions	48,645	26,434	2,113	1,139	78,331
Financial liabilities at fair value through profit or loss	531	632	1	–	1,164
Financial assets sold under repurchase agreements	97,620	719	–	–	98,339
Deposits from customers	4,383,814	232,064	151,483	22,608	4,789,969
Debt securities issued	938,154	20,049	–	–	958,203
Lease liabilities	9,265	8	398	145	9,816
Others	95,541	2,383	2,278	273	100,475
Total liabilities	6,927,565	291,015	157,161	24,517	7,400,258
Net on-balance sheet position	554,063	59,848	6,223	22,492	642,626
Credit commitments	1,667,967	90,203	6,718	10,886	1,775,774
Derivatives (Note (i))	21,592	(43,585)	27,912	(5,001)	918

55 Financial risk management (continued)

(b) Market risk (continued)

Currency risk (continued)

Note:

(i) Derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 31 December 2022 and 31 December 2021, the results of the Group's foreign exchange rate sensitivity analysis.

	31 December 2022		31 December 2021	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**1,613**	**(43)**	3,390	4
5% depreciation	**(1,613)**	**43**	(3,390)	(4)

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain assumptions as follows: (i) the foreign exchange sensitivity is the gain and loss realised as a result of 500 basis point fluctuation in the foreign currency exchange rates against RMB at the reporting date; (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously and does not take into account the correlation effect of changes in different foreign currencies; and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, foreign exchange derivative instruments, and; all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's profit and other comprehensive income resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis. Precious metal is included in foreign currency for the purpose of this sensitivity analysis.

(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.

55 Financial risk management (continued)

(c) Liquidity risk (continued)

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.

Analysis of the remaining contractual maturity of assets and liabilities:

	31 December 2022						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Assets							
Cash and balances with central banks	110,572	–	1,693	–	–	365,116	477,381
Deposits with banks and non-bank financial institutions	38,772	3,496	36,566	–	–	–	78,834
Placements with and loans to banks and non-bank financial institutions	–	67,838	108,588	41,738	–	–	218,164
Financial assets held under resale agreements	–	13,730	–	–	–	–	13,730
Loans and advances to customers (Note (ii))	20,458	855,226	1,238,912	1,139,067	1,736,343	48,961	5,038,967
Financial investments							
— at fair value through profit or loss	–	71,505	28,237	8,481	5,377	443,994	557,594
— at amortised cost	–	67,441	255,615	552,436	229,916	30,044	1,135,452
— at fair value through other comprehensive income	–	140,796	123,462	387,261	149,933	3,243	804,695
— designated at fair value through other comprehensive income	–	–	–	–	–	5,128	5,128
Others	40,857	30,382	12,437	68,494	2,167	63,261	217,598
Total assets	210,659	1,250,414	1,805,510	2,197,477	2,123,736	959,747	8,547,543

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities: (continued)

	31 December 2022						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Liabilities							
Borrowings from central banks	–	20,917	98,505	–	–	–	119,422
Deposits from banks and non-bank financial institutions	582,376	235,726	325,674	–	–	–	1,143,776
Placements from banks and non-bank financial institutions	–	46,226	24,052	463	–	–	70,741
Financial liabilities at fair value through profit or loss	–	4	14	126	1,402	–	1,546
Financial assets sold under repurchase agreements	–	247,312	8,882	–	–	–	256,194
Deposits from customers	2,385,973	1,188,967	782,255	800,667	2	–	5,157,864
Debt securities issued	–	265,317	482,743	135,930	91,216	–	975,206
Lease liabilities	3,006	718	1,977	3,527	1,015	29	10,272
Others	50,723	20,801	16,205	25,769	2,321	10,873	126,692
Total liabilities	3,022,078	2,025,988	1,740,307	966,482	95,956	10,902	7,861,713
(Short)/Long position	(2,811,419)	(775,574)	65,203	1,230,995	2,027,780	948,845	685,830

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55 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities: (continued)

	31 December 2021						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Assets							
Cash and balances with central banks	71,923	–	–	–	–	363,460	435,383
Deposits with banks and non-bank financial institutions	54,374	23,341	30,141	–	–	–	107,856
Placements with and loans to banks and non-bank financial institutions	–	72,103	64,116	7,699	–	–	143,918
Financial assets held under resale agreements	–	91,437	–	–	–	–	91,437
Loans and advances to customers (Note (ii))	11,426	997,671	992,765	904,343	1,780,784	61,087	4,748,076
Financial investments							
— at fair value through profit or loss	–	32,650	43,014	9,115	4,462	406,569	495,810
— at amortised cost	–	56,286	221,575	592,111	265,848	34,409	1,170,229
— at fair value through other comprehensive income	–	97,555	132,045	286,462	135,362	433	651,857
— designated at fair value through other comprehensive income	–	–	–	–	–	4,745	4,745
Others	66,020	9,705	5,786	52,585	116	59,361	193,573
Total assets	203,743	1,380,748	1,489,442	1,852,315	2,186,572	930,064	8,042,884

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of the remaining contractual maturity of assets and liabilities: (continued)

	31 December 2021						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Liabilities							
Borrowings from central banks	–	12,104	177,094	–	–	–	189,198
Deposits from banks and non-bank financial institutions	744,501	87,620	342,642	–	–	–	1,174,763
Placements from banks and non-bank financial institutions	–	37,300	38,409	2,622	–	–	78,331
Financial liabilities at fair value through profit or loss	25	5	17	681	436	–	1,164
Financial assets sold under repurchase agreements	–	48,834	49,505	–	–	–	98,339
Deposits from customers	2,366,158	1,024,143	747,650	651,977	41	–	4,789,969
Debt securities issued	–	182,746	557,880	105,827	111,750	–	958,203
Lease liabilities	3,655	408	1,090	3,635	1,028	–	9,816
Others	50,740	7,347	8,310	18,579	1,071	14,428	100,475
Total liabilities	3,165,079	1,400,507	1,922,597	783,321	114,326	14,428	7,400,258
(Short)/Long position	(2,961,336)	(19,759)	(433,155)	1,068,994	2,072,246	915,636	642,626

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55 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow:

	31 December 2022						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	110,573	1,501	6,534	–	–	365,115	483,723
Deposits with banks and non-bank financial institutions	38,772	3,750	37,373	–	–	–	79,895
Placements with and loans to banks and non-bank financial institutions	–	68,416	110,718	44,012	–	–	223,146
Financial assets held under resale agreements	–	13,732	–	–	–	–	13,732
Loans and advances to customers (Notes (ii))	20,458	897,769	1,343,254	1,458,349	2,194,769	54,499	5,969,098
Financial investments							
— at fair value through profit or loss	–	74,613	29,072	9,932	5,799	444,029	563,445
— at amortised cost	–	75,708	284,176	630,543	273,623	31,416	1,295,466
— at fair value through other comprehensive income	–	144,503	137,130	430,875	170,692	3,273	886,473
— designated at fair value through other comprehensive income	–	–	–	–	–	5,128	5,128
Others	40,857	30,382	12,437	68,494	2,167	63,261	217,598
Total assets	210,660	1,310,374	1,960,694	2,642,205	2,647,050	966,721	9,737,704

55 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow: (continued)

	31 December 2022						
	Repayable on demand	Within three months	Between three months and one year	Between one and five years	More than five years	Undated (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 liabilities	3,006	721	2,028	3,932	1,232	29	10,948
Others	50,723	20,801	16,205	25,769	2,321	10,873	126,692
Total liabilities	3,022,078	2,058,698	1,813,189	1,068,137	103,265	10,902	8,076,269
(Short)/long position	(2,811,418)	(748,324)	147,505	1,574,068	2,543,785	955,819	1,661,435
Derivative cash flow							
Derivative financial instrument settled on a net basis	–	30	11	472	992	–	1,505
Derivative financial instruments settled on a gross basis	–	10,299	(19,510)	4,712	(4)	–	(4,503)
— cash inflow	–	1,243,343	865,045	241,355	1,139	–	2,350,882
— cash outflow	–	(1,233,044)	(884,555)	(236,643)	(1,143)	–	(2,355,385)

55 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow: (continued)

	31 December 2021						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	71,923	1,286	4,148	–	–	363,460	440,817
Deposits with banks and non-bank financial institutions	54,374	23,957	31,010	–	–	–	109,341
Placements with and loans to banks and non-bank financial institutions	–	72,123	64,129	7,699	–	–	143,951
Financial assets held under resale agreements	–	91,468	–	–	–	–	91,468
Loans and advances to customers (Notes (ii))	11,426	1,040,780	1,097,625	1,228,371	2,309,717	66,897	5,754,816
Financial investments							
— at fair value through profit or loss	–	33,112	44,400	10,454	7,009	406,593	501,568
— at amortised cost	–	65,128	252,269	675,564	323,042	37,911	1,353,914
— at fair value through other comprehensive income	–	102,219	149,224	320,419	157,797	457	730,116
— designated at fair value through other comprehensive income	–	–	–	–	–	4,745	4,745
Others	66,020	9,705	5,786	52,585	116	59,361	193,573
Total assets	203,743	1,439,778	1,648,591	2,295,092	2,797,681	939,424	9,324,309

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55 Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow: (continued)

	31 December 2021						
	Repayable on demand	Within three months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Liabilities							
Borrowings from central banks	–	12,418	182,385	–	–	–	194,803
Deposits from banks and non-bank financial institutions	744,501	94,273	342,642	–	–	–	1,181,416
Placements from banks and non-bank financial institutions	–	37,318	38,445	2,664	–	–	78,427
Financial liabilities at fair value through profit or loss	25	12	31	740	488	–	1,296
Financial assets sold under repurchase agreements	–	49,186	49,692	–	–	–	98,878
Deposits from customers	2,366,157	1,042,032	795,124	720,211	43	–	4,923,567
Debt securities issued	–	190,216	579,224	130,177	123,868	–	1,023,485
Lease liabilities	3,655	409	1,106	3,981	1,367	–	10,518
Others	50,740	7,347	8,310	18,579	1,071	14,428	100,475
Total liabilities	3,165,078	1,433,211	1,996,959	876,352	126,837	14,428	7,612,865
(Short)/Long position	(2,961,335)	6,567	(348,368)	1,418,740	2,670,844	924,996	1,711,444
Derivative cash flow							
Derivative financial instrument settled on a net basis	–	–	67	(237)	(17)	–	(187)
Derivative financial instruments settled on a gross basis	–	(583)	4,411	288	(32)	–	4,084
— cash inflow	–	1,156,059	594,172	106,179	1,258	–	1,857,668
— cash outflow	–	(1,156,642)	(589,761)	(105,891)	(1,290)	–	(1,853,584)

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.

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55 Financial risk management (continued)

(c) Liquidity risk (continued)

	31 December 2022			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank acceptances	**795,833**	**–**	**–**	**795,833**
Credit card commitments	**704,268**	**–**	**–**	**704,268**
Guarantees	**119,249**	**65,802**	**1,566**	**186,617**
Loan commitments	**16,728**	**18,428**	**22,805**	**57,961**
Letters of credit	**269,893**	**944**	**–**	**270,837**
Total	**1,905,971**	**85,174**	**24,371**	**2,015,516**

	31 December 2021			
	Less than 1 year	1-5 years	Over 5 years	Total
Bank acceptances	669,711	20	5	669,736
Credit card commitments	702,361	6,007	373	708,741
Guarantees	80,216	47,379	1,271	128,866
Loan commitments	4,096	18,677	30,700	53,473
Letters of credit	213,911	1,047	–	214,958
Total	1,670,295	73,130	32,349	1,775,774

Notes:

(i) For cash and balances with central banks, the undated period amount represented statutory deposit reserve funds and fiscal deposits maintained with the PBOC. For loans and advances to customers and investments, the undated period amount represented the balances being credit-impaired or overdue for more than one month. Equity investments were also reported under undated period.

(ii) The balances of loans and advances to customers which were overdue within one month but not impaired are included in repayable on demand.

(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;

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55 Financial risk management (continued)

(d) Operational risk (continued)

– through consistent legal responsibility framework, taking strict disciplinary actions against non-compliance in order to ensure accountability;

– promoting the culture establishments of operational risk management; strength training and performance appraisal management in raising risk management awareness;

– strengthening cash and account management in accordance with the relevant policies and procedures, intensifying the monitoring of suspicious transactions. Ensure our staff are well-equipped with the necessary knowledge and basic skills on anti-money laundering through continuous training;

– disaster backup systems and recovery plans covering all the important activities in order to minimize any unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain disruptive events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operational risk. The Group's management information system has the functionalities of recording and capturing lost data and events of operational risk to further support operational risk control and self-assessment, as well as monitoring of key risk indicators.

56 Capital Adequacy Ratio

Capital adequacy ratio reflects the Group's operational and risk management capability and it is the core of capital management. The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio. The Group's capital management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

From 1 January 2013, the Group commenced the computation of its capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations promulgated by the CBIRC in the year of 2012. According to the requirements, for credit risk, the capital requirement was measured using the weighting method. The market risk was measured by adopting the standardised approach and the operational risk was measured by using the basic indicator approach. From 1 January 2019 on, the Group calculates the default risk assets of the counterparties of derivatives in accordance with the Regulations on Measuring the Risk Assets of the Counterparties of Derivative Instruments promulgated by the CBIRC in 2018. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions. The Group's management monitors the Group's and the Bank's capital adequacy regularly based on regulations issued by the CBIRC. The required information is filed with the CBIRC by the Group and the Bank quarterly.

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56 Capital Adequacy Ratio (continued)

The Group's ratios calculated based on the relevant requirements promulgated by the CBIRC are listed as below.

	31 December 2022	31 December 2021
	2022	2021
Core Tier-One capital adequacy ratio	**8.74%**	8.85%
Tier-One capital adequacy ratio	**10.63%**	10.88%
Capital adequacy ratio	**13.18%**	13.53%
Components of capital base		
Core Tier-One capital:		
Share capital	**48,935**	48,935
Capital reserve	**59,172**	59,177
Other comprehensive income and qualified portion of other equity instruments	**1,505**	4,639
Surplus reserve	**48,932**	43,783
General reserve	**98,103**	90,889
Retained earnings	**293,956**	263,936
Qualified portion of non-controlling interests	**7,992**	6,588
Total core Tier-One capital	**558,595**	517,947
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	**(903)**	(833)
Other intangible assets other than land use right (net of related deferred tax liability)	**(3,831)**	(3,036)
Core Tier-One Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope	**–**	–
Other deductible amounts of net deferred tax assets depending on Bank's future earnings	**(1,998)**	–
Net core Tier-One capital	**551,863**	514,078
Other Tier-One capital (Note (i))	**119,614**	117,961
Tier-One capital	**671,477**	632,039
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**89,987**	94,372
Surplus allowance for loan impairment	**68,481**	58,107
Qualified portion of non-controlling interests	**2,142**	1,292
Net capital base	**832,087**	785,811
Total risk-weighted assets	**6,315,506**	5,809,523

Note:

(i) As at 31 December 2022 and 31 December 2021, the Group's other Tier-One capital included preference shares are RMB34,955 million (2021: RMB34,955 million), perpetual bonds issued by the Bank (Note 43) are RMB79,986 million (2021: RMB79,986 million) and non-controlling interests (Note 49) are RMB4,673 million (2021: RMB3,020 million).

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57 Fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity instruments and debt instruments on exchanges and exchange-traded derivatives.

Level 2: Inputs other than quoted prices included within Level 1 are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are Renminbi bonds. The fair values of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Corporate Limited. This level also includes partial bills rediscounting and forfeiting in loans and advances, part of the investment management products managed by securities companies and trust investment plans, as well as a majority of over-the-counter derivative contracts. Foreign exchange forward and swaps, Interest rate swap, and foreign exchange options use discount cash flow evaluation method and the valuation model of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Bills rediscounting, forfeiting, investment management products managed by securities companies and trust investment plans use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the open market such as Bloomberg and Reuters.

Level 3: Inputs for assets or liabilities are based on unobservable parameters. This level includes equity instruments and debt instruments with one or more than one significant unobservable parameter. Management determines the fair value through inquiring from counterparties or using the valuation techniques. The model incorporates unobservable parameters such as discount rate and market price volatilities.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

– If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

– If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty are used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Market Department, the Financial Institution Department, and the Investment Bank Department are responsible for the valuation of financial assets and financial liabilities. The Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items according to the result generated from the valuation process and accounting policies. The Finance and Accounting Department prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

57 Fair value (continued)

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the year ended 31 December 2022, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(a) Financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not carried at fair value of the Group include cash and balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers at amortised cost, financial investments at amortised cost, borrowings from central banks, deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Except for the items shown in the tables below, the maturity dates of aforesaid financial assets and liabilities are within a year or are mainly floating interest rates, as a result, their carrying amounts are approximately equal to their fair value.

	Carrying values		Fair values	
	31 December 2022	31 December 2021	**31 December 2022**	31 December 2021
Financial assets:				
Financial investment				
— at amortised cost	**1,135,452**	1,170,229	**1,141,092**	1,177,877
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**1,047**	1,212	**1,047**	1,212
— debt securities issued	**118,255**	62,163	**114,609**	60,184
— subordinated bonds issued	**94,714**	114,974	**95,813**	117,956
— certificates of interbank deposit issued	**720,446**	739,857	**704,197**	729,923
— convertible corporate bonds	**40,744**	39,997	**44,688**	43,158

57 Fair value (continued)

(a) Financial assets and financial liabilities not measured at fair value (continued)

Fair value of financial assets and liabilities above at fair value hierarchy is as follows:

	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial investment				
— at amortised cost	**7,248**	**886,459**	**247,385**	**1,141,092**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**–**	**–**	**1,047**	**1,047**
— debt securities issued	**11,163**	**103,446**	**–**	**114,609**
— subordinated bonds issued	**3,462**	**92,351**	**–**	**95,813**
— certificates of interbank deposit issued	**–**	**704,197**	**–**	**704,197**
— convertible corporate bonds	**–**	**–**	**44,688**	**44,688**

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial investment				
— at amortised cost	5,189	902,704	269,984	1,177,877
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	–	–	1,212	1,212
— debt securities issued	8,965	51,219	–	60,184
— subordinated bonds issued	–	117,956	–	117,956
— certificates of interbank deposit issued	–	729,923	–	729,923
— convertible corporate bonds	–	–	43,158	43,158

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(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1	Level 2	Level 3	Total
As at 31 December 2022				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	–	54,851	–	54,851
— discounted bills	–	508,142	–	508,142
Loans and advances to customers at fair value through profit or loss				
— loans	–	–	3,881	3,881
Financial investments at fair value through profit or loss				
— investment funds	141,302	262,741	27,915	431,958
— debt securities	17,670	58,067	4,953	80,690
— certificates of deposit	–	35,543	–	35,543
— wealth management products	1,058	303	155	1,516
— equity instruments	2,562	–	5,325	7,887
Financial investments at fair value through other comprehensive income				
— debt securities	118,342	658,690	406	777,438
— certificates of deposit	15,135	6,366	–	21,501
— investments management products managed by securities companies	–	–	–	–
Financial investments designated at fair value through other comprehensive income				
— equity instruments	292	–	4,836	5,128
Derivative financial assets				
— interest rate derivatives	28	14,931	–	14,959
— currency derivatives	105	29,068	–	29,173
— precious metals derivatives	–	250	–	250
— credit derivatives	–	1	–	1
Total financial assets measured at fair value	296,494	1,628,953	47,471	1,972,918
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	406	106	–	512
— structured products	–	–	1,034	1,034
Derivative financial liabilities				
— interest rate derivatives	58	14,829	–	14,887
— currency derivatives	310	28,470	–	28,780
— precious metals derivatives	–	598	–	598
Total financial liabilities measured at fair value	774	44,003	1,034	45,811

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(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

	Level 1	Level 2	Level 3	Total
As at 31 December 2021				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	–	38,599	–	38,599
— discounted bills	–	461,443	–	461,443
Financial investments at fair value through profit or loss				
— investment funds	134,725	256,473	6,209	397,407
— debt securities	2,943	46,532	9,109	58,584
— certificates of deposit	–	30,776	–	30,776
— wealth management products	1,458	–	153	1,611
— equity instruments	1,709	–	5,723	7,432
Financial investments at fair value through other comprehensive income				
— debt securities	87,146	555,011	413	642,570
— certificates of deposit	602	3,704	–	4,306
— investments management products managed by securities companies	–	24	–	24
Financial investments designated at fair value through other comprehensive income				
— equity instruments	253	–	4,492	4,745
Derivative financial assets				
— interest rate derivatives	–	8,643	–	8,643
— currency derivatives	89	13,841	–	13,930
— precious metals derivatives	–	148	–	148
Total financial assets measured at fair value	228,925	1,415,194	26,099	1,670,218
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	633	506	–	1,139
— structured products	–	–	25	25
Derivative financial liabilities				
— interest rate derivatives	3	8,536	–	8,539
— currency derivatives	20	14,197	–	14,217
— precious metals derivatives	–	151	–	151
Total financial liabilities measured at fair value	656	23,390	25	24,071

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(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

Notes:

(i) During the year, there were no significant transfers amongst Level 1, Level 2 and Level 3 of the fair value hierarchy.

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy:

	Assets					Liabilities	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets designated at fair value through other comprehensive income	Loans and advances to customers	Total	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2022	21,194	413	4,492	–	26,099	(25)	(25)
Total gains or losses							
— in profit or loss	(869)	–	459	–	(410)	–	–
— in comprehensive income	–	3	(78)	–	(75)	–	–
Purchases	27,386	135	497	3,881	31,899	(1,034)	(1,034)
Settlements	(10,194)	(155)	(544)	–	(10,893)	25	25
Transfer in/out	–	10	–	–	10	–	–
Exchange effect	831	–	10	–	841	–	–
As at 31 December 2022	38,348	406	4,836	3,881	47,471	(1,034)	(1,034)

	Assets					Liabilities	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets designated at fair value through other comprehensive income	Loans and advances to customers	Total	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2021	33,059	4,422	3,272	–	40,753	(4,360)	(4,360)
Total gains or losses							
— in profit or loss	(621)	(415)	1,070	–	34	–	–
— in comprehensive income	–	(22)	(67)	–	(89)	–	–
Purchases	11,353	157	419	–	11,929	–	–
Settlements	(22,484)	(3,748)	(198)	–	(26,430)	4,335	4,335
Transfer in/out	155	19	–	–	174	–	–
Exchange effect	(268)	–	(4)	–	(272)	–	–
As at 31 December 2021	21,194	413	4,492	–	26,099	(25)	(25)

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.

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58 Related parties

(a) Relationship of related parties

(i) The Group is controlled by CITIC Corporation Limited (incorporated in mainland China), which owns 65.37% of the Bank's shares. The ultimate parent of the Group is CITIC Group (incorporated in mainland China).

(ii) Related parties of the Group include subsidiaries, joint ventures and associates of CITIC Corporation Limited and CITIC Group. The Bank entered into banking transactions with its subsidiaries at arm's length in the ordinary course of business. These transactions are eliminated on consolidation.

China National Tobacco Corporation ("CNTC") and Xinhu Zhongbao Co., Ltd. each has appointed a non-executive director on the Board of Directors of the Bank, which can exert significant influence on the Bank and thus constitute related parties of the Bank.

(b) Related party transactions

The Group entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i. e. issuance of asset-backed securities in the form of public placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

The major related party transaction between the Group and related parties are submitted in turn to the board of directors for deliberation, and the relevant announcements have been posted on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank.

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Year ended 31 December 2022		
	Ultimate holding company and affiliates	Other major equity holders Note (i)	Associates and joint ventures
Profit and loss			
Interest income	**3,171**	**1,318**	**997**
Fee and commission income and other operating income	**258**	**122**	**4**
Interest expense	**(2,081)**	**(3,240)**	**(30)**
Net trading loss	**(477)**	**73**	**–**
Other service fees	**(2,870)**	**(979)**	**(2)**

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58 Related parties (continued)

(b) Related party transactions (continued)

	Year ended 31 December 2021		
	Ultimate holding company and affiliates	Other major equity holders Note (i)	Associates and joint ventures
Profit and loss			
Interest income	791	671	785
Fee and commission income and other operating income	567	107	3
Interest expense	(2,039)	(2,952)	(35)
Net trading loss	(68)	43	–
Other service fees	(2,734)	(12)	(1)

	31 December 2022		
	Ultimate holding company and affiliates	**Other major equity holders Note (i)**	**Associates and joint ventures**
Assets			
Gross loans and advances to customers	**35,316**	**19,032**	–
Less: allowance for impairment losses on loans and advances	**(1,074)**	**(302)**	–
Loans and advances to customers (net)	**34,242**	**18,730**	–
Deposits with banks and non-bank financial institutions	**1**	–	**33,712**
Placements with and loans to banks and non-bank financial institutions	**25,810**	–	–
Derivative financial assets	**505**	–	–
Investment in financial assets			
— at fair value through profit or loss	**4,428**	–	–
— at amortised cost	**16,573**	**4,065**	–
— at fair value through other comprehensive income	**4,153**	**1,688**	–
— designated at fair value through other comprehensive income	**450**	–	–
Investments in associates and joint ventures	–	–	**6,302**
Other assets	**825**	**2**	–
Liabilities			
Deposits from banks and non-bank financial institutions	**55,167**	**492**	**663**
Placements from banks and non-bank financial institutions	–	–	–
Derivative financial liabilities	**591**	–	–
Deposits from customers	**45,849**	**84,698**	**230**
Debt securities issued	**350**	–	–
Lease liability	**72**	**2**	–
Other liabilities	**324**	–	–
Off-balance sheet items			
Guarantees and letters of credit	**3,499**	**4,789**	–
Acceptances	**3,177**	**114**	–
Nominal amount of derivatives	**193,962**	–	–

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(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (continued)

(b) Related party transactions (continued)

	31 December 2021		
	Ultimate holding company and affiliates	Other major equity holders Note (i)	Associates and joint ventures
Assets			
Gross loans and advances to customers	40,297	14,731	–
Less: allowance for impairment losses on loans and advances	(893)	(296)	–
Loans and advances to customers (net)	39,404	14,435	–
Deposits with banks and non-bank financial institutions	–	–	31,911
Placements with and loans to banks and non-bank financial institutions	36,089	–	–
Derivative financial assets	934	–	–
Investment in financial assets			
— at fair value through profit or loss	1,506	–	–
— at amortised cost	971	50	–
— at fair value through other comprehensive income	3,340	250	–
— designated at fair value through other comprehensive income	–	–	–
Investments in associates and joint ventures	–	–	5,753
Other assets	2,128	2	–
Liabilities			
Deposits from banks and non-bank financial institutions	51,721	447	3,130
Placements from banks and non-bank financial institutions	–	–	–
Derivative financial liabilities	609	–	–
Deposits from customers	61,980	129,672	328
Employee benefits payable	–	–	–
Lease liability	64	4	–
Other liabilities	102	6	–
Off-balance sheet items			
Guarantees and letters of credit	2,628	730	–
Acceptances	2,827	206	–
Nominal amount of derivatives	151,647	1,230	–

Note:

(i) Other major equity holders include CNTC and Xinhu Zhongbao Co., Ltd.

58 Related parties (continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

The aggregate amount of relevant loans outstanding as at 31 December 2022 to directors, supervisors and executive officers amounted to RMB0.69 million (as at 31 December 2021: RMB0.99 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank as at 31 December 2022 amounted to RMB29.42 million (as at 31 December 2021: RMB25.65 million).

(d) Supplementary defined contribution plan

The Group has established a supplementary defined contribution plan for its qualified employees which is administered by CITIC Group (Note 37 (a)).

(e) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "state-owned entities").

Transactions with state-owned entities, including CNTC's indirect subsidiaries, include but are not limited to the following:

- lending and deposit taking;
- taking and placing of inter-bank balances;
- derivative transactions;
- entrusted lending and other custody services;
- insurance and securities agency, and other intermediary services;
- sale, purchase, underwriting and redemption of bonds issued by state-owned entities;
- purchase, sale and leases of property and other assets; and
- rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. The Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

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59 Structured entities

(a) Unconsolidated structured entities sponsored and managed by third parties

The Group invests in unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 2022 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated statement of financial position under which relevant assets are recognized:

	31 December 2022				
	Carrying amount				**Maximum loss exposure**
	Financial investments at fair value through profit or loss	**Financial investments at amortised cost**	**Financial investments at fair value through other Comprehensive income**	**Total**	
Wealth management product of other banks	**1,516**	**–**	**–**	**1,516**	**1,516**
Investment management products managed by securities companies	**–**	**39,628**	**–**	**39,628**	**39,628**
Trust management plans	**–**	**222,819**	**–**	**222,819**	**222,819**
Asset-backed securities	**1,335**	**252,525**	**44,697**	**298,557**	**298,557**
Investment funds	**431,958**	**–**	**–**	**431,958**	**431,958**
Total	**434,809**	**514,972**	**44,697**	**994,478**	**994,478**

	31 December 2021				
	Carrying amount				Maximum loss exposure
	Financial investments at fair value through profit or loss	Financial investments at amortised cost	Financial investments at fair value through other Comprehensive income	Total	
Wealth management product of other banks	1,586	–	–	1,586	1,586
Investment management products managed by securities companies	–	50,413	24	50,437	50,437
Trust management plans	–	234,770	–	234,770	234,770
Asset-backed securities	4,955	261,418	94,086	360,459	360,459
Investment funds	397,407	–	–	397,407	397,407
Total	403,948	546,601	94,110	1,044,659	1,044,659

59 Structured entities (continued)

(a) Unconsolidated structured entities sponsored and managed by third parties (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 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 31 December 2022, the scale of non-principal protected wealth management products managed by the Group that were not included in the Group's consolidated financial statements was RMB1,577,077 million (31 December 2021: RMB1,403,275 million).

During the year ended 31 December 2022, the Group's interest in these wealth management products included fee and commission income of RMB8,523 million (2021: RMB7,485 million); interest income of RMB72 million (2021: RMB917 million) and interest expense of RMB0 (2021: RMB568 million).

During the year ended 31 December 2022, there was no placements and financial assets held under resale agreements from the Group with these wealth management sponsored by the Group (31 December 2021: RMB20,000 million; maximum exposure in 2021: RMB59,450 million).

In order to achieve a smooth transition and steady development of the wealth management business, in 2022, in accordance with the requirements of the "Guiding Opinions on Regulating the Asset Management Business of Financial Institutions", the Group continues to promote net-value-based reporting of its asset management products and dispose of existing portfolios.

On 31 December,2022, assets of these wealth management products amounting to RMB233,528 million (31 December 2021: RMB190,428 million) were invested in investments in which certain subsidiaries and associates of the CITIC Group acted as trustees.

60 Transfers of financial assets

The Group entered into transactions which involved securitisation transactions and transfers of non-performing financial assets.

These transactions were entered into in the normal course of business by which recognized financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial derecognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

60 Transfers of financial assets (continued)

Details of the financial assets sold under repurchase agreements are set forth in Note 35. Details of securitisation transactions and non-performing financial assets transfer transactions conducted by the Group for the year ended 31 December 2022 totalling RMB34,212 million (year ended 31 December 2021: RMB54,188 million) are set forth below.

Securitisation transactions

The Group enters into securitisation transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets based on the criteria as detailed in Note 4 (c) and Note 5 (iv).

In 2022, the original book value of financial assets transferred by the Group through asset securitization transactions was RMB14,994 million (2021: RMB47,607 million), which met the conditions for complete derecognition (2021: RMB37,807 million for the original book value of credit asset transfer, and RMB3,470 million for the recognition of continued assets and liabilities).

Transfer of loans and other financial assets

In 2022, the Group transferred loans and other financial assets by other means with the original book value of RMB19,218 million (2021: RMB6,581 million), including RMB5,628 million of non-performing loans and RMB13,590 million of non-performing structured investments. The Group assesses the transfer of risks and rewards through notes 4 (c) and 5 (iv) and believes that the above financial assets meet the conditions for complete derecognition.

In 2022, the original book value of the Group's transfer of non-performing assets to related parties is RMB14,119 million, and the transaction price is RMB2,926 million. Relevant businesses are conducted under normal commercial conditions, and the transaction is concluded at the current market price at the time of each transaction.

61 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

As at 31 December 2022, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

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62 Statements of financial position and changes in equity of the Bank

Statement of financial position

	31 December 2022	31 December 2021
Assets		
Cash and balances with central banks	**472,441**	430,496
Deposits with banks and non-bank financial institutions	**63,712**	80,828
Precious metals	**5,985**	9,645
Placements with and loans to banks and non-bank financial institutions	**190,693**	136,693
Derivative financial assets	**22,347**	15,826
Financial assets held under resale agreements	**11,295**	89,469
Loans and advances to customers	**4,760,238**	4,492,419
Financial investments	**2,394,927**	2,230,652
— at fair value through profit or loss	**553,863**	489,457
— at amortised cost	**1,137,654**	1,171,414
— at fair value through other comprehensive income	**699,157**	565,879
— designated at fair value through other comprehensive income	**4,253**	3,902
Investments in subsidiaries and joint ventures	**33,060**	32,469
Property, plant and equipment	**33,870**	33,660
Right-of-use assets	**9,956**	10,077
Intangible assets	**3,206**	2,398
Deferred tax assets	**53,088**	45,600
Other assets	**48,242**	55,895
Total assets	**8,103,060**	7,666,127
Liabilities		
Borrowings from central banks	**119,334**	189,042
Deposits from banks and non-bank financial institutions	**1,146,264**	1,174,317
Placements from banks and non-bank financial institutions	**19,374**	31,811
Financial liabilities at fair value through profit or loss	**290**	506
Derivative financial liabilities	**22,792**	16,237
Financial assets sold under repurchase agreements	**251,685**	97,620
Deposits from customers	**4,854,059**	4,521,331
Accrued staff costs	**20,680**	18,069
Taxes payable	**7,420**	9,546
Debt securities issued	**968,086**	951,213
Lease liability	**9,363**	9,228
Provisions	**9,618**	11,805
Other liabilities	**35,797**	29,016
Total liabilities	**7,464,762**	7,059,741
Equity		
Share capital	**48,935**	48,935
Preference shares	**118,076**	118,076
Capital reserve	**61,598**	61,598
Other comprehensive income	**(1,736)**	4,524
Surplus reserve	**54,727**	48,937
General reserve	**96,906**	94,430
Retained earnings	**259,792**	229,886
Total equity	**638,298**	606,386
Total liabilities and equity	**8,103,060**	7,666,127

62 Statements of financial position and changes in equity of the Bank (continued)

Statement of changes in equity

	Share capital	Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2022	**48,935**	**118,076**	**61,598**	**4,524**	**48,937**	**94,430**	**229,886**	**606,386**
(i) Net profit	–	–	–	–	–	–	**57,895**	**57,895**
(ii) Other comprehensive income	–	–	–	**(6,417)**	–	–	–	**(6,417)**
Total comprehensive income	–	–	–	**(6,417)**	–	–	**57,895**	**51,478**
(iii) Profit appropriations								
— Appropriations to surplus reserve	–	–	–	–	**5,790**	–	**(5,790)**	–
— Appropriations to general reserve	–	–	–	–	–	**2,476**	**(2,476)**	–
— Dividend distribution to ordinary shareholders of the bank	–	–	–	–	–	–	**(14,778)**	**(14,778)**
— Dividend distribution to preference shareholders	–	–	–	–	–	–	**(1,428)**	**(1,428)**
— Interest paid to holders of perpetual bonds	–	–	–	–	–	–	**(3,360)**	**(3,360)**
(iv) Transfers within the owners' equity								
— Other comprehensive income transferred to retained earnings	–	–	–	**157**	–	–	**(157)**	–
As at 31 December 2022	**48,935**	**118,076**	**61,598**	**(1,736)**	**54,727**	**96,906**	**259,792**	**638,298**

	Share capital	Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2021	48,935	78,083	61,598	1,577	43,786	89,856	203,536	527,371
(i) Net profit	–	–	–	–	–	–	51,514	51,514
(ii) Other comprehensive income	–	–	–	2,947	–	–	–	2,947
Total comprehensive income	–	–	–	2,947	–	–	51,514	54,461
(iii) Investor capital								
— Insurance of perpetual bonds	–	39,993	–	–	–	–	–	39,993
(iv) Profit appropriations								
— Appropriations to surplus reserve	–	–	–	–	5,151	–	(5,151)	–
— Appropriations to general reserve	–	–	–	–	–	4,574	(4,574)	–
— Dividend distribution to ordinary shareholders of the bank	–	–	–	–	–	–	(12,429)	(12,429)
— Dividend distribution to preference shareholders	–	–	–	–	–	–	(1,330)	(1,330)
— Interest paid to holders of perpetual bonds	–	–	–	–	–	–	(1,680)	(1,680)
As at 31 December 2021	48,935	118,076	61,598	4,524	48,937	94,430	229,886	606,386

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors

(a) Directors and supervisors' emoluments

For the year ended 31 December 2022

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Executive directors									
Fang Heying Note (i)	–	–	–	–	–	–	–	–	–
Liu Cheng	–	1,620	120	–	43	244	–	–	2,027
Guo Danghuai	–	1,512	133	–	43	244	–	–	1,932
Non-executive directors									
Zhu Hexin Note (i)	–	–	–	–	–	–	–	–	–
Cao Guoqiang Note (i)	–	–	–	–	–	–	–	–	–
Huang Fang Note (i)	–	–	–	–	–	–	–	–	–
Wang Yankang Note (i)	–	–	–	–	–	–	–	–	–
Independent non-executive directors									
He Cao	300	–	–	–	–	–	–	–	300
Chen Lihua	280	–	–	–	–	–	–	–	280
Qian Jun	310	–	–	–	–	–	–	–	310
Liu Tsz Bun Bennett	150	–	–	–	–	–	–	–	150

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Supervisors									
Li Rong	–	390	847	–	43	244	–	–	1,524
Cheng Pusheng	–	380	843	–	43	243	–	–	1,509
Chen Panwu	–	375	822	–	43	244	–	–	1,484
Zeng Yufang	–	340	580	–	51	219	–	–	1,190
Wei Guobin	260	–	–	–	–	–	–	–	260
Sun Qi Xiang	260	–	–	–	–	–	–	–	260
Liu Guoling	260	–	–	–	–	–	–	–	260
Former Directors and Supervisors resigned in 2022									
Li Gang (Note (ii))	–	400	698	–	43	247	–	–	1,388

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

For the year ended 31 December 2021

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Executive directors									
Fang Heying Note (i)	–	–	–	–	–	–	–	–	–
Guo Danghuai	–	1,590	–	–	40	172	–	–	1,802
Non-executive directors									
Zhu Hexin Note (i)	–	–	–	–	–	–	–	–	–
Cao Guoqiang Note (i)	–	–	–	–	–	–	–	–	–
Huang Fang Note (i)	–	–	–	–	–	–	–	–	–
Wang Yankang Note (i)	–	–	–	–	–	–	–	–	–
Independent non-executive directors									
He Cao	271	–	–	–	–	–	–	–	271
Chen Lihua	271	–	–	–	–	–	–	–	271
Qian Jun	310	–	–	–	–	–	–	–	310

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Supervisors									
Li Rong	–	390	836	–	40	172	–	–	1,438
Li Gang	–	400	826	–	40	172	–	–	1,438
Chen Panwu	–	450	1,096	–	40	172	–	–	1,758
Zeng Yufang	–	340	620	–	48	197	–	–	1,205
Wei Guobin	260	–	–	–	–	–	–	–	260
Sun Qi Xiang	135	–	–	–	–	–	–	–	135
Liu Guoling	135	–	–	–	–	–	–	–	135
Former Directors and Supervisors resigned in 2021									
Li Qingping	–	–	–	–	–	–	–	–	–
Wan Liming	–	–	–	–	–	–	–	–	–
Yin Liji	282	–	–	–	–	–	–	–	282
Liu Cheng	–	1,680	–	–	40	172	–	–	1,892
Jia Xiangsen	125	–	–	–	–	–	–	–	125
Zheng Wei	125	–	–	–	–	–	–	–	125

For the year ended 31 December 2022
(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors (continued)

(a) Directors and supervisors' emoluments (continued)

Notes:

(i) Mr. Zhu Hexin, Mr. Fang Heying, Mr. Cao Guoqiang, Ms. Huang Fang, and Mr. Wang Yankang did not receive any emoluments from the Bank in 2022. Three of the five directors are appointed by CITIC Limited and CITIC Group ("Parent Companies"). Their emoluments were paid by the Parent Companies in 2022. The other two directors are appointed respectively by Xinhu Zhongbao Co., Ltd. and CNTC. Their emolument allocations are not disclosed due to the difficulty to apportion the services provided by the directors to the Bank.

(ii) Mr. Li Gang resigned in March 2022.

(b) Other benefits and interests

No direct or indirect retirement benefits and termination benefits were paid to directors as at 31 December 2022 (as at December 2021: Nil).

For the year ended 31 December 2022 and 31 December 2021, the balance of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors was not significant.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 2022 (2021: Nil).

64 Events after the reporting period

In March 2023, CNCB Investment repurchased and cancelled its 0.95% equity held by CBI. Since the completion day of the transaction, CNCB Investment has become a wholly-owned subsidiary of the Bank.

65 Comparative data

Certain comparative data has been restated to conform to the presentation of the current year.

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FOR THE YEAR ENDED 31 DECEMBER 2022

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