

2021 Results Highlights

Financial Performance

- **Operating income** increased by 11.4% to HK\$8.20 billion. **Net interest income** rose 11.9% to HK\$5.81 billion. **Net interest margin** decreased 3 basis points to 1.44% versus FY2020 level mainly because the drop in asset yields was higher than the decrease in funding cost. **Non-interest income** increased 10.2% to reach HK\$2.39 billion.
- **Operating expenses** increased 7.3% year on year, while cost-to-income ratio was 47.9%, representing a year-on-year decrease of 1.8 percentage points.
- **Operating profit before impairment** increased by 15.5% to HK\$4.27 billion.
- **Impaired loan ratio** as at end-December 2021 was 0.93%, representing a 72 basis points improvement versus that of end-December 2020.
- **Impairment losses** were HK\$1.77 billion, versus HK\$2.35 billion in 2020, representing a year-on-year decrease of 24.8%.
- **Net profit after tax** was HK\$2.13 billion, up 84.2% year on year.
- **ROA** was 0.50% while **ROE** was 5.21%.
- **Total assets** increased by 6.3% versus end-2020 to HK\$417.47 billion. **Customer deposits (including certificates of deposits issued)** went up 6.3% to HK\$329.25 billion while **customer loans (including trade bills)** were up 10.3% to HK\$242.67 billion.
- **Capital adequacy ratio** and **CET1 ratio** met regulatory requirements at 17.1% and 12.0% respectively.

Core Businesses

Wholesale Banking business fine-tuned business structure and maintained steady and high-quality business growth. Customer loan and deposit balances reached HK\$156.40 billion and HK\$169.18 billion respectively, representing increases of 12.6% and 14.4% versus end-2020. Operating income increased by 9.1%, while NPL amount and NPL ratio both decreased. CNCBI ranked third in Hong Kong and Macau syndicated loans MLAB league table as of 2021 according to Refinitiv, representing an improvement of three rankings as compared to 2020. Transaction Banking team achieved 38.3% growth in Hong Kong trade finance volume as compared to last year. Meanwhile, RMB Dividend Payment Services, IPO Receiving Bank Services and Host-to-Host File Transfer Services were launched successfully in order to provide high quality and one-stop integrated services to the Bank's customers. Wholesale Banking Group will continue to further solidify its competitive advantages, enhance customer servicing capabilities, strengthen internal control capabilities, deepen collaboration and push forward with stable business growth.

Treasury and Markets business achieved operating income of HK\$1.11 billion in 2021, up 17.5% year on year. The Debt Capital Markets team completed 161 deals for Chinese issuers with an aggregate issuance size of US\$56.44 billion, of which CNCBI acted as global coordinator for more than half of such transactions. As of end-2021, CNCBI ranked fifth amongst all Chinese financial institutions in offshore China USD bond issuances and first amongst all Chinese financial institutions for offshore China high yield bond issuances according to Bloomberg. The trading team continued to focus on building out the market-making business of RMB and HK\$ products. CNCBI was ranked fifth amongst Chinese banks in Asia for RMB FX spot trading volume throughout 2021 according to Refinitiv and has been recognized by the Bond Connect company for two consecutive years with the award "Outstanding commercial bank" for 2020-2021. The custodian business maintained strong momentum with 35 institutional clients successfully onboarded and US\$1.9 billion of assets under custody accumulated. The Central Treasury Unit captured buying opportunities amid market volatilities. In recognition of its professional investment management capabilities, CNCBI was ranked number two as Top Investment House in Asian bonds by "The Asset Benchmark Research" for the year 2021.

Personal and Business Banking business achieved record-breaking operating income of HK\$2.80 billion in 2021, which was 15.5% higher than that as of 2020. Revenues from Private Banking increased by 32.9% year on year, mainly due to the rapid growth of the customer base. To cope with the expansion of high-net-worth customer base, two new CITIC*diamond* centers in Mong Kok and Causeway Bay were opened in 2021, while a new CITIC*first* center was opened in Hung Hom. Revenues from Business Banking rose 30.8% year on year and hit a record high. CNCBI continued to invest in digital banking services via the inMotion mobile banking platform and spearhead transformation via the adoption of advanced financial technologies. inMotion launched the "Monopoly" deposit account in January 2021, in cooperation with the global gaming and entertainment brand "Monopoly", to acquire new customers and new funds. In October 2021, "GBA Wealth Management Connect" was successfully launched and CNCBI was amongst the first batch of banks to provide both Northbound and Southbound services. Personal and Business Banking Group shall continue to implement the "New Retail" business transformation strategy, increase business scale and improve operational efficiency via agile culture and digital transformation in order to be the best bank in providing online and offline banking services for personal and business banking customers.



CHINA CITIC BANK INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

ANNOUNCEMENT OF 2021 ANNUAL RESULTS

The Board of Directors of China CITIC Bank International Limited (“the Bank”) is pleased to announce the consolidated results of the Bank and its subsidiaries (“the Group”) for the year ended 31 December 2021.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	2021 HK\$'000	2020 HK\$'000
Interest income	7,945,179	9,038,772
Interest expense	(2,139,909)	(3,852,587)
Net interest income	5,805,270	5,186,185
Fee and commission income	1,763,233	1,401,025
Fee and commission expense	(156,249)	(139,207)
Net fee and commission income	1,606,984	1,261,818
Net trading income	879,240	905,560
Net hedging loss	–	(1,313)
Net loss on disposal of financial assets at fair value through other comprehensive income	(118,884)	(33,428)
Other operating income	22,737	36,805
Operating income	8,195,347	7,355,627
Operating expenses	(3,929,622)	(3,661,798)
Operating profit before impairment	4,265,725	3,693,829
Expected credit losses on financial assets	(1,782,919)	(2,356,656)
Impairment losses reversed on other assets	13,731	4,176
Impairment losses	(1,769,188)	(2,352,480)
Operating profit	2,496,537	1,341,349
Net loss on disposal of property and equipment and intangible assets	(2,915)	(961)
Revaluation gain/(loss) on investment properties	6,777	(34,300)
Profit before taxation	2,500,399	1,306,088
Income tax	(371,961)	(150,271)
Profit for the year	2,128,438	1,155,817
Profit attributable to shareholders	2,128,438	1,155,817

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	2021 HK\$'000	2020 <i>HK\$'000</i>
Profit for the year	2,128,438	1,155,817
Other comprehensive (loss)/income for the year		
Items that will be reclassified subsequently to consolidated income statement when specific conditions are met		
Exchange differences on translation of financial statements of foreign operations	48,190	98,906
Financial assets at fair value through other comprehensive income		
– change in the fair value of debt instruments	(674,566)	228,445
– transfer to income statement on disposal	118,884	33,428
– deferred tax related to the above	90,709	(42,036)
– transfer to income statement on impairment	59,133	22,853
	(405,840)	242,690
Items that will not be reclassified subsequently to consolidated income statement		
Property revaluation reserve		
– surplus on revaluation of other premises upon reclassification to investment properties	159,602	58,686
Financial assets at fair value through other comprehensive income		
– change in the fair value of equity instruments	(31,836)	1,686
– deferred tax related to the above	5,253	(278)
	(26,583)	1,408
Other comprehensive (loss)/income for the year	(224,631)	401,690
Total comprehensive income for the year	1,903,807	1,557,507
Total comprehensive income attributable to shareholders	1,903,807	1,557,507

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 31 December 2021***(Expressed in Hong Kong dollars)*

	2021 HK\$'000	2020 <i>HK\$'000</i>
ASSETS		
Cash and balances with banks and central banks	28,828,450	32,783,916
Placements with and advances to banks	21,058,640	28,969,830
Financial assets at fair value through profit or loss	3,106,275	2,649,076
Derivative financial instruments	8,888,842	14,378,601
Loans and advances to customers and other accounts	249,416,421	226,789,958
Financial assets at fair value through other comprehensive income	103,926,448	84,950,868
Amortised cost investments	53,375	48,493
Property and equipment		
– Investment properties	446,607	254,830
– Other premises and equipment	479,209	511,806
Right-of-use assets	559,103	696,653
Intangible assets	539,779	635,101
Tax recoverable	–	55,449
Deferred tax assets	168,886	174,107
Total Assets	417,472,035	392,898,688
LIABILITIES AND EQUITY		
Liabilities		
Deposits and balances of banks and other financial institutions	13,584,427	5,326,408
Deposits from customers	327,768,033	309,877,016
Financial liabilities at fair value through profit or loss	768,006	290,185
Derivative financial instruments	8,766,335	15,160,283
Certificates of deposit issued	1,481,389	–
Current tax liabilities	120,708	19,656
Deferred tax liabilities	1,541	904
Other liabilities	10,718,536	10,078,174
Lease liabilities	592,621	722,894
Loan capital	3,883,863	3,855,374
Total Liabilities	367,685,459	345,330,894
Equity		
Share capital	18,404,013	18,404,013
Reserves	22,827,746	21,393,369
Total shareholders' equity	41,231,759	39,797,382
Other equity instruments	8,554,817	7,770,412
Total Equity	49,786,576	47,567,794
Total Equity and Liabilities	417,472,035	392,898,688

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Exchange differences reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Regulatory general reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total reserves <i>HK\$'000</i>	Other equity instruments <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2021	18,404,013	6,589	100,000	3,348	134,931	593,020	60,108	149,500	20,345,873	21,393,369	7,770,412	47,567,794
Changes in equity for 2021:												
Profit for the year	-	-	-	-	-	-	-	-	2,128,438	2,128,438	-	2,128,438
Other comprehensive income for the year	-	-	-	48,190	159,602	(432,423)	-	-	-	(224,631)	-	(224,631)
Total comprehensive income for the year	-	-	-	48,190	159,602	(432,423)	-	-	2,128,438	1,903,807	-	1,903,807
Transfer from retained profits	-	-	-	-	-	-	2,727	30,767	(33,494)	-	-	-
Distribution payment for Additional Tier 1 Capital Securities ("AT1 Capital Securities")	-	-	-	-	-	-	-	-	(441,432)	(441,432)	-	(441,432)
Issue of AT1 Capital Securities	-	-	-	-	-	-	-	-	-	-	4,647,489	4,647,489
Redemption of AT1 Capital Securities	-	-	-	-	-	-	-	-	(27,998)	(27,998)	(3,863,084)	(3,891,082)
At 31 December 2021	18,404,013	6,589	100,000	51,538	294,533	160,597	62,835	180,267	21,971,387	22,827,746	8,554,817	49,786,576
At 1 January 2020	18,404,013	6,589	100,000	(95,558)	76,245	348,922	59,162	149,500	19,630,889	20,275,749	7,770,412	46,450,174
Changes in equity for 2020:												
Profit for the year	-	-	-	-	-	-	-	-	1,155,817	1,155,817	-	1,155,817
Other comprehensive income for the year	-	-	-	98,906	58,686	244,098	-	-	-	401,690	-	401,690
Total comprehensive income for the year	-	-	-	98,906	58,686	244,098	-	-	1,155,817	1,557,507	-	1,557,507
Transfer from retained profits	-	-	-	-	-	-	946	-	(946)	-	-	-
Distribution payment for AT1 Capital Securities	-	-	-	-	-	-	-	-	(439,887)	(439,887)	-	(439,887)
At 31 December 2020	18,404,013	6,589	100,000	3,348	134,931	593,020	60,108	149,500	20,345,873	21,393,369	7,770,412	47,567,794

CONSOLIDATED CASH FLOW STATEMENT**For the year ended 31 December 2021***(Expressed in Hong Kong dollars)*

	2021 HK\$'000	2020 HK\$'000
Operating activities		
Profit before taxation	2,500,399	1,306,088
Adjustments for non-cash items:		
Expected credit losses charged on financial assets	1,782,919	2,356,656
Impairment losses reversed on other assets	(13,731)	(4,176)
Net loss on disposal of financial assets at fair value through other comprehensive income	118,884	33,428
Net loss on disposal of property and equipment and intangible assets	2,915	961
Revaluation (gain)/loss on investment properties	(6,777)	34,300
Amortisation of deferred expenses	31,455	89,954
Amortisation of intangible assets	244,816	207,597
Depreciation on property and equipment	118,408	113,458
Depreciation on right-of-use assets	297,759	291,776
Dividend income from equity securities	(3,810)	(4,330)
Interest expense on loan capital and debt securities issued	186,106	315,332
Foreign exchange differences	(23,613)	(650,433)
Operating profit before changes in working capital	5,235,730	4,090,611
Net decrease/(increase) in operating assets		
Placements with and advances to banks with original maturity beyond 3 months	127,200	4,203,829
Treasury bills with original maturity beyond 3 months	(14,507,349)	(403,416)
Certificates of deposit held with original maturity beyond 3 months	447,047	797,370
Financial assets at fair value through profit or loss	(104,332)	(740,706)
Derivative financial instruments	5,489,759	(8,094,993)
Loans and advances to customers and other accounts	(24,352,035)	(35,549,178)
Financial assets at fair value through other comprehensive income	(4,687,866)	(6,573,671)
	(37,587,576)	(46,360,765)
Net (decrease)/increase in operating liabilities		
Deposits and balances of banks and other financial institutions	8,258,019	(1,795,225)
Deposits from customers	17,887,826	32,993,142
Derivative financial instruments	(6,393,948)	8,797,128
Financial liabilities at fair value through profit or loss	477,821	143,685
Certificates of deposit issued	1,475,336	(3,107,444)
Other liabilities	640,880	(119,982)
	22,345,934	36,911,304
Cash used in operating activities	(10,005,912)	(5,358,850)
Income tax paid		
Hong Kong Profits Tax paid	(74,703)	(730,888)
Taxation outside Hong Kong paid	(39,916)	(37,747)
Net cash flow used in operating activities	(10,120,531)	(6,127,485)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**For the year ended 31 December 2021***(Expressed in Hong Kong dollars)*

	2021 HK\$'000	2020 <i>HK\$'000</i>
Net cash used in operating activities	(10,120,531)	(6,127,485)
Cash flow generated from/(used in) investing activities		
Dividends received from equity securities	3,810	4,330
Purchase of property and equipment and intangible assets	(263,038)	(385,507)
Proceeds from disposal of property and equipment	144	26
Net cash used in investing activities	(259,084)	(381,151)
Cash flow generated from/(used in) financing activities		
Proceeds from AT1 Capital Securities issuance	4,647,489	–
Payment for redemption of debt securities issued	–	(3,252,833)
Payment for redemption of loan capital	–	(2,359,017)
Payment for redemption of AT1 Capital Securities	(3,891,082)	–
Distribution paid on AT1 Capital Securities	(441,432)	(439,887)
Payment of lease liabilities	(310,351)	(313,626)
Interest paid on debt securities issued	–	(59,195)
Interest paid on loan capital	(179,742)	(256,137)
Net cash used in financing activities	(175,118)	(6,680,695)
Net decrease in cash and cash equivalents	(10,554,733)	(13,189,331)
Cash and cash equivalents at 1 January	78,305,049	90,903,199
Exchange differences in respect of cash and cash equivalents	103,775	591,181
Cash and cash equivalents at 31 December	67,854,091	78,305,049
Analysis of the balances of cash and cash equivalents		
Cash and balances with banks and central banks	28,235,584	32,181,569
Placements with and advances to banks		
with original maturity within 3 months	20,990,458	17,336,484
Treasury bills and certificates of deposit held with original maturity within 3 months:		
– Financial assets at fair value through other comprehensive income	18,574,671	28,738,503
– Financial assets at amortized cost	53,378	48,493
	67,854,091	78,305,049
Cash flows from operating activities included:		
Interest received	8,020,173	8,585,922
Interest paid	(2,324,587)	(4,036,553)

NOTES:*(Expressed in Hong Kong dollars unless otherwise indicated)***1 BASIS OF PREPARATION**

“The financial information relating to the financial year ended 31 December 2021 included in this annual results announcement does not constitute the Group’s statutory financial statements for that financial year but is extracted from those financial statements. The Bank’s auditor has reported on those financial statements of the Group. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622).

Statutory financial statements for the year ended 31 December 2021 comply with the Banking (Disclosure) Rules and will be available from the Bank’s corporate website at www.cncbinternational.com and registered office.

2 CHANGES IN ACCOUNTING POLICIES**(a) New and amended standards adopted by the Group during the year ended 31 December 2021**

The Group has adopted the requirements of ‘Interest Rate Benchmark Reform – Phase 2 Amendments to HKFRS 9, HKFRS 7 and HKFRS 16’ (IBOR reform Phase 2) which is effective for periods beginning on or after 1 January 2021.

(b) New standards and interpretations not yet adopted for the year ended 31 December 2021

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 INTEREST INCOME AND INTEREST EXPENSE**(a) Interest income**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Listed securities	1,090,551	1,334,070
Unlisted securities	276,094	402,904
Balances, placements with and advances to banks	128,760	501,356
Advances and other accounts	6,449,774	6,800,442
Interest income on financial assets that are not at fair value through profit or loss	7,945,179	9,038,772

Included within interest income are HK\$6,627,788,000 (2020: HK\$7,341,962,000) and HK\$1,317,391,000 (2020: HK\$1,696,810,000) for financial assets measured at amortised cost and at fair value through other comprehensive income respectively.

(b) Interest expense

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deposits from customers, banks and other financial institutions and others	1,926,368	3,495,667
Certificates of deposit issued	3,984	13,323
Debt securities issued	–	59,195
Loan capital issued	186,106	256,137
Lease liabilities	23,451	28,265
Interest expense on financial liabilities that are measured at amortised cost	2,139,909	3,852,587

4 NET FEE AND COMMISSION INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fee and commission income:		
Bills commission	77,023	69,097
Card-related income	32,368	28,872
Debt capital markets	215,572	265,267
Insurance	589,093	409,820
Investment and structured investment products	312,638	256,746
Loans, overdrafts and facilities fees	401,551	228,523
Banking services	131,977	135,425
Others	3,011	7,275
	<u>1,763,233</u>	<u>1,401,025</u>
Fee and commission expense	<u>(156,249)</u>	<u>(139,207)</u>
	<u><u>1,606,984</u></u>	<u><u>1,261,818</u></u>
Of which:		
Net fee and commission income (other than the amounts included in determining the effective interest rate) relating to financial assets and liabilities not at fair value through profit or loss:		
– Fee and commission income	510,942	326,492
– Fee and commission expense	<u>(42,837)</u>	<u>(22,122)</u>
	<u><u>468,105</u></u>	<u><u>304,370</u></u>

5 NET TRADING INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net gains from dealing in foreign currencies	632,949	118,078
Net losses from financial assets at fair value through profit or loss	(53,785)	(80,722)
Net (losses)/gains from other dealing activities	(108,777)	247,113
Net interest income on trading activities		
– Listed	82,096	122,842
– Unlisted	326,757	498,249
	<u>879,240</u>	<u>905,560</u>

6 NET HEDGING LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net hedging (loss)/gain on fair value hedges		
– Net loss on hedging instruments	–	(57,210)
– Net gain on hedged items attributable to the hedged risk	–	55,897
	<u>–</u>	<u>(1,313)</u>

7 OTHER OPERATING INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividend income		
– Unlisted investments	3,810	4,330
Rental income from investment properties		
less direct outgoings of HK\$244,000 (2020: HK\$227,000)	3,907	3,069
Others	15,020	29,406
	<u>22,737</u>	<u>36,805</u>

8 OPERATING EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Staff costs		
Salaries and other staff costs (Note)	2,200,315	1,948,422
Retirement costs	137,883	124,372
	<u>2,338,198</u>	<u>2,072,794</u>
(b) Depreciation and amortisation		
Depreciation – property and equipment	118,408	113,458
Depreciation – right-of-use assets	297,759	291,776
Amortisation – intangible assets	244,816	207,597
	<u>660,983</u>	<u>612,831</u>
(c) Other operating expenses		
Property and equipment expenses (excluding depreciation)	387,058	415,801
Auditor's remuneration		
– Audit fee	7,219	7,200
– Non-audit fee	754	1,604
Advertising	99,490	82,727
Communication, printing and stationery	166,897	146,809
Electronic data processing	108,696	154,235
Legal and professional fees	65,445	65,822
Others	94,882	101,975
	<u>930,441</u>	<u>976,173</u>
Total operating expenses	<u>3,929,622</u>	<u>3,661,798</u>

Note:

During the year ended 31 December 2020, the Group received HK\$58,137,000 from the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme and such government subsidy was deducted from the staff cost.

9 EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

Expected credit losses (“ECL”) charged/(reversed) on financial assets

	2021			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balances with banks and central banks	2,016	–	–	2,016
Placements with and advances to banks	(5,083)	–	–	(5,083)
Loans and advances to customers and other accounts	554,064	(402,773)	1,652,241	1,803,532
Financial assets at fair value through other comprehensive income	(16,559)	–	75,692	59,133
Amortised cost investments	2	–	–	2
Loan commitments and guarantees (included in contingent liabilities and commitments)	15,265	542	–	15,807
	<u>549,705</u>	<u>(402,231)</u>	<u>1,727,933</u>	<u>1,875,407</u>
Recoveries				<u>(92,488)</u>
				<u>1,782,919</u>
	2020			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balances with banks and central banks	(925)	–	–	(925)
Placements with and advances to banks	(303)	–	–	(303)
Loans and advances to customers and other accounts	(173,417)	(1,172,053)	3,789,670	2,444,200
Financial assets at fair value through other comprehensive income	(19,249)	–	42,102	22,853
Loan commitments and guarantees (included in contingent liabilities and commitments)	55,098	892	–	55,990
	<u>(138,796)</u>	<u>(1,171,161)</u>	<u>3,831,772</u>	<u>2,521,815</u>
Recoveries				<u>(165,159)</u>
				<u>2,356,656</u>

10 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT
(a) Income tax in the consolidated income statement

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	230,251	30,129
Over-provision in respect of prior years	(22,850)	(23,644)
	<u>207,401</u>	<u>6,485</u>
Current tax – Taxation outside Hong Kong		
Provision for the year	63,426	67,921
Over-provision in respect of prior years	(21)	(23,877)
	<u>63,405</u>	<u>44,044</u>
Deferred tax		
Origination of temporary differences	101,155	99,742
	<u>371,961</u>	<u>150,271</u>

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before tax	<u>2,500,399</u>	<u>1,306,088</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	438,882	270,026
Tax effect of non-deductible expenses	52,018	51,355
Tax effect of non-taxable revenue	(59,705)	(51,000)
Tax effect of distribution payment of AT1 Capital Securities	(72,836)	(72,581)
Over-provision in prior years	(22,871)	(47,521)
Others	36,473	(8)
Actual tax expense	<u>371,961</u>	<u>150,271</u>

11 FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Financial assets at fair value through profit or loss

	2021 HK\$'000	2020 HK\$'000
Debt securities	2,006,507	2,351,288
Treasury bills	1,099,768	297,788
	3,106,275	2,649,076
Issued by:		
Sovereigns	2,104,669	1,314,180
Banks and other financial institutions	681,738	754,442
Corporate entities	319,071	538,656
Public entities	797	41,798
	3,106,275	2,649,076
Listed	1,633,424	2,341,585
Unlisted	1,472,851	307,491
	3,106,275	2,649,076

(b) Financial liabilities at fair value through profit or loss

	2021 HK\$'000	2020 HK\$'000
Short sales of debt securities	768,006	290,185

12 LOANS AND ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

(a) Loans and advances to customers and other accounts less expected credit losses

	2021 HK\$'000	2020 HK\$'000
Gross loans and advances to customers	242,667,031	220,096,434
– Expected credit losses allowances	(1,871,846)	(2,440,456)
	240,795,185	217,655,978
Other accounts	8,967,557	9,385,838
– Expected credit losses allowances		
– Stage 1	(1,471)	(783)
– Stage 3	(344,850)	(251,075)
	(346,321)	(251,858)
	8,621,236	9,133,980
	249,416,421	226,789,958

12 LOANS AND ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS (CONTINUED)

(b) Loans and advances to customers analysed by industry sectors

The following economic sector analysis is based on categories and definitions used by the Hong Kong Monetary Authority ("HKMA").

	2021		2020	
	Gross loans and advances to customers HK\$'000	Impaired loans and advances to customers HK\$'000	Gross loans and advances to customers HK\$'000	Impaired loans and advances to customers HK\$'000
Industrial, commercial and financial				
– Property development	8,951,242	4,574	11,268,407	–
– Property investment	15,064,324	153,563	13,460,635	272,556
– Financial concerns	14,866,601	–	12,698,994	–
– Stockbrokers	4,616,449	–	4,044,282	–
– Wholesale and retail trade	8,813,954	225,579	9,618,761	197,481
– Manufacturing	6,149,656	121,941	9,762,067	35,794
– Transport and transport equipment	2,207,235	–	3,326,439	–
– Recreational activities	1,396,460	–	1,891,488	–
– Information technology	4,140,974	7,209	6,759,381	–
– Others	12,106,121	587,344	12,454,426	373,936
Individuals				
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	18,734	–	25,360	175
– Loans for the purchase of other residential properties	22,708,364	25,726	21,168,747	24,858
– Credit card advances	634,385	3,160	434,591	3,207
– Others	19,463,914	32,543	16,152,868	10,903
Gross loans and advances for use in Hong Kong	121,138,413	1,161,639	123,066,446	918,910
Trade finance	6,628,733	6,567	5,441,544	32,771
Gross loans and advances for use outside Hong Kong	114,899,885	1,086,034	91,588,444	2,679,495
Gross loans and advances to customers	242,667,031	2,254,240	220,096,434	3,631,176

(c) Impaired loans and advances to customers

	2021 HK\$'000	2020 HK\$'000
Gross impaired loans and advances to customers	2,254,240	3,631,176
Expected credit losses allowances – Stage 3	(554,531)	(1,273,744)
	1,699,709	2,357,432
Gross impaired loans and advances as a % of total loans and advances to customers	0.93%	1.65%

The secured gross impaired loans and advances to customers amounts to HK\$1,646,035,000 (2020: HK\$2,799,388,000) are backed by collateral, collateral mainly comprises mortgages on residential or commercial properties and cash placed with the Group.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK\$'000	2020 HK\$'000
Debt securities		
– Certificates of deposit held	4,490,521	5,179,894
– Treasury bills	39,187,201	23,503,712
– Other debt securities	60,169,857	56,157,194
	103,847,579	84,840,800
Equity securities	78,869	110,068
	103,926,448	84,950,868
Issued by:		
Sovereigns	43,215,443	25,390,319
Banks and other financial institutions	43,364,259	42,392,498
Corporate entities	15,281,446	14,846,212
Public entities	2,065,300	2,321,839
	103,926,448	84,950,868
Listed	53,763,088	49,755,786
Unlisted	50,163,360	35,195,082
	103,926,448	84,950,868

14 CAPITAL AND RESERVES

(a) Share capital

(i) Ordinary shares, issued and fully paid:

	2021		2020	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
At 1 January/31 December	12,111,121,568	18,404,013	12,111,121,568	18,404,013

(ii) Shares issued during the year

The Bank did not issue any shares during the year ended 31 December 2021 (2020: Nil).

(b) Dividend

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

14 CAPITAL AND RESERVES (CONTINUED)

(c) Reserves

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Capital reserve	6,589	6,589
General reserve	100,000	100,000
Exchange differences reserve	51,538	3,348
Property revaluation reserve	294,533	134,931
Investment revaluation reserve	160,597	593,020
Statutory reserve	62,835	60,108
Regulatory general reserve	180,267	149,500
Retained profits*	21,971,387	20,345,873
Total	<u>22,827,746</u>	<u>21,393,369</u>

* A regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of impairment losses recognised which the Bank will or may incur on loans and advances. Movements in the reserve are earmarked directly through retained profits and in consultation with the HKMA. At 31 December 2021, HK\$2,061,314,000 (2020: HK\$1,926,768,000) was included in the retained profits in this respect, which is distributable to equity holders of the Bank subject to consultation with the HKMA.

15 CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Direct credit substitutes	391,928	482,575
Transaction-related contingencies	974,821	977,663
Trade-related contingencies	6,446,078	5,871,861
Forward forward deposits placed	14,424	12,920,238
Other commitments:		
– which are unconditionally cancellable or automatically cancellable due to deterioration in the creditworthiness of the borrower	98,222,623	89,362,475
– with an original maturity of not more than 1 year	2,443,195	4,017,915
– with an original maturity of more than 1 year	13,632,064	4,511,472
	<u>122,125,133</u>	<u>118,144,199</u>
Credit risk-weighted amounts	<u>9,172,993</u>	<u>7,254,665</u>

The risk weights used in the computation of credit risk-weighted amounts range from 0% to 150% (2020: 0% to 150%).

16 DERIVATIVE FINANCIAL INSTRUMENTS

(a) Notional amounts of derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices. The notional amounts of these investments indicate the volume of outstanding transactions and do not represent amounts at risk.

The following is a summary of the notional amounts of each significant type of derivative entered into by the Group:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Currency derivatives		
Forwards	56,738,442	60,610,924
Swaps	964,903,705	728,792,077
Options purchased	24,249,234	26,329,946
Options written	22,123,956	29,158,079
Interest rate derivatives		
Forwards/Futures	27,289	5,488,630
Swaps	606,576,660	819,149,400
Options purchased	3,036,325	3,019,001
Options written	3,036,325	3,019,001
	1,680,691,936	1,675,567,058

Trading includes the Group's principal risk taking positions in financial instruments, positions which arise from the execution of trade orders from customers and market making, and positions taken in order to hedge other elements of the trading book. For the year ended 31 December 2021 and 2020, there were no derivatives held for hedging.

(b) Fair value of derivatives

	2021		2020	
	Fair value assets <i>HK\$'000</i>	Fair value liabilities <i>HK\$'000</i>	Fair value assets <i>HK\$'000</i>	Fair value liabilities <i>HK\$'000</i>
Currency derivatives	5,755,146	5,751,550	10,520,010	11,463,378
Interest rate derivatives	3,133,696	3,014,785	3,858,591	3,696,905
	8,888,842	8,766,335	14,378,601	15,160,283

17 CURRENCY RISK

The Group's foreign exchange risk stems from taking foreign exchange positions from commercial dealings, investments in foreign currency securities, and operations of the Group and its overseas branches and subsidiaries. The Group's foreign exchange positions are subject to exposure limits approved by the MRC. Methods adopted to measure foreign currency risk exposure against corresponding limits include individual currency positions, overall foreign exchange positions and sensitivities such as Greeks (for foreign exchange options). For the year ended 31 December 2021, the Group's average daily trading profit and loss from foreign exchange positions was a gain of HK\$488,000 (2020: a loss of HK\$1,796,000) with a standard deviation of HK\$8,087,000 (2020: HK\$13,750,000).

Significant foreign currency exposures at the end of the reporting period were as follows:

Equivalent in HK\$'000	2021			
	USD	RMB	Others	Total
Spot assets	176,637,317	20,952,451	24,632,189	222,221,957
Spot liabilities	(130,209,088)	(29,602,304)	(13,310,556)	(173,121,948)
Forward purchases	483,048,048	321,823,265	87,983,255	892,854,568
Forward sales	(529,582,904)	(310,297,654)	(99,330,676)	(939,211,234)
Net options position	699,927	(706,129)	56,740	50,538
Net long position	593,300	2,169,629	30,952	2,793,881
Net structural position	–	734,574	48,541	783,115
2020				
Equivalent in HK\$'000	USD	RMB	Others	Total
Spot assets	164,369,879	22,409,162	26,200,137	212,979,178
Spot liabilities	(120,232,212)	(20,069,718)	(14,058,439)	(154,360,369)
Forward purchases	362,454,488	194,205,562	71,795,914	628,455,964
Forward sales	(402,141,228)	(199,504,087)	(83,411,374)	(685,056,689)
Net options position	(3,634,671)	4,018,861	(359,109)	25,081
Net long position	816,256	1,059,780	167,129	2,043,165
Net structural position	–	714,898	48,542	763,440

The net option position is calculated using the Model User Approach, which has been approved by the HKMA.

18 SEGMENT REPORTING

Segment information is prepared consistently with reportable segments. Information is regularly reported to the chief operating decision-maker, including management committee members, to allocate resources to the segments and to assess their performance. The Group has identified the following four main reportable segments:

The Group operates a wholesale banking business in Hong Kong and at overseas branches. Wholesale banking mainly comprises corporate lending and syndicated loans, trade financing deposit account services and cash management. Overseas branches include the branches operated overseas and their management office unit in Hong Kong.

Personal and business banking mainly comprises deposit account services, residential mortgages, other consumer lending, credit card services, and Small and Medium Enterprises ("SMEs") banking business, wealth management services and private banking.

Treasury and markets covers the provision of foreign exchange services, money market activities, the management of investment securities and central cash management.

Others mainly comprises unallocated revenue and expenses, corporate expenses and China banking which mainly includes a subsidiary bank in China.

18 SEGMENT REPORTING (CONTINUED)

For the purpose of segment reporting, the allocation of operating income reflects the benefits of funding resources allocated to the business segments based on the internal funds transfer pricing mechanism. Cost allocation is based on the direct costs incurred by the respective business segments and the apportionment of overheads on a reasonable basis to the business segments. Rental charges at the market rate for the use of bank premises are reflected as inter-segment income for the 'Others' segment and inter-segment expenses for the respective business segments.

Segment allocation and cost allocation amongst reportable segments are reviewed from time to time as management deems fit and in the event of change, corresponding segment reporting information will be updated to conform with latest allocation basis.

(a) Reportable segments

	2021				
	Wholesale banking HK\$'000	Personal and business banking HK\$'000	Treasury and markets HK\$'000	Others HK\$'000	Consolidated HK\$'000
Net interest income	3,199,972	1,699,642	666,766	238,890	5,805,270
Other operating income	753,467	1,098,263	574,826	82,405	2,508,961
Net (loss)/gain on disposal of financial assets at fair value through other comprehensive income	3,233	–	(132,919)	10,802	(118,884)
Operating income	3,956,672	2,797,905	1,108,673	332,097	8,195,347
Operating expenses	(425,096)	(994,064)	(186,636)	(2,323,826)	(3,929,622)
Inter-segment (expenses)/income	(199,520)	(617,577)	(154,485)	971,582	–
Operating profit/(loss) before impairment	3,332,056	1,186,264	767,552	(1,020,147)	4,265,725
Expected credit losses on financial assets	(1,676,386)	(44,157)	(56,541)	(5,835)	(1,782,919)
Impairment losses reversed on other assets	–	–	–	13,731	13,731
Operating profit/(loss)	1,655,670	1,142,107	711,011	(1,012,251)	2,496,537
Net gain/(loss) on disposal of property and equipment and intangible assets	64	(2,869)	(2)	(108)	(2,915)
Revaluation gain on investment properties	–	–	–	6,777	6,777
Profit/(loss) before taxation	1,655,734	1,139,238	711,009	(1,005,582)	2,500,399
Income tax	–	–	–	–	(371,961)
Profit for the year	–	–	–	–	2,128,438
Other segment items:					
Depreciation and amortisation	33,360	26,283	198	601,142	660,983
Segment assets (note)	172,279,814	77,295,134	172,720,857	(4,823,770)	417,472,035
Segment liabilities (note)	196,146,760	158,022,633	18,767,503	(5,251,437)	367,685,459
Capital expenditure incurred during the year	3,921	48,557	134	210,426	263,038

Note: Segment assets and segment liabilities included inter-segment elimination of HK\$26,071,484,000 and HK\$26,686,373,000 respectively under the 'Others' segment.

18 SEGMENT REPORTING (CONTINUED)
(a) Reportable segments (continued)

	2020				
	Wholesale banking <i>HK\$'000</i>	Personal and business banking <i>HK\$'000</i>	Treasury and markets <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Net interest income	2,963,302	1,548,415	348,445	326,023	5,186,185
Other operating income	640,137	873,825	661,005	27,903	2,202,870
Net (loss)/gain on disposal of financial assets at fair value through other comprehensive income	21,569	–	(66,103)	11,106	(33,428)
Operating income	3,625,008	2,422,240	943,347	365,032	7,355,627
Operating expenses	(421,435)	(961,403)	(197,126)	(2,081,834)	(3,661,798)
Inter-segment (expenses)/income	(162,516)	(523,751)	(135,735)	822,002	–
Operating profit/(loss) before impairment	3,041,057	937,086	610,486	(894,800)	3,693,829
Expected credit losses on financial assets	(2,248,838)	(73,874)	(26,962)	(6,982)	(2,356,656)
Impairment losses reversed on other assets	–	–	–	4,176	4,176
Operating profit/(loss)	792,219	863,212	583,524	(897,606)	1,341,349
Net loss on disposal of property and equipment and intangible assets	–	(711)	(16)	(234)	(961)
Revaluation loss on investment properties	–	–	–	(34,300)	(34,300)
Profit/(loss) before taxation	792,219	862,501	583,508	(932,140)	1,306,088
Income tax					(150,271)
Profit for the year					1,155,817
Other segment items:					
Depreciation and amortisation	31,220	19,457	1,385	560,769	612,831
Segment assets	149,287,611	70,215,429	188,380,101	(14,984,453)	392,898,688
Segment liabilities	174,208,724	163,365,046	24,777,321	(17,020,197)	345,330,894
Capital expenditure incurred during the year	12,603	150,067	15,855	206,982	385,507

18 SEGMENT REPORTING (CONTINUED)
(b) Geographical information

The geographical information analysis is based on the location of the principal operations of the subsidiaries, or in the case of the Bank itself, of the location of the branches responsible for reporting the results or booking the assets and liabilities.

	2021				
	Profit before taxation HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000	Operating income/ (expenses) HK\$'000	Contingent liabilities and commitments HK\$'000
Hong Kong	2,030,990	384,219,693	334,994,296	7,361,663	90,213,422
Mainland China	103,816	13,956,128	12,343,871	312,611	599,298
United States	190,504	14,123,627	13,994,907	293,957	7,313,313
Singapore	127,223	22,341,162	22,220,452	181,339	23,506,782
Others	47,836	2,389,053	2,314,730	82,883	492,318
Inter-segment items	30	(19,557,628)	(18,182,797)	(37,106)	–
	2,500,399	417,472,035	367,685,459	8,195,347	122,125,133
	2020				
	Profit/(Loss) before taxation HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000	Operating income/ (expenses) HK\$'000	Contingent liabilities and commitments HK\$'000
Hong Kong	1,746,615	378,296,661	331,157,516	6,755,712	92,198,530
Mainland China	(3,513)	11,342,549	9,860,818	167,346	1,264,343
United States	102,053	13,972,966	13,874,622	236,321	2,022,635
Singapore	(595,312)	14,155,015	14,697,014	132,492	22,341,620
Others	56,244	4,755,024	4,701,906	74,446	317,071
Inter-segment items	1	(29,623,527)	(28,960,982)	(10,690)	–
	1,306,088	392,898,688	345,330,894	7,355,627	118,144,199

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

(A) REGULATORY DISCLOSURE STATEMENTS AVAILABLE ON THE BANK'S CORPORATE WEBSITE

The Group's regulatory disclosure information is published by using standard disclosure templates as specified by the HKMA ('Regulatory Disclosure Statement') and that can be viewed in the Regulatory Disclosures section of our Bank's corporate website www.cncbinternational.com. The Bank's Regulatory Disclosure Statement, together with the disclosures in the annual report, contained all the disclosures required by the Banking (Disclosure) Rules issued by the HKMA. Certain comparatives have been revised in order to align with the latest books and records and banking returns submitted to the HKMA.

(B) CAPITAL ADEQUACY

(i) Capital base

Capital adequacy ratios ("CARs") are complied in accordance with the Banking (Capital) Rules issued by the HKMA. The CARs are computed on a consolidated basis covering the Bank and some of its subsidiaries as required by the HKMA. The Bank has adopted the "standardised approach" for calculating the risk-weighted amount for credit risk and market risk and the "basic indicator approach" for calculating operational risk.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Common Equity Tier 1 ("CET1") capital instruments and reserves		
Directly issued qualifying CET1 capital instruments plus any related share premium	18,052,185	18,404,013
Retained earnings	22,119,639	20,416,204
Disclosed reserves	822,674	1,050,761
CET1 capital before regulatory deductions	40,994,498	39,870,978
CET1 capital: regulatory deductions		
Deferred tax assets net of deferred tax liabilities	168,886	174,107
Other intangible assets (net of related deferred tax liability)	539,779	635,101
Cumulative fair value gains arising from the revaluation of land and buildings (own use and investment properties)	340,202	173,822
Regulatory reserve for general banking risks	2,061,314	1,926,768
Valuation adjustments	22,638	26,117
Debt valuation adjustments in respect of derivative contracts	2,631	2,330
Total regulatory deductions to CET1 capital	3,135,450	2,938,245
CET1 capital	37,859,048	36,932,733
Additional Tier 1 ("AT1") capital		
AT1 capital	8,556,000	7,772,060
Tier 1 capital	46,415,048	44,704,793
Tier 2 capital instruments and provisions		
Qualifying Tier 2 capital instruments plus any related share premium	3,898,392	3,876,149
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	153,091	78,220
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	3,472,342	3,234,537
Tier 2 capital base before deductions	7,523,825	7,188,906
Tier 2 capital: regulatory deductions		
Regulatory deductions to Tier 2 capital	—	—
Tier 2 capital	7,523,825	7,188,906
Total capital	53,938,873	51,893,699

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

(B) CAPITAL ADEQUACY (CONTINUED)

(ii) Risk-weighted assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
– Credit risk	284,298,587	271,035,616
– Market risk	16,346,413	15,412,575
– Operational risk	14,920,038	15,048,263
	315,565,038	301,496,454

(iii) Capital adequacy ratios

	2021	2020
– CET1 capital ratio	12.0%	12.2%
– Tier 1 capital ratio	14.7%	14.8%
– Total capital ratio	17.1%	17.2%

(iv) Capital instruments

The following is a summary of the Group's CET1, Additional Tier 1 Capital Securities and Tier 2 capital instruments.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
CET 1 capital instruments issued by the Bank		
Ordinary shares:		
12,111,121,568 issued and fully paid ordinary shares	18,404,013	18,404,013

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Additional Tier 1 Capital Securities		
Undated non-cumulative subordinated capital securities with US\$500 million (issued in 2016)	–	3,863,084
Undated non-cumulative subordinated capital securities with US\$500 million (issued in 2018)	3,907,328	3,907,328
Undated non-cumulative subordinated capital securities with US\$600 million (issued in 2021)	4,647,489	–
	8,554,817	7,770,412

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Tier 2 capital instruments		
Issued by the Bank		
– US\$500 million Subordinated Fixed Rate Notes at 4.625% (due in 2029)	3,883,863	3,855,374
	3,883,863	3,855,374

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(C) LIQUIDITY RATIOS

Under the Banking (Liquidity) Rules, the Group being a Category 1 institution is required to maintain a Liquidity Coverage Ratio (“LCR”) and Net Stable Funding Ratio (“NSFR”) above the statutory minimum requirements.

	Weighted amount (average value)				
	For quarter ended 31 December 2021	For quarter ended 30 September 2021	For quarter ended 30 June 2021	For quarter ended 31 March 2021	For quarter ended 31 December 2020
Average LCR	239%	280%	249%	225%	217%

The Group also maintains sufficient available stable funding in support of its longer-term assets to meet the statutory NSFR requirements. The increase in the NSFR in the second half of 2021 was mainly driven by the increases in the customer deposits, partly offset by the increases in the customer loans. There is no interdependent asset and liability as defined in the Banking (Liquidity) Rules in the Group.

	Quarter ended 31 December 2021	Quarter ended 30 September 2021	Quarter ended 30 June 2021	Quarter ended 31 March 2021	Quarter ended 31 December 2020
NSFR	125%	125%	122%	128%	128%

For the purposes of compliance with Banking (Disclosure) Rules, information relating to the Group’s liquidity are published by using standard disclosure templates as specified by the HKMA and they can be viewed in the Regulatory Disclosures section of our Bank’s corporate website at www.cncbinternational.com.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(D) FURTHER ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers analysed by the coverage of collateral, overdue amount and the impairment allowance is as follows. The economic sector analysis is based on the categories and definitions used by the HKMA.

	2021		2020	
	Gross loans and advances to customers HK\$'000	% of gross loans and advances to customers covered by collateral	Gross loans and advances to customers HK\$'000	% of gross loans and advances to customers covered by collateral
Industrial, commercial and financial				
– Property development	8,951,242	64	11,268,407	70
– Property investment	15,064,324	98	13,460,635	97
– Financial concerns	14,866,601	10	12,698,994	31
– Stockbrokers	4,616,449	45	4,044,282	24
– Wholesale and retail trade	8,813,954	87	9,618,761	81
– Manufacturing	6,149,656	26	9,762,067	18
– Transport and transport equipment	2,207,235	23	3,326,439	15
– Recreational activities	1,396,460	15	1,891,488	3
– Information technology	4,140,974	4	6,759,381	5
– Others	12,106,121	62	12,454,426	54
Individuals				
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	18,734	100	25,360	100
– Loans for the purchase of other residential properties	22,708,364	100	21,168,747	100
– Credit card advances	634,385	–	434,591	–
– Others	19,463,914	93	16,152,868	94
Gross loans and advances for use in Hong Kong	121,138,413	68	123,066,446	64
Trade finance	6,628,733	22	5,441,544	30
Gross loans and advances for use outside Hong Kong	114,899,885	19	91,588,444	25
Gross loans and advances to customers	242,667,031	44	220,096,434	47

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(D) FURTHER ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The analysis of impaired loans and advances to customers of the individual loan usage category, which accounted for 10% or more of the gross loans and advances to customers, is as follows:

2021						
	Overdue loans and advances to customers <i>HK\$'000</i>	Impaired loans and advances to customers <i>HK\$'000</i>	Stage 1 ECL allowances <i>HK\$'000</i>	Stage 2 ECL allowances <i>HK\$'000</i>	Stage 3 ECL allowances <i>HK\$'000</i>	Expected credit losses on income statement during the year <i>HK\$'000</i>
Gross loans and advances for use outside Hong Kong	<u>883,981</u>	<u>1,086,034</u>	<u>936,744</u>	<u>58,840</u>	<u>258,475</u>	<u>1,450,584</u>
2020						
	Overdue loans and advances to customers <i>HK\$'000</i>	Impaired loans and advances to customers <i>HK\$'000</i>	Stage 1 ECL allowances <i>HK\$'000</i>	Stage 2 ECL allowances <i>HK\$'000</i>	Stage 3 ECL allowances <i>HK\$'000</i>	Expected credit losses on income statement during the year <i>HK\$'000</i>
Gross loans and advances for use outside Hong Kong	<u>2,687,898</u>	<u>2,679,495</u>	<u>382,154</u>	<u>429,761</u>	<u>981,748</u>	<u>1,804,363</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(D) FURTHER ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

By geographical areas

	2021					
	Loans and advances to customers <i>HK\$'000</i>	Overdue loans and advances to customers <i>HK\$'000</i>	Impaired loans and advances to customers <i>HK\$'000</i>	Stage 1 ECL allowances <i>HK\$'000</i>	Stage 2 ECL allowances <i>HK\$'000</i>	Stage 3 ECL allowances <i>HK\$'000</i>
Hong Kong	164,317,771	1,408,801	1,954,280	653,299	77,670	554,531
Mainland China	51,062,202	287,812	294,102	331,139	88,604	–
United States	9,380,688	–	–	27,962	–	–
Singapore	5,425,256	–	–	50,734	–	–
Others	12,481,114	5,858	5,858	79,214	8,693	–
	<u>242,667,031</u>	<u>1,702,471</u>	<u>2,254,240</u>	<u>1,142,348</u>	<u>174,967</u>	<u>554,531</u>
	2020					
	Loans and advances to customers <i>HK\$'000</i>	Overdue loans and advances to customers <i>HK\$'000</i>	Impaired loans and advances to customers <i>HK\$'000</i>	Stage 1 ECL allowances <i>HK\$'000</i>	Stage 2 ECL allowances <i>HK\$'000</i>	Stage 3 ECL allowances <i>HK\$'000</i>
Hong Kong	134,288,116	3,153,773	3,267,687	252,699	62,140	1,047,332
Mainland China	49,681,995	–	–	193,368	515,386	–
United States	9,276,279	–	–	26,765	–	–
Singapore	4,693,656	–	–	28,675	5	–
Others	22,156,388	363,489	363,489	87,465	209	226,412
	<u>220,096,434</u>	<u>3,517,262</u>	<u>3,631,176</u>	<u>588,972</u>	<u>577,740</u>	<u>1,273,744</u>

The above geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor.

Overdue loans and advances are loans that have been overdue for more than three months.

Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(E) OVERDUE ASSETS

Overdue loans and advances to customers

	2021		2020	
	<i>HK\$'000</i>	% of total loans and advances to customers	<i>HK\$'000</i>	% of total loans and advances to customers
The gross amount of loans and advances has been overdue for periods of:				
– 6 months or less but over 3 months	489,887	0.20	66,950	0.03
– 1 year or less but over 6 months	167,255	0.07	2,610,339	1.19
– over 1 year	1,045,329	0.43	839,973	0.38
	1,702,471	0.70	3,517,262	1.60
Secured overdue loans and advances	1,620,537		2,729,091	
Unsecured overdue loans and advances	81,934		788,171	
	1,702,471		3,517,262	
Market value of collateral held against the secured overdue loans and advances	3,765,237		2,995,913	
Expected credit losses allowances	383,981		1,244,814	

Loans and advances with specific repayment dates are classified as overdue when the principal or interest is overdue and remains unpaid at the year end. Loans repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

Eligible collateral, which is held in respect of the overdue loans and advances, is 'Eligible Physical Collateral' which mainly comprises real estate properties. The eligible collateral should generally satisfy the following:

- The market value of the asset is readily determinable or can be reasonably established and verified.
- The asset is marketable and there exists a readily available secondary market for disposal of the asset.
- The Bank's right to repossess the asset is legally enforceable and without impediment.
- The Bank is able to secure control over the asset if necessary.

There were no advances to banks and other financial institutions which were overdue for over three months at 31 December 2021 and 2020.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(F) RESCHEDULED LOANS

	2021		2020	
	<i>HK\$'000</i>	% of total loans and advances to customers	<i>HK\$'000</i>	% of total loans and advances to customers
Rescheduled loans	<u>5,545</u>	<u>0.002</u>	<u>4,903</u>	<u>0.002</u>

Rescheduled loans are those advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Group. Rescheduled loans to customers are stated net of any advances that have subsequently become overdue for over three months and are reported as overdue advances in note (E).

There were no advances to banks and other financial institutions which were rescheduled at 31 December 2021 and 2020.

(G) REPOSSESSED ASSETS

	<u>2021</u> <i>HK\$'000</i>	<u>2020</u> <i>HK\$'000</i>
Included in loans and advances to customers and other accounts	<u>259,517</u>	<u>54,166</u>

The amount represents the estimated market value of the repossessed assets at 31 December 2021 and 2020.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(H) INTERNATIONAL CLAIMS

International claim refers to the sum of cross-border claims in all currencies and local claims in foreign currencies determined as based on the calculation methodology specified in the HKMA's Return of International Banking Statistics. International claims are on-balance sheet exposures of counterparties which attributable to the country or segment, after taking into account risk recognised transfer, constitute to not less than 10% of the aggregate claims are disclosed as follows.

2021					
	Banks <i>HK\$'000</i>	Official Sector <i>HK\$'000</i>	Non-bank private sector		Total <i>HK\$'000</i>
			Non-bank financial institutions <i>HK\$'000</i>	Non-financial private sector <i>HK\$'000</i>	
Developed countries	21,186,925	7,849,066	1,622,973	4,787,610	35,446,574
Offshore centres	6,561,287	241,614	20,994,467	57,679,765	85,477,133
of which Hong Kong	5,140,660	241,196	17,747,075	48,919,329	72,048,260
Developing Asia-Pacific	32,156,750	7,602,966	8,363,208	52,596,772	100,719,696
of which Mainland China	27,717,481	7,590,329	8,363,208	49,390,308	93,061,326
2020					
	Banks <i>HK\$'000</i>	Official Sector <i>HK\$'000</i>	Non-bank private sector		Total <i>HK\$'000</i>
			Non-bank financial institutions <i>HK\$'000</i>	Non-financial private sector <i>HK\$'000</i>	
Developed countries	39,453,287	12,547	1,881,172	9,299,523	50,646,529
Offshore centres	6,601,830	57,092	12,705,306	51,303,818	70,668,046
of which Hong Kong	2,299,845	56,694	11,951,907	35,930,168	50,238,614
Developing Asia-Pacific	31,866,827	6,025,006	9,943,862	52,293,741	100,129,436
of which Mainland China	27,800,973	6,012,021	9,421,396	49,363,211	92,597,601

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(I) MAINLAND ACTIVITIES

Mainland Activities are Mainland China exposures to non-bank counterparties and their categories and the type of direct exposures defined by the HKMA's Return of Mainland Activities.

		2021		
		On-statement of financial position exposure HK\$'000	Off-statement of financial position exposure HK\$'000	Total HK\$'000
(1)	Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	55,320,541	2,625,640	57,946,181
(2)	Local governments, local government-owned entities and their subsidiaries and JVs	17,293,195	1,163,475	18,456,670
(3)	PRC national residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	45,781,229	4,303,479	50,084,708
(4)	Other entities of central government not reported in item 1 above	3,972,313	327,232	4,299,545
(5)	Other entities of local governments not reported in item 2 above	1,122,896	332,200	1,455,096
(6)	PRC national residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	30,613,592	1,427,781	32,041,373
(7)	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	11,144,223	252,301	11,396,524
Total		165,247,989	10,432,108	175,680,097
Total assets after provision		392,314,798		
On-balance sheet exposures as percentage of total assets		42.1%		

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(I) MAINLAND ACTIVITIES (CONTINUED)

		2020		
		On-statement of financial position exposure <i>HK\$'000</i>	Off-statement of financial position exposure <i>HK\$'000</i>	Total <i>HK\$'000</i>
(1)	Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	47,675,097	1,574,677	49,249,774
(2)	Local governments, local government-owned entities and their subsidiaries and JVs	13,129,549	1,109,794	14,239,343
(3)	PRC national residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	51,600,070	6,217,222	57,817,292
(4)	Other entities of central government not reported in item 1 above	6,283,211	93,004	6,376,215
(5)	Other entities of local governments not reported in item 2 above	1,183,277	426,200	1,609,477
(6)	PRC national residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	23,983,087	1,820,144	25,803,231
(7)	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	12,186,046	77,093	12,263,139
Total		<u>156,040,337</u>	<u>11,318,134</u>	<u>167,358,471</u>
Total assets after provision		<u>379,702,621</u>		
On-balance sheet exposures as percentage of total assets		<u>41.1%</u>		

REPORT OF THE CHIEF EXECUTIVE OFFICER

2021 was full of challenges as the COVID-19 pandemic continued to disrupt normal business activities. Mainland China was able to effectively manage and control the pandemic, so that production and livelihoods largely returned normal; furthermore, strong export data led to a significant rise in GDP growth for the full year of 2021. Hong Kong managed to control the pandemic during 2021, while public spending was boosted by the HKSAR Government's consumption voucher scheme; hence, Hong Kong's economy rebounded from its trough in 2020 along with gradually improving unemployment data.

China CITIC Bank International Limited ("CNCBI" or "the Bank") and its subsidiaries (**together "the Group"**) continued to press ahead diligently with the implementation of its strategic plans. At the same time, the Group had to proactively address operational risks imposed on normal business activities as a result of the COVID-19 pandemic and strictly enforce business continuity plans to ensure the safety of its customers and staff. For the year under review, income and profitability of the Group significantly improved, with net profit after tax up 84.2% year on year, while risk management and compliance capabilities have been further strengthened. The Group continued to forge ahead with agile culture transformation and process re-engineering to enhance efficiency and strengthen product innovation capabilities. Management remained committed to spearhead Fintech adoption and was able to further build-out the inMotion mobile banking platform to enhance customer experience and ensure that the Group can maintain its competitiveness. Such satisfactory achievements could not have been accomplished without the hard work and dedication of the Group's staff as well as the tremendous support from parent bank China CITIC Bank Corporation Limited ("CNCB") and the CITIC Group in the Group's efforts to continue to strengthen collaboration.

Thank you all of the Group's staff! Thank you all of our stakeholders! Your trust and support will always provide us with the inexhaustible motivation to keep pushing forward!

OPERATING ENVIRONMENT

In 2021, the global economy staged a rebound, which was largely due to a low base of comparison as opposed to economic strength. Even though vaccinations helped reopen economies, unpredictable COVID-19 developments still posed tremendous difficulties to economic normalization. In the meantime, global inflationary pressure strengthened considerably, as consumer price indices in many economies rose to the highest levels in decades. Manufacturing supply chains endured crippling disruptions, while production and shipping bottlenecks resulted in tight supplies of commodities and goods. The confluence of these factors weakened growth momentum.

In 2021, the economy of Mainland China grew 8.1%, but the recovery was somewhat uneven. On one hand, stringent pandemic prevention and control measures inevitably placed restrictions on consumption, with real retail sales eking out only low single-digit gains. On the other hand, thanks to its comprehensive and robust supply chains, Mainland China's export competitiveness further improved during the pandemic, with international trade recording significant growth and exports and trade surplus reaching successive record highs.

Hong Kong's economy resumed growth in 2021, with GDP growth coming in at 6.4%. The value of exports soared by 26.3%, while real private consumption rose 5.6%. As for employment conditions, thanks to gradual normalization of local economic activities and a flexible labor market, unemployment problems were quickly addressed. After reaching a high of 7.2% in February 2021, the unemployment rate rapidly fell back to 3.9% by December.

FINANCIAL REVIEW

The Group achieved an operating income of HK\$8.20 billion, representing a year-on-year increase of 11.4%, of which net interest income increased by 11.9% year on year to reach HK\$5.81 billion. Net interest margin decreased 3 basis points from 1.47% of the previous year to 1.44%, mainly because the drop in asset yields was higher than the drop in funding costs. Non-interest income rose 10.2% year on year to HK\$2.39 billion largely due to increases in loan fees as well as revenues derived from the sale of insurance products and investment products.

The Group remained committed to strengthening its cost control capabilities and spearheading business transformation via the adoption of advanced financial technologies; as such, investments in technology and human resources continued to rise. The Group recorded a 7.3% year-on-year increase in total operating expenses and a cost-to-income ratio of 47.9%, representing a year-on-year decrease of 1.8 percentage points.

The Group's overall loan quality remained at healthy levels. Impairment losses for 2021 were HK\$1.77 billion, while impaired loan balance decreased from a year earlier. Impaired loan ratio dropped from 1.65% of the preceding year to 0.93%. The Group shall continue to step up collection efforts for impaired loans and strive to improve the quality of its loan portfolio.

The Group remained prudent in granting new loans in the midst of a challenging operating environment and proactively adjusted its asset mix to enhance capital efficiency. Total assets as at 31 December 2021 stood at HK\$417.47 billion, which was 6.3% higher than that as of end-2020. Customer loans (including trade bills) and customer deposits (including certificates of deposit issued) increased by 10.3% and 6.3% from a year ago respectively to HK\$242.67 billion and HK\$329.25 billion. Balance sheet structure remained healthy with retail deposits and lending accounting for 46.2% and 31.3% of total deposits and loans respectively. The loan-to-deposit ratio also remained healthy at 73.7%.

As at 31 December 2021, the Group's total capital adequacy ratio, tier 1 capital ratio and common equity tier 1 capital ratio stood at 17.1%, 14.7% and 12.0% respectively, meeting regulatory requirements. Meanwhile, the Group maintained sufficient liquidity and achieved an average liquidity coverage ratio of 249% for 2021.

BUSINESS REVIEW

Wholesale Banking Business

In 2021, Wholesale Banking Business proactively addressed different types of challenges and fine-tuned its business structure while maintaining steady business growth. Core product strategy was implemented in order to achieve steady and high-quality business development. During the period under review, Wholesale Banking Business' customer loan and deposit balances reached HK\$156.40 billion and HK\$169.18 billion respectively, representing year-on-year increases of 12.6% and 14.4%. Loan concentration decreased significantly while the share of CASA deposits increased considerably. Wholesale Banking Business' operating income increased by 9.1%, while net profit increased noticeably. NPL amount and NPL ratio both decreased. The Group ranked third in Hong Kong and Macau syndicated loans MLAB league table as of 2021 according to Refinitiv, representing an improvement of three rankings as compared to 2020. On the other hand, the Transaction Banking team achieved growth and enhanced its capabilities in various areas with trade finance volume in Hong Kong up 38.3% as compared to last year. Meanwhile, RMB Dividend Payment Services, IPO Receiving Bank Services and Host-to-Host File Transfer Services were launched successfully in order to provide high quality and one-stop integrated services to our customers.

Wholesale Banking Business will continue to adhere to the philosophy of high-quality and sustainable business development to further solidify competitive advantages, enhance customer servicing capabilities, strengthen internal control capabilities, deepen collaboration and push forward with stable business growth.

Treasury and Markets Business

In the midst of extremely volatile market conditions, the Treasury and Markets Business managed to achieve an operating income of HK\$1.11 billion, representing a year-on-year increase of 17.5%. During the period under review, the Debt Capital Markets team completed 161 deals for Chinese issuers with an aggregate issuance size of US\$56.44 billion, of which the Group acted as global coordinator for more than half of such transactions. As of the end of 2021, the Group ranked fifth amongst all Chinese financial institutions in offshore China USD bond issuances and first amongst all Chinese financial institutions for offshore China high yield bond issuances according to Bloomberg.

The trading team continued to focus on building out the market-making business of RMB and HK\$ products. The Group ranked fifth amongst Chinese banks in Asia for RMB FX spot trading volume throughout 2021 according to Refinitiv and has been recognized by the Bond Connect company for two consecutive years with the award "Outstanding commercial bank" for 2020-2021. The Southbound Bond Connect was officially launched in September 2021. The Group is one of the thirteen financial institutions designated by the Hong Kong Monetary Authority ("HKMA") as market-maker for Southbound trading under Bond Connect and is also one of the three designated offshore custodian banks of CNCB.

The custodian business for institutional customers maintained strong momentum. As of end-2021, 35 clients were successfully onboarded while US\$1.9 billion of assets under custody have been accumulated.

The Central Treasury Unit (“CTU”) carefully managed the mismatch in the Group’s liquidity gapping positions, FX funding swaps and bond investment portfolios, delivering satisfactory financial performance. For bond investments, CTU captured buying opportunities amid market volatilities and actively managed and reduced the risks related to high-risk industries. The Group’s professional investment management capabilities have been well recognized in the market and the Group was ranked number two as Top Investment House in Asian bonds by “The Asset Benchmark Research” for the year 2021.

Personal and Business Banking Business

Despite the volatile nature of the global pandemic situation and a weak global economic environment, Personal and Business Banking Business successfully achieved record-breaking operating income of HK\$2.80 billion in 2021, representing a year-on-year increase of 15.5%. Interest income and non-interest income recorded growth rates of 9.8% and 25.7% respectively. Performance of the insurance business was most prominent. Insurance income rose significantly by 43.9% year on year. In addition, the substantial reduction in credit provisions of 40.2% and prudent cost management resulted in a substantial increase in profit after impairment of 32.3% year on year. Private Banking and Business Banking performed well, laying a solid and diversified income base for future business growth.

Private Banking revenues increased by 32.9% year on year, mainly due to the rapid growth of the customer base. To cope with the expansion of high-net-worth customer base, two new *CITICdiamond* centers in Mong Kok and Causeway Bay were opened in 2021, while a new *CITICfirst* center was opened in Hung Hom.

Business Banking revenues rose 30.8% year on year and hit a record high. Customer loan and deposit balances also hit record highs, up 11.2% and 16.4% year on year respectively. Despite the weakening of the global economy and deteriorating credit quality, Business Banking maintained healthy asset quality, resulting in a significant year-on-year reduction of loans impairment.

Personal and Business Banking Business continued to invest in digital banking services via the inMotion mobile banking platform and spearhead transformation via the adoption of advanced financial technologies. In order to further grow the customer base and increase customers’ usage and stickiness, inMotion launched the “Monopoly” deposit account in January 2021, in cooperation with the global gaming and entertainment brand “Monopoly”, to acquire new customers and new funds. The result was encouraging. In October, the “GBA Wealth Management Connect” was successfully launched and the Group was amongst the first batch of banks to provide both Northbound and Southbound services. In addition, inMotion also launched the “Reward Go” gamification platform for new customer acquisition and the increase of customer’s stickiness. As of the end of 2021, the number of inMotion customers has grown significantly by 63.3% year on year.

Personal and Business Banking Group continues to implement the “New Retail” business transformation strategy, and shall increase business scale and improve operational efficiency via agile culture and digital transformation, so as to be the best bank in providing online and offline banking services for personal and business banking customers.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group continued to emphasize the importance of rigorous risk governance and strived to maintain robust risk management and internal control practices. Hence, the Group has continued to enhance its “three lines of defence” to ensure that the roles and responsibilities in relation to risk management within the Group are clearly defined, namely (1) business units where risks are taken (including related frontline and support staff), (2) independent risk management and compliance functions and (3) an independent internal audit function, in order to effectively manage the risks faced by the Group. The actions performed included regular reviews and updates of the Group’s risk appetite and policies as well as controls, procedures and reporting to ensure that they remain in-line with applicable laws and regulatory requirements for sound corporate governance.

In 2021, the Group implemented a number of risk management enhancement initiatives and undertook extensive preparations via internal efforts and the engagement of external consultants in order to ensure timely completion of various regulatory initiatives. These initiatives included Initial Margin Standard for non-centrally cleared over-the-counter derivatives, Standardized Approach to Counterparty Credit Risk, Reform of Interest Rate Benchmarks and pilot climate risk stress test etc. Furthermore, the Group has been actively pressing forward with the implementation of the Basel III Reform Package, Fundamental Review of the Trading Book, as well as fortifying the resilience against climate-related risks and promoting the risk culture of green and sustainable banking.

In 2021, the Group continued to strengthen internal control and compliance management capabilities during the pandemic, and adopt proactive approach to risk management to guard against various risks in view of the changing regulatory environment. The Group also continued to take steps to promote a sound corporate culture and raise staff awareness on standards relating to conduct by delivering regular mandatory training and communications to all departments.

As the HKMA announced its “Hong Kong Fintech 2025” strategy in June 2021 to boost Fintech and Regtech adoption among banks, the Group has established internal taskforce to identify and explore the benefits, applications and solutions associated with Regtech. The Group believes that an effective implementation of Regtech strategy can reduce cost, improve risk management and enhance risk-based supervision. The Group will continue to actively consider business or operational challenges that can be solved with Regtech, and will closely monitor the market trend and work with the banking industry to encourage greater Regtech adoption.

Various uncertainties continue to pose challenges in 2022, the Group will continue to perform stress tests and portfolio reviews on the key risk factors to assess the potential impact under stressed environment (including threat of COVID-19 variants, inflationary pressure and continuous geopolitical tensions) on the Group’s asset quality and financial positions, and adopt appropriate risk mitigation measures when necessary.

BUSINESS CONTINUITY PLANS

The COVID-19 situation in Hong Kong has evolved rapidly into the fifth wave. The Group has been closely monitoring the situation and making necessary work arrangements aligning to the pandemic prevention and control measures initiated by the HKSAR Government as well as CNCB to ensure the safety of its customers and staff. These measures include enhancing work-from-home capabilities, purchasing pandemic prevention equipment, increasing the frequency of deep cleaning and ensuring adequacy of essential pandemic prevention supplies.

In order to fight against the pandemic, the Group has continued to implement business continuity plans to ensure stable operations, keeping daily business activities on track with no occurrence of major risk incident. To cope with the fifth wave of the pandemic, the Group has been conducting daily meetings to strengthen communication and cooperation amongst all departments. At the same time, the Group actively participates in various social distancing measures, supports the “vaccine pass” arrangements launched by the HKSAR Government and encourages its staff to get vaccinated and obtain booster shots in a timely manner. The Group will continue to closely monitor the development of the pandemic and adjust relevant measures in a timely manner to ensure that business activities can proceed smoothly.

HUMAN RESOURCES DEVELOPMENT

In 2021, the Group launched the bank-wide Agile Culture Transformation (ACT) program to cultivate a sound corporate culture. Agile Culture Transformation aims to unleash employee potential, improve customer experiences and enhance operating efficiency. A series of communication sessions, workshops and social activities had been organized, covering employees in various positions.

Meanwhile, the Group went to great lengths to support staff’s personal and professional growth by providing programs suitable for different levels of experience, such as Graduate Program and 360 leadership assessment, etc. The Group also sponsored employees to obtain the relevant professional qualification recommended by local regulators. In an effort to further promote a self-directed learning culture, the Group introduced a new integrated online learning platform “CNCBI Academy” in June 2021, providing access to over 1,000 online courses based on the Bank’s competency framework to staff. The Group contributed to building talent pipeline for Hong Kong’s finance industry, by offering work opportunities and training to fresh graduates via external programs, such as Banking Talent Programme, Fintech Career Accelerator Scheme, the Greater Bay Area Youth Employment Scheme and more.

Employee’s health and wellness have always been the priority of the Group. The Group introduced a new Employee Wellness Program this year to encourage our employees taking better care of their own physical and mental wellness. The Group also organized the monthly Employee Wellness Day since July 2021 to provide health-related education and gifts to staff members. The Group has been even more focused on employee caring during the pandemic and has provided pandemic prevention supplies to employees, enhanced frequency of cleaning and disinfecting at various operating sites and arranged online activities in order to create a mutually supportive and caring atmosphere and relieve anxiety and stress of employees. The Group has also reminded employees to self-isolate or perform compulsory testing according to requirements as stipulated by the HKSAR Government and report the results to the Group in a timely manner as well as to be mindful of safety issues when working from home etc. so that employees feel cared for and well-supported.

CORPORATE SOCIAL RESPONSIBILITY

The Group actively shouldered its corporate social responsibilities, and strived to give back to the Hong Kong community. The Group fully supported the “Take Your Shot” Incentive Campaign launched by The Chinese Manufacturers’ Association of Hong Kong, as well as the COVID-19 Vaccination Lucky Draw initiated by The Hong Kong Association of Banks, to encourage the Hong Kong public to unite together in the fight against the pandemic.

In 2021, the Group initiated and supported various fundraising programs to help address the different needs of those within the community. The Group’s key corporate social responsibility programme, “Speak Along”, achieved encouraging results with more than 10,000 beneficiaries in 2021. Meanwhile, the Group also retained The Hong Kong Council of Social Service’s 15 Years Plus “Caring Company Logo”.

In face of the outbreak of the pandemic, the Group has always walked alongside Hong Kong given that it is deeply rooted in Hong Kong with one hundred years of operating history. During the pandemic, the Group has been actively fulfilling its corporate social responsibilities. Since the start of the pandemic, the Group has launched a series of relief measures including the proactive participation in the “Cash Payout Scheme” launched by the HKSAR Government, provisioning of registration channels and launch of various special offers and lucky draws such as the “Fight the Virus Together Time-Deposit Offer” etc. to increase cash levels of Hong Kong citizens. The Group also donated a total of HK\$200,000 credit card credit to The Chinese Manufacturers’ Association of Hong Kong’s Take Your Shot incentive campaign and The Hong Kong Association of Banks’ COVID-19 Vaccination Lucky Draw to encourage citizens to get vaccinated. Furthermore, the Group launched a series of relief measures for the public to alleviate the pressure on corporates and retail customers brought about by the COVID-19 pandemic and provide support to the Hong Kong community in its fight against the pandemic. Relief measures include “principal moratoriums on mortgages” and “waiver of personal loan and credit card fees and interest”. The Group shall continue to provide support to the “100% Personal Loan Guarantee Scheme” initiated by the HKMC Insurance Limited in 2021 to help individuals who lost their jobs as a result of the pandemic to ease their pressure for cash and the “Special 100% Loan Guarantee under the SME Financing Guarantee Scheme” launched by the HKSAR Government. To demonstrate its willingness to shoulder its corporate social responsibilities, the Group has also been donating pandemic prevention supplies such as face masks and rapid testing kits to citizens affected by the pandemic.

OUTLOOK

Since early 2022, the COVID-19 pandemic has broken out again, so economic growth of Hong Kong is expected to slow down to a certain extent. Geopolitical tensions may also lead to volatilities in the global economy. Consistently strong exports will continue to support Mainland China’s economic growth as well as expansion of Hong Kong’s international trade, but domestic demand will largely hinge on the evolution of the pandemic prevention and control measures. In overseas markets, a number of developed economies have begun or will soon tighten up monetary policies, inevitably pressuring asset markets reliant on central bank liquidity. Rising interest rates in the United States may indirectly provide support to interest income for banks in Hong Kong, but slowdown of economic growth and volatility in asset markets will lead to challenges in the operating environment.

In 2022, the Group will continue to forge ahead with the implementation of its 4C strategy (Culture, Customer, Collaboration, Cyberspace), promote sound corporate culture as well as the core value of integrity amongst its staff and further strengthen the accountability mechanism. The Group shall continue to strengthen relationships with existing customers, expand its customer base and spearhead product innovation and enhance customer experience.

The Group shall continue to press forward with agile culture transformation and process re-engineering to enhance operational efficiency. The Group shall remain committed to business transformation via the adoption of advanced financial technologies and further build out the product and service offerings on the inMotion mobile banking platform. Meanwhile, the Group will strengthen its risk management and internal control capabilities via the adoption of regulatory technologies and satisfy regulatory requirements.

The Group shall deepen collaboration with parent bank CNCB and the CITIC Group and will collaborate with CNCB’s IT department to strengthen the operations and maintenance of the Group’s IT infrastructure and enhance the Group’s abilities in defending against cyber-attacks. At the same time, collaboration and interaction amongst front, middle and back-end functions within the Group should also be strengthened.

Going forward, the Group shall focus on striking a balance between business development and risk management, improving employee satisfaction and strengthening staff's sense of belonging, and incorporating Environmental, Social and Governance elements into every aspect of business operations. Credit risk remains a major concern in light of the volatile market conditions, so the Group will step up collection efforts of large-size non-performing loans, closely monitor its lending portfolio and asset quality, and strive to minimize concentration risks.

The Group bounced back from its trough in 2020 and has resumed healthy business growth momentum in 2021. More uncertainties in the operating environment are expected in 2022 with the COVID-19 pandemic remaining a threat, while business outlook shall remain very challenging. As such, the Group shall adjust business continuity plans in a timely manner as needed in order to ensure that normal business activities can remain on track. The Group will strictly abide by the relevant pandemic prevention regulations as stipulated by the HKSAR Government and put its best foot forward to ensure the safety of its customers and staff. Meanwhile, the Group shall carefully manage market risks and the volatility in the financial markets caused by the COVID-19 pandemic.

The Bank shall celebrate its centennial birthday during the year of 2022. Although the Group has changed its name a few times – from Ka Wah Bank, to CITIC Ka Wah, to China CITIC Bank International – its original aspirations have remained true. Throughout the past one hundred years of challenges, the Group has continued to gain strength. I would like to express my gratitude to all those who have stood by us, especially each and every one of our customers as well as every staff member who has diligently worked for the Group over the past one hundred years. “Grow Together, Trust Forever” carries that special meaning. Located within the Greater Bay Area, the Group can leverage on the huge market potential in Mainland China, so the prospects are wide and opportunities are unlimited. I believe that the next 100 years will be even better for the Group as long as it presses forward with the implementation of its strategic plans, leverage on the power of advanced financial technologies and fully immerse itself into the CITIC Group ecosystem.

Bi Mingqiang

President & Chief Executive Officer

Hong Kong, 22 March 2022