

2022 Results Highlights

Financial Performance

- **Operating income** increased by 3.3% to HK\$8.46 billion. **Net interest income** rose 18.8% to HK\$6.90 billion. **Net interest margin** increased 23 basis points to 1.67% versus FY2021 level. **Non-interest income** dropped by 34.4% to HK\$1.57 billion mainly due to decreases in net trading income and net fee and commission income from debt capital markets, insurance products, investment and structured investment products.
- **Operating expenses** increased 4.3% year-on-year. Cost-to-income ratio was 48.4%.
- **Operating profit before impairment** increased by 2.3% to HK\$4.36 billion.
- **Impaired loan ratio** as at end-December 2022 was 1.69%.
- **Impairment losses** were HK\$1.76 billion, decreased 0.4% year-on-year.
- **Net profit after tax** was HK\$2.25 billion, up 5.9% year-on-year.
- **ROA** was 0.51%. **ROE** was 5.47%.
- **Total assets** increased by 8.2% versus end-2021 to HK\$451.65 billion. **Customer deposits (including certificates of deposits issued)** went up 3.8% to HK\$341.66 billion. **Customer loans (including trade bills)** were up 1.7% to HK\$246.80 billion.
- **Total capital ratio** and **CET1 ratio** met regulatory requirements at 18.6% and 12.0% respectively.

Core Businesses

Wholesale Banking business achieved solid results by deepening customer relationships and developing the competitive advantage of core products. In 2022, total income reached HK\$4.35 billion, up 10.1% compared to the last year. For core products, according to Refinitiv statistics, CNCBI ranked 4th, at the forefront, of the Hong Kong and Macau Syndicated Loan MLAB League Table with a market share of 6.7% as of end-2022. ESG-related business performed well, with the ESG loan balance reaching HK\$7.74 billion, an increase of nearly three times as of end-2021. Wholesale Banking Group will adhere to its prudent business plan, optimize its business structure, deepen its industry ties and customer relationships, and enhance its risk awareness and asset quality. Besides, a comprehensive array of financial services with improved service capabilities and quality will be offered to the customers.

Treasury and Markets business, despite extremely volatile market conditions, utilised expertise, maintained stability and prioritized capability development to improve customer service quality. "Northbound Outstanding Commercial Bank" was awarded in "Bond Connect Awards" for three consecutive years, and "Primary Market Pioneer Award" was also received in 2022. An award for "Cross-Border Service Innovation" was received from the China Foreign Exchange Trade System following the annual interbank market evaluation results for 2022. For securities services, through the collaboration with parent bank CNCB, the asset size under custody for Southbound bonds reached US\$10.75 billion. Total asset size under custody reached US\$16.19 billion, registering a more than eight-fold increase year-on-year. For Certificates of Deposit and Medium Term Notes businesses, 533 transactions were completed with a volume of US\$29.87 billion. Significant progress was achieved in comparison to the volume of US\$2.16 billion in 2021. For the underwriting of green and sustainable bonds, "Outstanding Award for Green and Sustainable Bond Lead Manager (Local Government Financing Vehicle) – Visionary Sustainability Bond Framework" was earned from the Hong Kong Quality Assurance Agency and ranked fifth in the green and sustainable bond underwriting ranking.

Personal and Business Banking business foundation remained solid. With the implementation of the "New Retail Business Strategy", number of High-Net-Worth customers and digital banking users expanded considerably. The number of High-Net-Worth customers climbed by 20.9% year-on-year, with Private Banking and CITIC*diamond* customers increased by 18.9% and 32.1% respectively. inMotion mobile banking customers grew 39.5% year-on-year and transaction volume through inMotion increased by 43.4% year-on-year. Customer deposits increased by 15.1% to HK\$175.07 billion and customer loans also increased by 3.3% to HK\$78.44 billion. The design of the product portfolio was refined to meet customer needs, and a series of effective promotion and marketing activities were launched to maintain a steady growth in consumer finance loans, with the loan balance increased by 13.0% year-on-year.



CHINA CITIC BANK INTERNATIONAL LIMITED

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

ANNOUNCEMENT OF 2022 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 2022.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	2022 HK\$'000	2021 HK\$'000
Interest income	11,811,121	7,945,179
Interest expense	(4,915,154)	(2,139,909)
Net interest income	6,895,967	5,805,270
Fee and commission income	1,403,106	1,763,233
Fee and commission expense	(161,930)	(156,249)
Net fee and commission income	1,241,176	1,606,984
Net trading income	316,998	879,240
Net loss on disposal of financial assets at fair value through other comprehensive income	(8,485)	(118,884)
Other operating income	17,710	22,737
Operating income	8,463,366	8,195,347
Operating expenses	(4,098,936)	(3,929,622)
Operating profit before impairment	4,364,430	4,265,725
Expected credit losses on financial assets	(1,801,946)	(1,782,919)
Impairment losses reversed on other assets	39,822	13,731
Impairment losses	(1,762,124)	(1,769,188)
Operating profit	2,602,306	2,496,537
Net loss on disposal of property and equipment and intangible assets	(5,468)	(2,915)
Revaluation (loss)/gain on investment properties	(47,115)	6,777
Profit before taxation	2,549,723	2,500,399
Income tax	(296,483)	(371,961)
Profit for the year	2,253,240	2,128,438
Profit attributable to shareholders	2,253,240	2,128,438

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	2022 HK\$'000	2021 <i>HK\$'000</i>
Profit for the year	2,253,240	2,128,438
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	(132,386)	48,190
Financial assets at fair value through other comprehensive income		
– change in the fair value of debt instruments	(1,720,250)	(674,566)
– transfer to income statement on disposal	8,485	118,884
– deferred tax related to the above	276,500	90,709
– transfer to income statement on impairment	44,325	59,133
	(1,390,940)	(405,840)
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
Financial assets at fair value through other comprehensive income		
– change in the fair value of equity instruments	40,560	(31,836)
– deferred tax related to the above	(6,692)	5,253
	33,868	(26,583)
Other comprehensive loss for the year	(1,489,458)	(224,631)
Total comprehensive income for the year	763,782	1,903,807
Total comprehensive income attributable to shareholders	763,782	1,903,807

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 31 December 2022***(Expressed in Hong Kong dollars)*

	2022 HK\$'000	2021 <i>HK\$'000</i>
ASSETS		
Cash and balances with banks and central banks	19,028,255	28,828,450
Placements with and advances to banks	33,839,668	21,058,640
Financial assets at fair value through profit or loss	791,802	3,106,275
Derivative financial instruments	23,927,566	8,888,842
Loans and advances to customers and other accounts	258,539,927	249,416,421
Financial assets at fair value through other comprehensive income	112,894,375	103,926,448
Amortised cost investments	57,739	53,375
Property and equipment		
– Investment properties	399,492	446,607
– Other premises and equipment	418,908	479,209
Right-of-use assets	866,853	559,103
Intangible assets	453,944	539,779
Tax recoverable	14,756	–
Deferred tax assets	417,649	168,886
Total Assets	451,650,934	417,472,035
LIABILITIES AND EQUITY		
Liabilities		
Deposits and balances of banks and other financial institutions	9,239,533	13,584,427
Deposits from customers	340,487,879	327,768,033
Financial liabilities at fair value through profit or loss	249,001	768,006
Derivative financial instruments	23,355,908	8,766,335
Certificates of deposit issued	1,169,709	1,481,389
Current tax liabilities	250,467	120,708
Deferred tax liabilities	1,764	1,541
Other liabilities	17,404,391	10,718,536
Lease liabilities	907,139	592,621
Loan capital	3,890,992	3,883,863
Total Liabilities	396,956,783	367,685,459
Equity		
Share capital	18,404,013	18,404,013
Reserves	23,047,414	22,827,746
Total shareholders' equity	41,451,427	41,231,759
Other equity instruments	13,242,724	8,554,817
Total Equity	54,694,151	49,786,576
Total Equity and Liabilities	451,650,934	417,472,035

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(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 2022	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
Changes in equity for 2022:												
Profit for the year	-	-	-	-	-	-	-	-	2,253,240	2,253,240	-	2,253,240
Other comprehensive loss for the year	-	-	-	(132,386)	-	(1,357,072)	-	-	-	(1,489,458)	-	(1,489,458)
Total comprehensive income for the year	-	-	-	(132,386)	-	(1,357,072)	-	-	2,253,240	763,782	-	763,782
Transfer from retained profits	-	(2,818)	-	-	-	-	2,913	63,705	(63,800)	-	-	-
Distribution payment for Additional Tier 1 Capital Securities ("AT1 Capital Securities")	-	-	-	-	-	-	-	-	(544,114)	(544,114)	-	(544,114)
Issue of AT1 Capital Securities	-	-	-	-	-	-	-	-	-	-	4,687,907	4,687,907
At 31 December 2022	<u>18,404,013</u>	<u>3,771</u>	<u>100,000</u>	<u>(80,848)</u>	<u>294,533</u>	<u>(1,196,475)</u>	<u>65,748</u>	<u>243,972</u>	<u>23,616,713</u>	<u>23,047,414</u>	<u>13,242,724</u>	<u>54,694,151</u>
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 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	<u>18,404,013</u>	<u>6,589</u>	<u>100,000</u>	<u>51,538</u>	<u>294,533</u>	<u>160,597</u>	<u>62,835</u>	<u>180,267</u>	<u>21,971,387</u>	<u>22,827,746</u>	<u>8,554,817</u>	<u>49,786,576</u>

CONSOLIDATED CASH FLOW STATEMENT**For the year ended 31 December 2022***(Expressed in Hong Kong dollars)*

	2022 HK\$'000	2021 HK\$'000
Operating activities		
Profit before taxation	2,549,723	2,500,399
Adjustments for non-cash items:		
Expected credit losses charged on financial assets	1,801,946	1,782,919
Impairment losses reversed on other assets	(39,822)	(13,731)
Net loss on disposal of financial assets at fair value through other comprehensive income	8,485	118,884
Net loss on disposal of property and equipment and intangible assets	5,468	2,915
Revaluation loss/(gain) on investment properties	47,115	(6,777)
Amortisation of deferred expenses	268,717	31,455
Amortisation of intangible assets	231,763	244,816
Depreciation on property and equipment	152,153	118,408
Depreciation on right-of-use assets	295,896	297,759
Dividend income from equity securities	(3,410)	(3,810)
Interest expense on loan capital	187,620	186,106
Foreign exchange differences	497,626	(23,613)
Operating profit before changes in working capital	6,003,280	5,235,730
Net (increase)/decrease in operating assets		
Placements with and advances to banks with original maturity beyond 3 months	(15,051,168)	127,200
Treasury bills with original maturity beyond 3 months	(5,210,619)	(14,507,349)
Certificates of deposit held with original maturity beyond 3 months	508,002	447,047
Financial assets at fair value through profit or loss	2,070,156	(104,332)
Derivative financial instruments	(15,038,724)	5,489,759
Loans and advances to customers and other accounts	(11,137,202)	(24,352,035)
Financial assets at fair value through other comprehensive income	6,356,775	(4,687,866)
	(37,502,780)	(37,587,576)
Net increase/(decrease) in operating liabilities		
Deposits and balances of banks and other financial institutions	(4,344,894)	8,258,019
Deposits from customers	12,719,846	17,887,826
Derivative financial instruments	14,589,573	(6,393,948)
Financial liabilities at fair value through profit or loss	(519,005)	477,821
Certificates of deposit issued	(297,060)	1,475,336
Other liabilities	6,706,236	640,880
	28,854,696	22,345,934
Cash used in operating activities	(2,644,804)	(10,005,912)
Income tax paid		
Hong Kong Profits Tax paid	(85,202)	(74,703)
Taxation outside Hong Kong paid	(49,405)	(39,916)
Net cash flow used in operating activities	(2,779,411)	(10,120,531)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**For the year ended 31 December 2022***(Expressed in Hong Kong dollars)*

	2022 HK\$'000	2021 HK\$'000
Net cash used in operating activities	(2,779,411)	(10,120,531)
Cash flow generated from/(used in) investing activities		
Dividends received from equity securities	3,410	3,810
Purchase of property and equipment and intangible assets	(246,073)	(263,038)
Proceeds from disposal of property and equipment and intangible assets	285	144
Net cash used in investing activities	(242,378)	(259,084)
Cash flow generated from/(used in) financing activities		
Proceeds from AT1 Capital Securities issuance	4,687,907	4,647,489
Payment for redemption of AT1 Capital Securities	–	(3,891,082)
Distribution paid on AT1 Capital Securities	(544,114)	(441,432)
Payment of lease liabilities	(308,414)	(310,351)
Interest paid on loan capital	(181,095)	(179,742)
Net cash generated from/(used in) financing activities	3,654,284	(175,118)
Net increase/(decrease) in cash and cash equivalents	632,495	(10,554,733)
Cash and cash equivalents at 1 January	67,854,091	78,305,049
Exchange differences in respect of cash and cash equivalents	(627,748)	103,775
Cash and cash equivalents at 31 December	67,858,838	67,854,091
Analysis of the balances of cash and cash equivalents		
Cash and balances with banks and central banks	18,415,050	28,235,584
Placements with and advances to banks with original maturity within 3 months	18,753,919	20,990,458
Treasury bills and certificates of deposit held with original maturity within 3 months:		
– Financial assets at fair value through other comprehensive income	30,641,825	18,574,671
– Amortised cost investments	48,044	53,378
	67,858,838	67,854,091
Cash flows from operating activities included:		
Interest received	11,068,828	8,020,173
Interest paid	(3,135,933)	(2,324,587)

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

The financial information relating to the financial year ended 31 December 2022 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 2022 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 2022**

This annual financial report has been prepared on a basis consistent with the accounting policies adopted in the 2021 annual financial statements, which have been prepared in accordance with HKFRSs.

Amendments to HKFRSs effective for the financial year beginning on or after 1 January 2022 do not have a material impact on the Group.

(b) New standards and interpretations not yet adopted for the year ended 31 December 2022

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Listed securities	1,141,206	1,090,551
Unlisted securities	694,054	276,094
Balances, placements with banks and advances to banks	956,857	128,760
Advances and other accounts	9,019,004	6,449,774
Interest income on financial assets	<u>11,811,121</u>	<u>7,945,179</u>
Of which:		
Interest income on financial assets measured at amortised cost	10,019,893	6,627,788
Interest income on financial assets measured at fair value through other comprehensive income	<u>1,791,228</u>	<u>1,317,391</u>
	<u>11,811,121</u>	<u>7,945,179</u>

4 INTEREST EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deposits from customers	4,327,612	1,797,454
Deposits from banks and other financial institutions	357,873	128,914
Certificates of deposit issued	22,729	3,984
Loan capital issued	187,620	186,106
Lease liabilities	19,320	23,451
Interest expense on financial liabilities measured at amortised cost	<u>4,915,154</u>	<u>2,139,909</u>

5 NET FEE AND COMMISSION INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fee and commission income:		
Bills commission	79,394	77,023
Banking services	118,074	131,977
Card-related income	38,641	32,368
Debt capital markets	64,115	215,572
Insurance	438,885	589,093
Investment and structured investment products	220,438	312,638
Loans, overdrafts and facilities fees	441,373	401,551
Others	2,186	3,011
	1,403,106	1,763,233
Fee and commission expense	(161,930)	(156,249)
	1,241,176	1,606,984
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	559,408	510,942
– Fee and commission expense	(32,047)	(42,837)
	527,361	468,105

6 NET TRADING INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net gains from dealing in foreign currencies	177,569	632,949
Net gains/(losses) from financial assets at fair value through profit or loss	36,887	(53,785)
Net losses from other dealing activities	(120,104)	(108,777)
Net hedging loss on fair value hedges	(205)	–
Net interest income on trading activities		
– Listed	24,718	82,096
– Unlisted	198,133	326,757
	316,998	879,240

7 OTHER OPERATING INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividend income		
– Unlisted investments	3,410	3,810
Rental income from investment properties		
less direct outgoings of HK\$272,000 (2021: HK\$244,000)	4,994	3,907
Others	9,306	15,020
	17,710	22,737

8 OPERATING EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(a) Staff costs		
Salaries and other staff costs	2,361,066	2,200,315
Retirement costs	149,056	137,883
	<u>2,510,122</u>	<u>2,338,198</u>
(b) Depreciation and amortisation		
Depreciation – property and equipment	152,153	118,408
Depreciation – right-of-use assets	295,896	297,759
Amortisation – intangible assets	231,763	244,816
	<u>679,812</u>	<u>660,983</u>
(c) Other operating expenses		
Property and equipment expenses (excluding depreciation)	385,179	387,058
Auditor's remuneration		
– Audit related service	8,899	9,722
– Non-audit related service	2,888	3,058
Advertising	71,391	99,490
Communication, printing and stationery	172,764	166,897
Electronic data processing	139,931	108,696
Legal and professional fees	47,137	60,638
Others	80,813	94,882
	<u>909,002</u>	<u>930,441</u>
Total operating expenses	<u><u>4,098,936</u></u>	<u><u>3,929,622</u></u>

9 EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

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

	2022			
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances with banks and central banks	(2,839)	–	–	(2,839)
Placements with and advances to banks	16,102	–	–	16,102
Loans and advances to customers and other accounts	(441,296)	248,040	2,093,184	1,899,928
Financial assets at fair value through other comprehensive income	(9,911)	–	54,236	44,325
Amortised cost investments	–	–	–	–
Loan commitments and guarantees (included in contingent liabilities and commitments)	(16,995)	625	–	(16,370)
	<u>(454,939)</u>	<u>248,665</u>	<u>2,147,420</u>	<u>1,941,146</u>
Recoveries				<u>(139,200)</u>
				<u>1,801,946</u>
	2021			
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	203,531	230,251
Over-provision in respect of prior years	(15,811)	(22,850)
	<u>187,720</u>	<u>207,401</u>
Current tax – Taxation outside Hong Kong		
Provision for the year	85,849	63,426
Under/(over)-provision in respect of prior years	2,796	(21)
	<u>88,645</u>	<u>63,405</u>
Deferred tax		
Origination of temporary differences	20,118	101,155
	<u>296,483</u>	<u>371,961</u>

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before tax	<u>2,549,723</u>	<u>2,500,399</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	458,771	438,882
Tax effect of non-deductible expenses	79,116	52,018
Tax effect of non-taxable revenue	(171,292)	(59,705)
Tax effect of distribution payment of AT1 Capital Securities	(89,779)	(72,836)
Over-provision in prior years	(13,015)	(22,871)
Others	32,682	36,473
Actual tax expense	<u>296,483</u>	<u>371,961</u>

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

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

	2022 HK\$'000	2021 HK\$'000
Debt securities	683,252	2,006,507
Treasury bills	108,550	1,099,768
	791,802	3,106,275
Issued by:		
Sovereigns	506,983	2,104,669
Banks and other financial institutions	175,321	681,738
Corporate entities	109,498	319,071
Public entities	–	797
	791,802	3,106,275
Listed	645,800	1,633,424
Unlisted	146,002	1,472,851
	791,802	3,106,275

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

	2022 HK\$'000	2021 HK\$'000
Short sales of debt securities	249,001	768,006

12 LOANS AND ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

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

	2022 HK\$'000	2021 HK\$'000
Gross loans and advances to customers	246,798,115	242,667,031
– Expected credit losses allowances	(1,377,634)	(1,871,846)
	245,420,481	240,795,185
Other accounts	13,613,554	8,967,557
– Expected credit losses allowances	(494,108)	(346,321)
	13,119,446	8,621,236
	258,539,927	249,416,421

As at 31 December 2022, loans and advances and other accounts at fair value through profit or loss with reference to recent transaction prices amounted to HK\$3,768,163,000 (2021: Nil). The fair value measurements are categorized as level 3 within the fair value hierarchy.

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").

	2022		2021	
	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	7,140,999	1,170,923	8,951,242	4,574
– Property investment	19,237,739	85,581	15,064,324	153,563
– Financial concerns	20,211,822	–	14,866,601	–
– Stockbrokers	4,409,499	–	4,616,449	–
– Wholesale and retail trade	10,065,083	213,742	8,813,954	225,579
– Manufacturing	5,079,735	81,454	6,149,656	121,941
– Transport and transport equipment	1,949,088	–	2,207,235	–
– Recreational activities	851,625	–	1,396,460	–
– Information technology	3,914,083	–	4,140,974	7,209
– Others	8,559,229	116,219	12,106,121	587,344
Individuals				
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	18,568	–	18,734	–
– Loans for the purchase of other residential properties	23,018,616	53,246	22,708,364	25,726
– Credit card advances	715,283	3,481	634,385	3,160
– Others	19,918,902	42,681	19,463,914	32,543
Gross loans and advances for use in Hong Kong	125,090,271	1,767,327	121,138,413	1,161,639
Trade finance	6,320,760	9,444	6,628,733	6,567
Gross loans and advances for use outside Hong Kong	115,387,084	2,390,194	114,899,885	1,086,034
Gross loans and advances to customers	246,798,115	4,166,965	242,667,031	2,254,240

(c) Impaired loans and advances to customers

	2022 HK\$'000	2021 HK\$'000
Gross impaired loans and advances to customers	4,166,965	2,254,240
Expected credit losses allowances – Stage 3	(252,572)	(554,531)
	3,914,393	1,699,709
Gross impaired loans and advances as a % of total loans and advances to customers	1.69%	0.93%

The secured gross impaired loans and advances to customers amounts to HK\$2,502,023,000 (2021: HK\$1,646,035,000) 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

	2022 HK\$'000	2021 HK\$'000
Debt securities		
– Certificates of deposit held	3,990,667	4,490,521
– Treasury bills	56,691,447	39,187,201
– Other debt securities	52,092,832	60,169,857
	112,774,946	103,847,579
Equity securities	119,429	78,869
	112,894,375	103,926,448
Issued by:		
Sovereigns	64,872,217	43,215,443
Banks and other financial institutions	35,361,447	43,364,259
Corporate entities	11,182,833	15,281,446
Public entities	1,477,878	2,065,300
	112,894,375	103,926,448
Listed	44,047,192	53,763,088
Unlisted	68,847,183	50,163,360
	112,894,375	103,926,448

14 CAPITAL AND RESERVES

(a) Share capital

(i) Ordinary shares, issued and fully paid:

	2022		2021	
	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 2022 (2021: 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Capital reserve	3,771	6,589
General reserve	100,000	100,000
Exchange differences reserve	(80,848)	51,538
Property revaluation reserve	294,533	294,533
Investment revaluation reserve	(1,196,475)	160,597
Statutory reserve	65,748	62,835
Regulatory general reserve	243,972	180,267
Retained profits*	23,616,713	21,971,387
Total	<u>23,047,414</u>	<u>22,827,746</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 2022, HK\$2,326,333,000 (2021: HK\$2,061,314,000) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Direct credit substitutes	897,471	391,928
Transaction-related contingencies	869,517	974,821
Trade-related contingencies	5,610,019	6,446,078
Forward forward deposits placed	37,977	14,424
Other commitments:		
– which are unconditionally cancellable or automatically cancellable due to deterioration in the creditworthiness of the borrower	109,189,888	98,222,623
– with an original maturity of not more than 1 year	3,952,746	2,443,195
– with an original maturity of more than 1 year	12,822,564	13,632,064
	<u>133,380,182</u>	<u>122,125,133</u>
Credit risk-weighted amounts	<u>9,496,598</u>	<u>9,172,993</u>

The risk weights used in the computation of credit risk-weighted amounts range from 0% to 150% (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Currency derivatives		
Forwards	56,628,912	56,738,442
Swaps	956,687,728	964,903,705
Options purchased	58,106,983	24,249,234
Options written	56,956,703	22,123,956
Interest rate derivatives		
Forwards/Futures	3,134,821	27,289
Swaps	978,677,761	606,576,660
Options purchased	3,036,822	3,036,325
Options written	3,036,822	3,036,325
	2,116,266,552	1,680,691,936

At 31 December 2022, the interest rate swaps held for hedging amounted to HK\$678,431,000 (2021: Nil).

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.

(b) Fair value of derivatives

	2022		2021	
	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	11,960,459	11,398,101	5,755,146	5,751,550
Interest rate derivatives	11,967,107	11,957,807	3,133,696	3,014,785
	23,927,566	23,355,908	8,888,842	8,766,335

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 2022, the Group's average daily trading profit and loss from foreign exchange positions was a gain of HK\$537,000 (2021: a gain of HK\$488,000) with a standard deviation of HK\$14,620,000 (2021: HK\$8,087,000).

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

Equivalent in HK\$'000	2022				2021			
	USD	RMB	Others	Total	USD	RMB	Others	Total
Spot assets	190,664,917	27,691,136	29,613,849	247,969,902	176,637,317	20,952,451	24,632,189	222,221,957
Spot liabilities	(152,381,891)	(33,160,325)	(12,817,827)	(198,360,043)	(130,209,088)	(29,602,304)	(13,310,556)	(173,121,948)
Forward purchases	486,344,635	311,452,359	43,455,934	841,252,928	483,048,048	321,823,265	87,983,255	892,854,568
Forward sales	(521,304,735)	(306,190,843)	(59,970,233)	(887,465,811)	(529,582,904)	(310,297,654)	(99,330,676)	(939,211,234)
Net options position	258,124	388,282	(505,029)	141,377	699,927	(706,129)	56,740	50,538
Net long/(short) position	<u>3,581,050</u>	<u>180,609</u>	<u>(223,306)</u>	<u>3,538,353</u>	<u>593,300</u>	<u>2,169,629</u>	<u>30,952</u>	<u>2,793,881</u>
Net structural position	<u>-</u>	<u>671,212</u>	<u>48,519</u>	<u>719,731</u>	<u>-</u>	<u>734,574</u>	<u>48,541</u>	<u>783,115</u>

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 five 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 funding management.

Mainland subsidiary is the Bank's wholly owned banking subsidiary operating in Mainland China.

Others mainly comprises unallocated revenue and expenses as well as corporate expenses.

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

	2022							
	Wholesale banking HK\$'000	Personal and business banking HK\$'000	Treasury and markets HK\$'000	Mainland subsidiary HK\$'000	Others HK\$'000	Subtotal HK\$'000	Elimination and consolidation adjustments HK\$'000	Consolidated HK\$'000
Net interest income	3,609,836	1,788,395	796,149	276,408	424,760	6,895,548	419	6,895,967
Other operating income	737,881	853,316	16,760	77,218	(43,604)	1,641,571	(65,687)	1,575,884
Net (loss)/gain on disposal of financial assets at fair value through other comprehensive income	(399)	–	(23,569)	15,483	–	(8,485)	–	(8,485)
Operating income	4,347,318	2,641,711	789,340	369,109	381,156	8,528,634	(65,268)	8,463,366
Operating expenses	(474,861)	(1,041,555)	(237,465)	(214,870)	(2,182,277)	(4,151,028)	52,092	(4,098,936)
Inter-segment (expenses)/income	(205,209)	(628,430)	(154,803)	–	988,442	–	–	–
Operating profit/(loss) before impairment	3,667,248	971,726	397,072	154,239	(812,679)	4,377,606	(13,176)	4,364,430
Expected credit losses on financial assets	(1,625,766)	(109,270)	(57,207)	(9,872)	169	(1,801,946)	–	(1,801,946)
Impairment losses reversed on other assets	–	–	–	39,822	–	39,822	–	39,822
Operating profit/(loss)	2,041,482	862,456	339,865	184,189	(812,510)	2,615,482	(13,176)	2,602,306
Net loss on disposal of property and equipment and intangible assets	(674)	(2,578)	(118)	–	(2,098)	(5,468)	–	(5,468)
Revaluation loss on investment properties	–	–	–	–	(47,115)	(47,115)	–	(47,115)
Profit/(loss) before taxation	2,040,808	859,878	339,747	184,189	(861,723)	2,562,899	(13,176)	2,549,723
Income tax								(296,483)
Profit for the year								2,253,240
Other segment items:								
Depreciation and amortisation	41,318	85,283	5,767	36,380	511,064	679,812	–	679,812
Segment assets	172,405,368	79,518,003	202,422,986	15,811,362	9,343,338	479,501,057	(27,850,123)	451,650,934
Segment liabilities	181,600,035	183,437,843	39,744,617	14,085,298	6,516,424	425,384,217	(28,427,434)	396,956,783
Capital expenditure incurred during the year	1,101	19,425	35	8,639	216,873	246,073	–	246,073

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

	2021							
	Wholesale banking <i>HK\$'000</i>	Personal and business banking <i>HK\$'000</i>	Treasury and markets <i>HK\$'000</i>	Mainland subsidiary <i>HK\$'000</i>	Others <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Elimination and consolidation adjustments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Net interest income	3,199,972	1,699,642	666,766	263,488	(24,030)	5,805,838	(568)	5,805,270
Other operating income	745,515	1,098,261	582,780	56,210	64,095	2,546,861	(37,900)	2,508,961
Net gain/(loss) on disposal of financial assets at fair value through other comprehensive income	3,233	–	(132,919)	10,802	–	(118,884)	–	(118,884)
Operating income	3,948,720	2,797,903	1,116,627	330,500	40,065	8,233,815	(38,468)	8,195,347
Operating expenses	(425,096)	(994,064)	(186,636)	(202,375)	(2,158,635)	(3,966,806)	37,184	(3,929,622)
Inter-segment (expenses)/income	(199,520)	(617,577)	(154,485)	(1,508)	973,090	–	–	–
Operating profit/(loss) before impairment	3,324,104	1,186,262	775,506	126,617	(1,145,480)	4,267,009	(1,284)	4,265,725
Expected credit losses on financial assets	(1,676,385)	(44,157)	(56,541)	7,105	(12,941)	(1,782,919)	–	(1,782,919)
Impairment losses reversed on other assets	–	–	–	–	13,731	13,731	–	13,731
Operating profit/(loss)	1,647,719	1,142,105	718,965	133,722	(1,144,690)	2,497,821	(1,284)	2,496,537
Net gain/(loss) on disposal of property and equipment and intangible assets	64	(2,869)	(2)	13	(121)	(2,915)	–	(2,915)
Revaluation gain on investment properties	–	–	–	–	6,777	6,777	–	6,777
Profit/(loss) before taxation	1,647,783	1,139,236	718,963	133,735	(1,138,034)	2,501,683	(1,284)	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	36,251	564,891	660,983	–	660,983
Segment assets	172,279,814	77,295,134	172,720,857	13,286,779	7,960,935	443,543,519	(26,071,484)	417,472,035
Segment liabilities	196,146,760	158,022,633	18,767,504	11,514,649	9,920,286	394,371,832	(26,686,373)	367,685,459
Capital expenditure incurred during the year	3,921	48,557	134	13,790	196,636	263,038	–	263,038

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.

2022					
	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	1,886,353	414,503,842	360,410,937	7,452,666	100,304,370
Mainland China	185,059	17,721,065	16,118,384	393,182	505,364
United States	228,343	16,785,875	16,622,008	339,076	4,002,663
Singapore	237,616	21,712,359	21,461,099	289,039	28,511,386
Others	12,374	2,136,733	2,050,278	43,001	56,399
Inter-segment items	(22)	(21,208,940)	(19,705,923)	(53,598)	—
	2,549,723	451,650,934	396,956,783	8,463,366	133,380,182
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

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.

	2022 HK\$'000	2021 HK\$'000
Common Equity Tier 1 ("CET1") capital instruments and reserves		
Directly issued qualifying CET1 capital instruments plus any related share premium	18,058,853	18,052,185
Retained earnings	23,823,093	22,119,639
Disclosed reserves	(627,239)	822,674
CET1 capital before regulatory deductions	41,254,707	40,994,498
CET1 capital: regulatory deductions		
Deferred tax assets net of deferred tax liabilities	417,649	168,886
Other intangible assets (net of related deferred tax liability)	453,944	539,779
Cumulative fair value gains arising from the revaluation of land and buildings (own use and investment properties)	293,087	340,202
Regulatory reserve for general banking risks	2,326,333	2,061,314
Valuation adjustments	38,641	22,638
Debt valuation adjustments in respect of derivative contracts	5,362	2,631
Total regulatory deductions to CET1 capital	3,535,016	3,135,450
CET1 capital	37,719,691	37,859,048
Additional Tier 1 ("AT1") capital		
AT1 capital	13,243,907	8,556,000
Tier 1 capital	50,963,598	46,415,048
Tier 2 capital instruments and provisions		
Qualifying Tier 2 capital instruments plus any related share premium	3,899,031	3,898,392
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	131,889	153,091
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	3,523,657	3,472,342
Tier 2 capital base before deductions	7,554,577	7,523,825
Tier 2 capital: regulatory deductions		
Regulatory deductions to Tier 2 capital	—	—
Tier 2 capital	7,554,577	7,523,825
Total capital	58,518,175	53,938,873

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(B) CAPITAL ADEQUACY (CONTINUED)

(ii) Risk-weighted assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
– Credit risk	283,157,088	279,510,475
– Market risk	15,966,100	16,346,413
– Operational risk	15,001,688	14,920,038
	314,124,876	310,776,926

(iii) Capital adequacy ratios

	2022	2021
– CET1 capital ratio	12.0%	12.2%
– Tier 1 capital ratio	16.2%	14.9%
– Total capital ratio	18.6%	17.4%

(iv) Capital instruments

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

	2022 <i>HK\$'000</i>	2021 <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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Additional Tier 1 Capital Securities		
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	4,647,489
Undated non-cumulative subordinated capital securities with US\$600 million (issued in 2022)	4,687,907	–
	13,242,724	8,554,817

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Tier 2 capital instruments		
<u>Issued by the Bank</u>		
–US\$500 million Subordinated Fixed Rate Notes at 4.625% (due in 2029)	3,890,992	3,883,863

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(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 2022	For quarter ended 30 September 2022	For quarter ended 30 June 2022	For quarter ended 31 March 2022	For quarter ended 31 December 2021
Average LCR	209%	187%	224%	230%	239%
	Quarter ended 31 December 2022	Quarter ended 30 September 2022	Quarter ended 30 June 2022	Quarter ended 31 March 2022	Quarter ended 31 December 2021
NSFR	137%	125%	127%	127%	125%

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 (CONTINUED)

(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.

	2022		2021	
	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	7,140,999	56	8,951,242	64
– Property investment	19,237,739	98	15,064,324	98
– Financial concerns	20,211,822	6	14,866,601	10
– Stockbrokers	4,409,499	40	4,616,449	45
– Wholesale and retail trade	10,065,083	85	8,813,954	87
– Manufacturing	5,079,735	31	6,149,656	26
– Transport and transport equipment	1,949,088	23	2,207,235	23
– Recreational activities	851,625	3	1,396,460	15
– Information technology	3,914,083	1	4,140,974	4
– Others	8,559,229	89	12,106,121	62
Individuals				
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	18,568	100	18,734	100
– Loans for the purchase of other residential properties	23,018,616	100	22,708,364	100
– Credit card advances	715,283	–	634,385	–
– Others	19,918,902	93	19,463,914	93
Gross loans and advances for use in Hong Kong	125,090,271	68	121,138,413	68
Trade finance	6,320,760	22	6,628,733	22
Gross loans and advances for use outside Hong Kong	115,387,084	18	114,899,885	19
Gross loans and advances to customers	246,798,115	44	242,667,031	44

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(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:

2022							
	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>	Written off during the year <i>HK\$'000</i>
Gross loans and advances for use outside Hong Kong	<u>1,587,732</u>	<u>2,390,194</u>	<u>512,865</u>	<u>370,087</u>	<u>114,926</u>	<u>1,075,963</u>	<u>1,368,811</u>
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>	Written off 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>	<u>1,975,317</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

By geographical areas

	2022					
	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	173,079,464	2,618,209	3,399,730	417,432	311,552	177,206
Mainland China	40,471,020	761,442	761,442	162,778	40,774	75,366
United States	12,060,909	–	–	29,921	–	–
Singapore	7,810,685	–	–	58,922	5,869	–
Others	13,376,037	5,793	5,793	33,002	64,812	–
	<u>246,798,115</u>	<u>3,385,444</u>	<u>4,166,965</u>	<u>702,055</u>	<u>423,007</u>	<u>252,572</u>
	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>

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 (CONTINUED)

(E) OVERDUE ASSETS

Overdue loans and advances to customers

	2022		2021	
	<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	1,363,091	0.55	489,887	0.20
– 1 year or less but over 6 months	862,803	0.35	167,255	0.07
– over 1 year	1,159,550	0.47	1,045,329	0.43
	3,385,444	1.37	1,702,471	0.70
Secured overdue loans and advances	2,309,299		1,620,537	
Unsecured overdue loans and advances	1,076,145		81,934	
	3,385,444		1,702,471	
Market value of collateral held against the secured overdue loans and advances	4,923,948		3,765,237	
Expected credit losses allowances	241,784		383,981	

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 and trade finance which were overdue for over three months at 31 December 2022 and 2021.

Other overdue assets

There was financial assets at fair value through other comprehensive income amounted HK\$11,720,000, which were overdue for over three months at 31 December 2022 (2021: Nil).

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(F) RESCHEDULED LOANS

	2022		2021	
	<i>HK\$'000</i>	% of total loans and advances to customers	<i>HK\$'000</i>	% of total loans and advances to customers
Rescheduled loans	149,986	0.061	5,545	0.002

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 2022 and 2021.

(G) REPOSSESSED ASSETS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Included in loans and advances to customers and other accounts	149,251	259,517

The amount represents the estimated market value of the repossessed assets at 31 December 2022 and 2021.

(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.

	2022				
	Non-bank private sector				
	Banks <i>HK\$'000</i>	Official Sector <i>HK\$'000</i>	Non-bank financial institutions <i>HK\$'000</i>	Non-financial private sector <i>HK\$'000</i>	Total <i>HK\$'000</i>
Developed countries	29,927,871	24,545,966	2,304,833	4,303,637	61,082,307
Offshore centres	10,675,665	86,591	23,331,069	56,880,197	90,973,522
of which Hong Kong	3,830,542	86,086	20,009,710	45,844,064	69,770,402
Developing Asia-Pacific	27,481,203	4,496,093	5,483,951	36,513,112	73,974,359
of which Mainland China	23,329,112	4,495,505	5,458,420	32,844,370	66,127,407
	2021				
	Non-bank private sector				
	Banks <i>HK\$'000</i>	Official Sector <i>HK\$'000</i>	Non-bank financial institutions <i>HK\$'000</i>	Non-financial private sector <i>HK\$'000</i>	Total <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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(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.

	2022		
	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")	39,988,887	3,334,745	43,323,632
(2) Local governments, local government-owned entities and their subsidiaries and JVs	15,963,526	1,648,227	17,611,753
(3) PRC national residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	42,109,952	4,030,950	46,140,902
(4) Other entities of central government not reported in item 1 above	5,202,575	1,183,666	6,386,241
(5) Other entities of local governments not reported in item 2 above	2,141,272	–	2,141,272
(6) PRC national residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	33,865,994	1,995,551	35,861,545
(7) Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	6,623,779	123,818	6,747,597
Total	145,895,985	12,316,957	158,212,942
Total assets after provision	423,372,148		
On-balance sheet exposures as percentage of total assets	34.5%		
	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%		

REPORT OF THE CHIEF EXECUTIVE OFFICER

2022 is a year full of challenges. China CITIC Bank International Limited (“CNCBI” or “the Bank”) and its subsidiaries (together “the Group”) faced significant challenges as a result of the impact of the pandemic and the global economic environment. Thanks to the dedication and hard work of all staff, as well as the support and trust of stakeholders, the overall operation of the Group remained stable. During the reporting period, operating income was HK\$8.46 billion, a 3.3% year-on-year increase, and net profit was HK\$2.25 billion, a 5.9% year-on-year increase. Customers’ loans increased by 1.7% annually to HK\$246.80 billion. While generating consistent growth in asset size, prudent risk management was maintained.

Affected by the external macroeconomic environment, the Group continued to strengthen asset quality, and enhance compliance and internal control. Additionally, the Group continued to push Fintech transformation and agile working mode in order to accelerate product innovation. Among these, mobile banking application “inMotion” continued to enhance its customer acquisition abilities, which also led to an increase in the proportion of digital users, forming the Group a solid business development base.

Under the challenging environment, the Group was able to achieve impressive results. Thank you to all of the staff. Thank you to all of the stakeholders.

OPERATING ENVIRONMENT

In 2022, inflation surged in many parts of the world, while economic performance weakened, raising the odds of stagflation. As soaring prices forced major central banks to actively tighten monetary policy while recession risks increased, the volatility of asset prices soared. The global macro environment was complex and rather challenging.

Mainland China’s economic recovery was moderate, with GDP rising 3%. Growth momentum was largely propped up by manufacturing, infrastructure, and exports, while services and retail sales faced strong headwinds. However, a weak global economy began to sap external demand in the second half of the year, limiting the contribution of exports to growth stabilization. Sliding international trade also disproportionately impacted Hong Kong GDP growth.

Private consumption and local economic activities gradually normalized, and the labour market continued to improve as the unemployment rate steadily declined by the end of 2022. However, as exports dropped for the first time, Hong Kong’s GDP recorded a full-year contraction of 3.5%. As for the interest rate environment, as the Fed actively hiked rates, interest rates in Hong Kong caught up and followed U.S. rates higher.

FINANCIAL REVIEW

In 2022, the Group recorded profit attributable to shareholders of HK\$2.25 billion, representing an increase of 5.9% as compared to last year. Operating income was HK\$8.46 billion, increased 3.3% year-on-year. Net interest income rose 18.8% year-on-year to HK\$6.90 billion, net interest margin also increased by 23 basis points from last year to 1.67%. Non-interest income dropped 34.4% to HK\$1.57 billion mainly due to decreases in net trading income and net fee and commission income from debt capital markets, insurance products, investment and structured investment products.

Operating expenses increased 4.3% year-on-year to HK\$4.10 billion and cost-to-income ratio was 48.4%. The Group committed to investing in Fintech and talent development, and continued to deploy resources towards strategic areas. At the same time, the Group enhanced its cost structure, strengthened cost control, and promoted agile culture transformation and process re-engineering to improve operational efficiency.

Impairment losses decreased 0.4% year-on-year to HK\$1.76 billion. Impaired loan ratio was 1.69% as of end-2022. The Group will strengthen credit risk management and improve the quality of credit assets persistently.

The Group was cautious in granting new credit facilities and proactively adjusted its asset portfolio to improve capital efficiency. As of end-2022, total assets of the Group amounted to HK\$451.65 billion, representing 8.2% growth as compared to the end of last year. The Group recorded balanced growth in loans and deposits. Customer loans (including trade bills) increased by 1.7% from the end of last year to HK\$246.80 billion. Customer deposits (including certificates of deposit issued) increased by 3.8% from the end of last year to HK\$341.66 billion. Loan-to-deposit ratio remained at a healthy level of 72.2%.

To improve capital adequacy, the Group successfully issued US\$600 million in additional Tier-1 capital securities in April 2022. All the Group's total capital ratio, tier 1 capital ratio and common equity tier 1 capital ratio could meet regulatory requirements. At the same time, the Group maintained sufficient liquidity, average liquidity coverage ratio and net stable funding ratio to satisfy the regulatory requirements.

BUSINESS REVIEW

Wholesale Banking Business

Wholesale Banking Group ("WBG") achieved solid results by proactively pushing forward business, deepening customer relationships and developing the competitive advantage of its core products. In 2022, total income reached HK\$4.35 billion, up 10.1% compared to the last year. For core products, according to Refinitiv statistics, CNCBI ranked 4th, at the forefront, of the Hong Kong and Macau Syndicated Loan MLAB League Table with a market share of 6.7% as of end-2022. ESG-related business performed well, with the ESG loan balance reaching HK\$7.74 billion, an increase of nearly three times as of end-2021. Simultaneously, the launch of a new generation of Corporate Online Banking, and the completion of the first IPO main receiving bank transaction and the first rights issue receiving bank transaction enhanced the one-stop financial service experience for customers.

WBG will adhere to its prudent business plan, optimize its business structure, deepen its industry ties and customer relationships, and enhance its risk awareness and asset quality. Besides, a comprehensive array of financial services with improved service capabilities and quality will be offered to the customers.

Treasury and Markets Business

In the midst of extremely volatile market conditions in 2022, treasury and markets business achieved steady growth in both scale and efficiency. Marketing income increased by 3.5% year-over-year.

The Group was, highly recognized in the market, awarded "Northbound Outstanding Commercial Bank" for the third consecutive year in "Bond Connect Awards" and also received a "Primary Market Pioneer Award" in 2022. The Group received an award in the category of "Cross-Border Service Innovation" from the China Foreign Exchange Trade System in the 2022 annual interbank market evaluation results.

For securities services, through the implementation of the custodian model with China CITIC Bank Corporation Limited ("CNCB"), the asset size under custody for Southbound bonds reached US\$10.75 billion as of end-2022. With the support of CNCB and the contribution from the Southbound business, the total asset size under custody reached US\$16.19 billion, registering a more than eight-fold increase year-on-year.

For debt capital markets, the Group was actively exploring new product ideas and new customers, while reducing exposure to real estate high yield customers in order to control risk profile in the challenging market environment. For Certificates of Deposit and Medium Term Notes businesses, 533 transactions were completed in 2022 with a volume of US\$29.87 billion and revenue of HK\$28.23 million. Significant progress was achieved in comparison to the volume of US\$2.16 billion and revenue of HK\$0.89 million in 2021. The Group placed a high priority on the growth of green business. For the underwriting of green and sustainable bonds, the Group earned the "Outstanding Award for Green and Sustainable Bond Lead Manager (Local Government Financing Vehicle) – Visionary Sustainability Bond Framework" from the Hong Kong Quality Assurance Agency and ranked fifth in the green and sustainable bond underwriting ranking.

Central Treasury Unit ("the CTU") carefully managed the mismatch in the Group's liquidity gapping positions, FX funding swaps and bond investment portfolios, delivering satisfactory financial performance. On the backdrop of aggressive rate hikes by global central banks in 2022, the CTU tactically shifted reinvestment focus to lower duration bonds and captured investment opportunities while hedging interest rate exposures, aligning with a more defensive investment strategy.

Personal and Business Banking Business

Despite affected by the pandemic and the volatility of the global investment market, personal and business banking business foundation remained solid and new breakthroughs continued to be made. With the implementation of the "New Retail Business Strategy", number of High-Net-Worth customers and digital users expanded considerably. Customer deposits and loans reached new highs. The steady expansion of customers and growth of assets and liabilities established a solid foundation for the continued development of the business.

With a focus on the High-Net-Worth customers, the number of such customers climbed by 20.9% year-on-year, with Private Banking and CITIC*diamond* customers increased by 18.9% and 32.1% respectively.

Digital banking services and Fintech transformation were continued to be optimized through “inMotion”. A number of new functions were launched and existing processes were optimized this year to enhance customer experience and promote business opportunities. inMotion mobile banking customers grew 39.5% year-on-year and transaction volume through inMotion increased by 43.4% year-on-year.

Customer deposits reached a record high of HK\$175.07 billion, an increase of 15.1% year-on-year, mainly due to the High-Net-Worth customer segment that provided a more stable deposit structure. Customer loans also reached a record high of HK\$78.44 billion, a 3.3% increase year-on-year. As a result of the pandemic, travel and consumer expenditure were inevitably affected. The design of the product portfolio was refined to meet customer needs, and a series of effective promotion and marketing activities were launched to maintain a steady growth in consumer finance loans, with the loan balance increased by 13.0% year-on-year.

FINTECH TRANSFORMATION

The Group has been dedicated to encouraging the Fintech transformation and enhancing banking services. To align with the Hong Kong Monetary Authority (“HKMA”)’s “Hong Kong Fintech 2025” strategy, the Group would expand the Fintech transformation from personal and business banking to all businesses and processes, thereby achieving maximum benefit.

The Group’s both personal and business banking digital customers and inMotion customers recorded year-on-year growth, with a remarkable increase in both client acquisition and transaction volume via the digital channel. Through flagship projects such as “Rewards GO!”, customer loyalty and engagement were enhanced. “Remote Relationship Manager” service was introduced and critical retail product transaction processes, such as digitized credit approval processes, were improved to enhance customer experience and process efficiency. Besides, the Group launched the next generation of Corporate Online Banking suite in Hong Kong and Singapore, providing corporate customers with a comprehensive and seamless online transaction banking experience. FX & Gold Margin Trading Platform was introduced for treasury and markets business, which considerably boosted the number of trading customers and volume of electronic transactions on the platform. The Group also actively utilised Regtech to enhance risk management effectiveness and overall compliance standards.

In the past year, the Group optimized its information technology infrastructure along with operation and maintenance management, and collaborated with CNCB to establish a 7x24 operation and maintenance support team to ensure that key systems were highly reliable and self-controlling. In addition, the Group actively enhanced its data governance. With the restructuring of the data office, the expansion of its functions and the assignment of data stewards to various departments, data governance was used as a foundation for various business and the Regtech space, in an effort to maximize the value of the Group’s data assets.

The Group will continue to invest in and drive its Fintech transformation via new system implementations or upgrades, as well as a variety of innovative strategies.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group continues to emphasize the importance of rigorous risk governance and strives to maintain robust risk management and internal control practices. Hence, the Group has continued to enhance its “three lines of defence” to ensure that 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. 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 2022, the Group continued to equip itself with risk management capabilities to ensure that it kept abreast of new regulatory requirements and best practices. Various risk management enhancement projects and initiatives, including implementation of the Basel III Reform Package, Climate Risk Management and Operational resilience, were underway to keep pace with the evolving regulatory landscape and increasingly stringent regulatory requirements. In addition, on the basis of four core principles of climate risk management (i.e., governance, strategy, risk management and disclosure), the Group actively strengthened its resilience against climate-related risks and promoted a risk culture of green and sustainable banking.

In 2022, the Group continued to strengthen its internal control and compliance capabilities. In response to the ever-changing business environment and regulatory developments, a comprehensive approach to overall risk management and three lines of defence control assurance framework, starting with the tone at the top to continuously promote a sound risk culture and proactive management of all business risks, were adopted by the Group. To recognize the Group's achievements of public outreach and education during the year, "the Extensive Display of Anti-Scam Publicity Materials" was awarded at the Good Bank Staff Recognition Ceremony, which was held by the HK Police Force with the participation of the HKMA and the Hong Kong Association of Banks.

The Group will continue to manage business and operational technology developments and challenges, monitor market trends and work closely with all stakeholders to further facilitate greater Regtech adoption. Various uncertainties continue to pose challenges in 2023. The Group will continue to perform stress tests and portfolio reviews on key risk factors in order to assess the potential impact of stressed environments (including global recession risk and continuous geopolitical tensions) on the Group's asset quality and financial positions, and adopt appropriate risk mitigation measures when necessary.

BUSINESS CONTINUITY PLAN

The Group has continued to manage the ongoing challenges posed by the pandemic, and has adapted business continuity plans and necessary work arrangements in response to the government's pandemic control measures to ensure the safety of staff and customers with an aim to provide reliable, quality and stable banking services.

HUMAN RESOURCES DEVELOPMENT

In 2022, the Group continued to cultivate a sound bank culture. The Group continued to deepen the Agile Culture Transformation program by organizing communication sessions and workshops for all staff. A number of process re-engineering initiatives were raised and implemented, enhancing operational efficiency and cost effectiveness. The Group launched a new staff recognition program, "The Best of CNCBI", to recognize outstanding colleagues for their efforts in achieving excellence in the implementation of CNCBI's 4C strategic framework. To further facilitate two-way communications, the Group continued to conduct Employee Engagement Survey and broaden feedback channels to hear the voice of employees.

The Group has always placed great emphasis on people development and supported the personal and professional growth of its staff. During the year, the Group, through the CNCBI Academy mobile application, provided an array of online learning programs for the staff. In addition, a new CNCBI Executive Development Program was launched to help staying abreast of the latest trends of important topics such as Greater Bay Area development, Fintech and leadership. The Group continued to launch and optimize Graduate Associate Programs and 360 leadership assessments to assist employees with varying levels of experience in developing. Besides, the Group provided full sponsorship to employees looking to obtain professional qualifications as defined by the HKMA's Enhanced Competency Framework. The Group also participated in the HKMA Banking Graduate Trainee Program to nurture more new job entrants and expand the talent pool for the fast-growing areas within the banking sector.

The Group always puts employees' health and safety first. With support from CNCB and CITIC Group, the Group launched various staff caring programs during the pandemic, such as flexible work arrangements and continuous distribution of anti-pandemic supplies and health supplements. A number of initiatives were implemented swiftly as well, such as the CNCBI Anti-epidemic Staff Caring Fund, departmental fund, special overtime payment, vaccination leave, virtual consultation and medication delivery services, and more. The Group also enhanced Employee Assistance Program and Employee Wellness program, to take care of our colleagues' physical and mental health.

SUSTAINABLE GROWTH

The Group actively followed up on the deployment of sustainable development work. The ESG Steering Committee was founded and ESG strategic targets were added to the development strategy in 2022. The ESG work plan was formulated from the perspectives of the environment, society and corporate governance. To pursue sustainable development and fulfil corporate social responsibilities, the work plan included promoting customers' low-carbon transformation, growing green finance, building a mutually beneficial society, and realizing efficient and transparent management.

In addition to market recognition in business, the Bank actively employs eco-friendly business practices and advocates resource conservation in its daily operations. By taking part in the Bank's internal "CNCBI-deas" activities, the staff conserved a total of 3.46 million sheets of paper.

As a local bank that has walked along with Hong Kong society and citizens for a century, the Group has always taken its corporate social responsibility seriously and stood with Hong Kong through thick and thin. In response to the severity of the pandemic situation, the Group and its parent bank, CNCB, donated anti-pandemic supplies and launched a series of anti-pandemic relief measures to help Hong Kong fight the "pandemic", and assist affected customers and citizens in overcoming their difficulties.

The Group actively contributes to its corporate social responsibility. Throughout the year, a variety of philanthropic and charitable initiatives received encouraging results. More than 130 staff of the CNCBI Volunteer Team participated in over 20 volunteer activities and contributed over 450 hours of volunteer service. In 2022, the Group continued to be awarded the Hong Kong Council of Social Service's 15 years Plus "Caring Company Logo" and the Community Investment & Inclusion Fund of the Government of the Hong Kong Special Administrative Region's "Social Capital Builder Awards 2022 – SCB Logo Award".

ENHANCE CORPORATE BUSINESS PHILOSOPHY

In order to further align CNCBI's brand image with CNCB's, CNCBI has repositioned its vision, mission and core values. New vision "Agile. Professional. Simple." expresses the Bank utilising its expertise to provide customers with simple and accommodating products and services that allow customers to manage their banking needs with ease and peace of mind. New mission "create value for customers, seek happiness for employees, make profit for shareholders, perform responsibility for society" adheres to the Bank's original intention to be accountable to its stakeholders, create value, and give back to community through professional services. Core values "Culture", "Customer", "Collaboration" and "Cyberspace" are the Bank's highly condensed value concept, which became the belief and code of conduct upheld by all management and staff during the Bank's development.

OUTLOOK

In 2023, global economic momentum will continue to weaken and a number of developed economies will potentially fall into recession. It is anticipated that the global GDP growth rate would be around 2%, while the growth rate in mainland China may exceed 5% which is much better than the global economic performance. The normalization of Hong Kong's local economic activity will help unlock its growth potential by leveraging the high growth momentum of the economy of the mainland China. Retail sales should continue to recover, and a rebound in private consumption will keep lowering unemployment. GDP growth in 2023 could approach 4%. As for the interest rate environment, as the Fed's rate-hike cycle is gradually coming to an end, the space for Hong Kong interest rate increases will also become increasingly limited.

The Group will continue to grow with CNCB, enhance synergies through collaboration, improve global business network, seize opportunities after opening the border, and offer onshore and offshore customers comprehensive global services for broadening and diversifying income sources.

The Group will continue to support agile cultural transformations, optimize cross-departmental business processes, encourage and deepen the Fintech transformation, support product and service innovation, improve the use of Regtech, and enhance efficiency and productivity.

The banking industry is paying more attention to sustainable development. The Group will progressively enhance the ESG management structure in order to pursue sustainable development and fulfil corporate social responsibilities through promoting customers' low-carbon transformation, growing green finance, building a mutually beneficial society, and realizing efficient and transparent management.

Facing numerous challenges and uncertainties in 2023, the management team and all staff of the Group will collaborate and unflinchingly comply with the strategic deployment of CITIC Group and CNCB, and continue to implement the 4C strategic requirements in accordance with the guidelines of the HKMA to achieve a stable development. At the same time, seize the tremendous prospects of the times for Hong Kong, integrate deeply into various national development policies, fully support Hong Kong's continual acceleration of growth, and contribute to the long-term prosperity and stability of Hong Kong's economy and society!

Bi Mingqiang

President & Chief Executive Officer

Hong Kong, 22 March 2023